

Granite State Electric Company d/b/a National Grid  
Docket No. DE 08-011  
Witness: J. D. Warshaw

**SCHEDULE JDW – 8**

**Renewable Portfolio Compliance Plan**

## **Granite State Electric Company**

### **Electric Renewable Energy Portfolio Standards Compliance Plan**

#### **BACKGROUND**

In 2007 the State of New Hampshire enacted an Electric Renewable Portfolio Standards law (“RPS Law”) (RSA 362-F) to foster the development of renewable energy sources to meet New Hampshire’s energy needs. The RPS Law requires all retail electricity suppliers to source a minimum portion of their energy needs from a portfolio of renewable energy resources. The resources are divided into 4 separate classes. They are:

**Class I** consists of new generators (defined as those beginning operation after January 1, 2006) that utilize: 1) wind energy; 2) geothermal energy; 3) hydrogen derived from biomass fuels or methane gas; 4) ocean thermal, wave, current, or tidal energy; 5) methane gas; 6) eligible biomass technologies; 7) incremental production from existing biomass, methane, or hydroelectric sources of any size; and 8) certain incremental production from Class II, III, and IV sources.

**Class II** consists of new generators utilizing solar technologies.

**Class III** consists of existing generators utilizing: 1) biomass technologies with a gross nameplate capacity of 25 MW or less; and 2) methane gas.

**Class IV** consists of existing qualifying small hydroelectric generators with a gross nameplate capacity of 5 MW or less.

The following table summarizes the annual increases in RPS resource requirements from 2008 through 2025:

<b>Year</b>	<b>Class I</b>	<b>Class II</b>	<b>Class III</b>	<b>Class IV</b>	<b>Total</b>
2008	0.0	0.0	3.5	0.5	4.0
2009	0.5	0.0	4.5	1.0	6.0
2010	1.0	0.04	5.5	1.0	7.54
2011	2.0	0.08	6.5	1.0	9.58
2012	3.0	0.15	6.5	1.0	10.65
2013	4.0	0.20	6.5	1.0	11.70
2014	5.0	0.30	6.5	1.0	12.80
	+1.0 annually				
2025	16.0	0.30	6.5	1.0	23.80

On June 2, 2008, the New Hampshire Public Utilities Commission (“Commission”) issued final rules (Chapter PUC 2500) implementing the RPS Law. For 2008, all retail electricity suppliers are required to demonstrate that at least 3.5% of their generation supply resources are provided from Class III renewable energy resources and 0.5% from Class IV renewable resources. Retail electricity suppliers may satisfy this requirement by

providing attribute certificates from the New England Generation Information System ("NE-GIS") or making an Alternative Compliance Payment ("ACP") to the State of New Hampshire Treasury.

Granite State Electric Company (the "Company") is subject to the RPS Law requirements relating to the supply for its Default Service customers. The Company's RPS Law requirements for calendar year 2008 sales are estimated to be 24,000 Class III certificates and 3,500 Class IV certificates.<sup>1</sup> Assuming these requirements are met entirely through an ACP, this would result in a compliance cost of approximately \$800,000 for the year.<sup>2</sup>

## COMPLIANCE ELEMENTS

Since the Company does not purchase unit specific power to meet its Default Service requirements, it will purchase RPS certificates or remit an ACP, if necessary, to comply with the RPS Law.

The form of RPS certificates that may be purchased includes:

- Certificates that have been issued by the NE-GIS during the current active trading session. These certificates will be issued by the NE-GIS from the final, reported production data of RPS certified facilities. As a result the number of available certificates is firm and known.
- Certificates from the future production of an RPS certified facility. These certificates can either be on a firm or unit-contingent basis. With a firm purchase, the seller would be responsible for delivering a fixed number of certificates regardless of actual plant output. A unit-contingent purchase would be based on actual plant output and the number of certificates purchased would be unknown until after final, reported data is available for the specified facility.

## PROCUREMENT PROCESS

Currently the Company procures its Default Service requirements through competitive solicitations every six months for the Small Customer Group and quarterly for the Large Customer Group. For all future solicitations involving service for 2008 and beyond, the Company will seek bids from suppliers to include the RPS compliance obligation as part of the winning suppliers' responsibility.

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<sup>1</sup> Based on total Default Service load for the 12-month period ending June 30, 2008 of 682,400 MWhs.

<sup>2</sup> This figure does not include any costs charged to the Company by ISO New England for the Company's share of supporting the NE-GIS.

All solicitations will request that bidders provide an RPS compliance bid for each of the RPS resource classes.<sup>3</sup> The Company will evaluate the bids and select the lowest cost of supply for Default Service. Before committing to this purchase, the Company would evaluate the winning supplier's (or suppliers') bid to provide RPS certificates with Default Service. If the cost is higher than the Company's estimate of the market price for RPS certificates (or higher than RPS certificates purchased in the most recent separate solicitation), the Company would reject the RPS bid and attempt to purchase RPS certificates at a lower cost through a separate solicitation (as described in detail below). This will provide the Company with an opportunity to meet the RPS requirements at the lowest cost to customers. The Company will share this information and its decision with Commission Staff as part of the Default Service Request for Proposals ("RFP") process.

Any RPS requirements not provided by Default Service supplier(s) will first be met with RPS certificates purchased by the Company in separate solicitations (as described below). To the extent the Company is unable to obtain sufficient RPS certificates to meet its RPS resource requirements; it will make an ACP for the unmet requirements.

To meet its RPS Law obligation not provided by Default Service supplier(s), the Company proposes to use several market-based strategies. The primary method the Company will use is an RFP process. Twice a year, the Company will issue an RFP to purchase New Hampshire RPS compliant certificates. In evaluating responses to these RFPs, the Company will consider its outstanding needs, the offers submitted and the following criteria:

- Lowest evaluated bid price;
- Quantity of NEPOOL-GIS Certificates offered;
- Type of certificate offered (firm delivery, unit contingent);
- Ability of supplier to meet its obligation to deliver NEPOOL-GIS Certificates;
- Supplier's ability to meet the credit requirements, including providing security if required, established in the proposed Certificate Purchase Agreement;
- The supplier's past experience in providing similar services to National Grid;
- The supplier's past experience in providing similar services to other companies in New England;
- The supplier's past experience in providing similar services to other companies in other regions;
- The supplier's demonstrated understanding of its obligations under the proposed Certificate Purchase Agreement; and

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<sup>3</sup> For these solicitations, RPS Law compliance means transferring to the Company sufficient RPS certificates attributable to the load served by the supplier multiplied by the applicable RPS percentages for the year of service.

- Whether there have been any past or are any present events that are known that may adversely affect the supplier's ability to provide NEPOOL-GIS Certificates.

The Company would accept offers (ranked from lowest to highest cost) until the requirements in the RFP are met. The Company will exercise its discretion to reject some or all bids below the estimated ACP rate and will purchase certificates relating to offers that have not been rejected. The Company will not purchase certificates that are at or above the applicable ACP rate.

Prior to filing the results of the RFP with the Commission, the Company will share the information with Commission Staff and identify the bids the Company intends to accept, before executing any contracts. Once the Commission Staff completes its review of the Company's recommended awards and does not object or identify any issues that would prevent the Company from executing contracts, the Company will execute the contracts. Once executed, the Company will file the contract(s) with the Commission within three (3) business days from the date of execution. The contract(s) will become effective upon approval by the Commission no later than five business days following the date of the filing. This will provide the Commission with sufficient time to review and approve the results of the RFP before the contracts become effective.

The Company will attempt to procure enough certificates to meet its RPS Law requirements. To the extent the Company may procure more than its requirements, the Company will bank its certificates to meet future RPS Law requirements, as set forth in the RPS regulations (Chapter PUC 2500).

To the extent the Company is not able to fully meet its RPS Law requirements through the above processes; the Company will make an ACP for each RPS Law requirement for which it has not purchased sufficient certificates.

The Company believes that the process outlined above will allow it to comply with the RPS Law requirements at the lowest cost to its customers. Each purchase of a certificate will be at market, though prices will vary over time by supplier and offer. By purchasing certificates from a mix of suppliers at different times, the Company can take advantage of dollar cost averaging to reduce price volatility to its customers, thus delivering the lowest cost of compliance in a consistent and controlled manner.

#### **RENEWABLE PORTFOLIO STANDARD ADDER**

Twice a year, as part of the Default Service filings in March and September, the Company will also calculate an RPS Adder applicable for the six-month period of the filed Default Service rates. The RPS Adder will be based on either the RPS compliance price adder accepted with the winning supplier's bid or proxy RPS costs developed by the Company. These proxy RPS costs would be based on either the results of the Company's most recent RPS solicitation (as described above) or an estimate of the market price for RPS certificates.

## **COST RECOVERY**

The Company anticipates that the Commission will allow recovery of any and all costs incurred in meeting the RPS Law requirements. This would include all direct purchase costs, broker fees, option costs, all other costs incurred during the procurement, and any ACP paid to the State of New Hampshire. Any difference between the revenue received from the approved RPS Adder(s) from Default Service customers and the actual cost of RPS Law compliance will flow through the Company's annual Default Service reconciliation which takes place in May and, upon approval of the Commission, be reflected in the Company's Default Service Adjustment Factor.