

DE 10-024

GRANITE STATE HYDROPOWER ASSOCIATION, INC.

TWO COMMERCIAL STREET, PENACOOK, NEW HAMPSHIRE 03303

603-753-4577

February 24, 2010

Debra A. Howland, Executive Director & Secretary
New Hampshire public Utilities Commission
21 South Fruit St., Suite 10
Concord, NH 03301-2429



Re: DE 10-024, Renewable Energy Fund Notice of
Opportunity to Comment on Additional Renewable
Energy Incentive Programs

Dear Ms. Howland:

As the President of Granite State Hydropower Association, Inc. (GSHA) and on behalf of its members which operate and manage around 45 hydroelectric facilities in New Hampshire totaling around 50 megawatts, I would like to offer comments regarding DE 10-024, Renewable Energy Fund Notice of Opportunity to Comment on Additional Renewable Energy Incentive Programs.

GSHA was an active participant in the discussions and negotiations leading up to the passage of the RPS law, as well as an active participant in the RPS rulemaking at the New Hampshire Public Utilities Commission (PUC). GSHA is familiar with the legislative history and the legislative intent of the RPS law and the purpose of the Renewable Energy Initiatives as set forth in Section 2507.03 of the New Hampshire Code of Administrative Rules.

Since the Renewable Energy Fund (REF) was established, the PUC has concentrated solely on distributing funds to support the installation of residential wind and solar facilities over other technologies and sites by giving those technologies exclusive access to the REF while denying others the opportunity to compete for some of the funds in the REF. Without the benefit of a more broadly based competitive RFP process, policymakers, stakeholders, and ratepayers do not have an objective means of determining whether the REF is being used to support the best mix of renewable energy projects in New Hampshire. GSHA believes that the PUC should now immediately expand the use of the REF beyond the residential sector and beyond solar and wind, and permit the commercial sector and other businesses that propose other renewable energy projects to fairly compete through an RFP process for access to funds in the REF.

PRODUCING ELECTRICITY FROM A RENEWABLE RESOURCE.

Section 2507.03(b) states, among other objectives, that the REF should be used in a manner that is cost effective, will increase fuel diversity, will support projects that are realistically proposed and achievable, and most likely, on balance, will advance the purpose of RSA 362-F within the constraints of available funds. GSHA respectively suggests that, however successful the rebate programs may appear to have been to date, the lack of an RFP process has meant that other meritorious projects have not been afforded a fair and equitable opportunity to compete for REF funds.

The REF contains approximately \$4.5 million for the period July 2009 through June 2010. Under the existing rebate program, GSHA believes about \$1.3 million has been granted to homeowners to support installation of solar panels and wind turbines totaling approximately 600 kilowatts of electrical capacity (\$2,166/kw). The average capacity factor for a New England located solar panel is approximately 12% and the range of capacity factors for wind turbines is about 20%-30%.¹ GSHA believes that there are more cost-effective and efficient ways that the REF could be used that would produce more renewable electric energy at a lower cost while offering equal or better job expansion opportunities and a more diverse portfolio of existing and new renewable projects.

Clearly, GSHA has a vested interest in seeking an RFP process. It is likely some GSHA project members would seek REF funds to modify and / or expand existing in-state hydroelectric plants that would result in improved plant efficiency and / or greater output levels. GSHA is also aware through its membership in the New Hampshire Business and Industry Association that there are many other commercial and industrial customers, many of them BIA members, that would seek REF funds for customer-sited renewable facilities or thermal facilities. GSHA believes that all projects at renewable facilities, both existing and new, should be given an equal opportunity to compete for access to REF funds. For additional background and comments on this need for equal opportunity, GSHA has enclosed a copy of its written testimony on House Bill 1270 As Introduced.

GSHA is not seeking preferential treatment for its member projects. Rather, GSHA believes that the RFP process should be open to all interested residential and business projects. At a time when unemployment in New Hampshire is around 7% and much focus is on keeping and creating jobs, GSHA believes it would be sound public policy to ensure that at least some of the remaining \$3.2 million in the REF, as well as a portion of future REF funds, is distributed to different sectors of the state's economy and secures the most efficient use of the funds in terms of the most megawatts, the most electrical energy, the most jobs, and the most environmental benefits.

¹ "Wind Power: Capacity Factor, Intermittency, and what happens when the wind doesn't blow?"
Renewable Energy Research Laboratory, University of Massachusetts at Amherst. 2008-10-16

Thank you for your consideration of our comments.

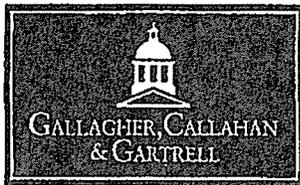
Sincerely,



Richard A. Norman, President
GRANITE STATE HYDRO ASSOCIATION

Enclosure

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January 21, 2010

Hon. Naida Kaen
Chairwoman, House Science, Technology & Energy Committee
State House
107 North Main Street
Concord, NH 03301

RE: House Bill 1270, An Act Relative to Permitting Existing Hydroelectric Plants to Receive Grants from the Renewable Energy Fund for Installing Upgrades

Dear Chairwoman Kaen and Members of the Committee:

Thank you for the opportunity to testify in support of HB 1270. My name is Heidi Kroll from Gallagher, Callahan & Gartrell, and I am here today representing the Granite State Hydropower Association (GSHA). GSHA is a voluntary, non-profit trade association for the small, independent hydroelectric power industry in New Hampshire. GSHA members own, operate and manage about 45 hydroelectric facilities in New Hampshire totaling around 50 megawatts. As you know, hydroelectricity is an emissions-free, renewable, reliable and local distributed energy resource that provides important economic, recreational, and environmental benefits to the state.

House Bill 1270 is an important piece of legislation needed to clarify the intent of the Renewable Portfolio Standards law (RSA 362-F) and to ensure that all classes of renewable projects located in New Hampshire, existing and new, regardless of ownership, have an equal opportunity to access the Renewable Energy Fund. Indeed, the Purpose Statement in RSA 362-F:1 says that it is "in the public interest to stimulate investment in low emission renewable energy generation technologies in New England and, in particular, New Hampshire, *whether at new or existing facilities.*" (Emphasis added)

GSHA was an active participant in the discussions and negotiations leading up to the passage of the RPS law, as well as an active participant in the RPS rulemaking at the Public Utilities Commission (PUC). In our opinion, the legislative history and the legislative intent of the RPS law, and the intent of the PUC's RPS rules, is to use a Request-For-Proposals process to allocate a portion of the money in the RPS Fund. Applicants would respond to an RFP and compete for grants from the Renewable Energy Fund in much the same way as the RFP and grant process recently worked for the Regional Greenhouse Gas Initiative (RGGI) program.

GALLAGHER, CALLAHAN & GARTRELL, P.C.

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GSHA is concerned by the Public Utilities Commission's statement that it has "no immediate plans to issue an RFP"¹ despite the intent of the RPS law and the intent of the RPS rules. The Commission has said that it plans to design and "fund additional rebate programs *before* issuing any RFPs to seek proposals" from other types of renewable projects.² (Emphasis added) To date, the Commission has only provided homeowners with access to the Renewable Energy Fund through a Commission-run rebate program.

At a time when unemployment in New Hampshire is 7%, Governor Lynch just today talked about new job initiatives and innovation, and the federal government is focused on keeping and creating jobs through the stimulus package, it would be sound public policy to issue an RFP so that RPS Funds could get out the door in a fair, equitable, and expeditious manner. The RPS Fund contains \$4.5 million for the period July 2009 through June 2010. Under the existing rebate program, since July 2009, about \$1.3 million has been granted to homeowners for solar panels and wind turbines totaling a very modest 0.6 megawatts.³ An RFP would ensure that at least some of the remaining \$3.2 million is distributed to different sectors of the state's economy and secures the biggest bang for the buck, including the most megawatts, the most jobs, and the most environmental benefits.

It is of great concern to GSHA that the Commission has stated that it has "no immediate plans to issue an RFP" because the Commission's RPS Rule very clearly states that "The commission shall periodically issue a request for proposals for initiatives to be supported by the renewable energy fund." (PUC 2507.03) GSHA is troubled for a number of reasons, including but not limited to the following:

- It is important that the RPS law be implemented in a manner consistent with the Legislature's intent. The Legislature is responsible for setting the RPS policies. The Commission is responsible for implementing them. The legislative intent has always been, and continues to be, to use the RPS Funds to maintain, support and promote all classes of renewables.
- The Legislature has never directed the Commission to postpone issuing an RFP in order to give priority, and 100% of the RPS Fund, to new, customer-sited renewable projects only. Indeed, the original concept was to dedicate up to 10% of the Fund to rebate programs, and the PUC's rules set a floor of 20%. Neither percentage indicates an intent to spend 100% of the Fund on rebate programs.
- The fact that the PUC has no plans to issue an RFP is prohibiting the opportunity for other renewable projects, including existing projects owned by small private entities, to receive RPS Funds. Without an RFP, there is no opportunity for any renewable project to access money in the Fund, unless that project is a new project and one that meets the Commission's technological requirements for rebates.
- An RFP is very important because it will help ensure that the RPS Funds are giving the state the biggest bang for the buck and are being used to support a highly cost-effective and diverse portfolio of existing and new renewable energy projects.

¹ For example, see the PUC's Annual Compliance Report to the Legislature dated October 1, 2009.

² Memorandum from Jack Ruderman to the EESE Board Members dated January 5, 2010.

³ Most homeowners reportedly receive the maximum rebate of \$6,000.

- During the passage of the RPS law and the rulemaking process for the RPS rules, New Hampshire policymakers and stakeholders enthusiastically supported the use of Requests-For-Proposals. The process to be used for selecting winning bidders was carefully designed during the rulemaking process to balance a number of considerations. Those considerations are set forth in the PUC's rules, PUC 2507.03. (See attached).
- Pre-determining winners and losers, without the benefit of a competitive RFP process, calls into question whether the RPS Fund is being used to support the best mix of renewable projects in New Hampshire. The Commission should not pick and choose certain technologies (namely customer-sited wind and solar) over other technologies and sites, and give those technologies exclusive access to the RPS Fund, while denying others the opportunity to compete for some of the Funds.
- The money currently in the RPS Fund came entirely from Class III and Class IV Alternative Compliance Payments – there were no Class I and Class II requirements in 2008 – and was paid by all ratepayers. Nonetheless, only Class I and Class II renewables and only certain customer groups are being given access to the RPS Fund. Until the Commission issues an RFP, there is not even an opportunity for projects that are, or could be, Class III and Class IV projects to access the Funds.

GSHA supports HB 1270 because it will ensure that renewable projects that don't qualify for the Commission's rebate programs nonetheless have an equal opportunity – not a guarantee, but simply an opportunity – to put forth proposals that may be worthy of grants from the Renewable Energy Fund. In the case of GSHA members, they may seek grants to help pay for the cost of installing upstream and downstream fish passages so that their facilities can become Class IV facilities and boost the supply of Class IV RECs, which would lower RPS compliance costs borne by ratepayers. Or they may seek grants to help pay for efficiency upgrades at their facilities so that they can generate more renewable power while using the same amount of water. These are just two examples of the types of proposals that might come before the Commission as a result of an RFP.

GSHA appreciates the fact that the RPS Fund has a limited number of dollars in it relative to the demand that the Fund could serve. However, limited funding does not change the fact that all classes of renewable projects located in New Hampshire, existing and new, regardless of ownership, should have an equal opportunity to access the Renewable Energy Fund. This was the intent of the RPS Law.

In closing, GSHA appreciates your consideration of this testimony and welcomes the opportunity to answer any questions. We respectfully request that you find it in the public interest to pass HB 1270. Thank you very much.

Sincerely,



Heidi L. Kroll

Enclosure

NEW HAMPSHIRE CODE OF ADMINISTRATIVE RULES

Puc 2507.03 Renewable Energy Initiatives.

- (a) The commission shall periodically issue a request for proposals for initiatives to be supported by the renewable energy fund. All such initiatives shall be located in New Hampshire.
- (b) In determining whether and to what extent it will dedicate money from the renewable energy fund to proposals submitted pursuant to (a) above, the commission shall consider the extent to which:
- (1) The initiative is likely to expand or support the production capacity of renewable energy facilities located in New Hampshire;
 - (2) The initiative is likely to be cost-effective;
 - (3) The initiative promotes market transformation, innovation, and energy cost savings;
 - (4) The initiative will reduce New Hampshire's peak load as well as defer or eliminate local utility distribution plant expenditures;
 - (5) The initiative is likely to result in economic development and environmental benefits for New Hampshire;
 - (6) The initiative increases fuel diversity in the production of electricity or thermal energy for consumption in New Hampshire; and
 - (7) The applicant has the capacity to successfully complete the initiative and the significance of the proposed assistance of the renewable energy fund in the viability of the project.
- (c) The commission on its own motion shall dedicate funds for those initiatives that it finds are:
- (1) Substantially consistent with the factors set forth in (b) above;
 - (2) Realistically proposed and achievable by the applicant; and
 - (3) Most likely, on balance, to advance the purposes of RSA 362-F, within the constraint of available funds.
- (d) The commission shall allocate all Class II alternative compliance payments into the renewable energy fund, on an annual basis, to projects and initiatives that support eligible solar technologies.
- (e) The commission shall allocate not less than 20 percent of Class I, II, III and IV alternative compliance payments received on an annual basis to customer-sited thermal and renewable energy projects of up to 100 kilowatts in gross nameplate capacity or the equivalent thermal output provided that such customer-sited projects meet the requirements of Puc 2507.04.
- (f) The commission on its own motion and after notice and hearing shall establish a rebate program for customer-sited renewable energy projects of up to 100 kilowatts or equivalent thermal output, to be supported by the fund allocated pursuant to (e) above.

Source. #9169, eff 6-3-08

Puc 2507.04 Customer-Sited Projects.

- (a) The provisions of this part shall apply to customer-sited generation of up to 100 kW in gross nameplate capacity or equivalent thermal output.