

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

Docket DE 15-035

ELECTRIC RENEWABLE PORTFOLIO STANDARD

RSA 362-F:4, V and VI, Adjustments to Renewable Class Requirements

COMMENTS OF LISA LINOWES AND WILLIAM P. SHORT III

I. EXECUTIVE SUMMARY

New England operates an integrated renewable energy credit ("REC") market. RECs are sold between states to meet RPS mandates and they tend to flow to the states offering the highest price.

A substantial number of RECs, including RECs from resources sited within New Hampshire, are going towards meeting compliance in other states. As a result, New Hampshire has been unable to achieve RPS compliance and NH ratepayers are bearing the burden of significant penalty payments, or ACPs. Exhibit B attached includes a series of tables showing how much NH's RPS has cost ratepayers in the years 2011-2013 and the projected costs for the program in 2014 and 2015.

The legislature has reacted to the ongoing cost and compliance problem in several ways including granting the NH PUC authority to adjust the RPS percentages for Class III and IV, delaying or accelerating the incremental increases for Class I and Class II and by altering the ACPs by Class. Bills pending in this legislative session (2014-15) propose dramatic and controversial changes to the RPS that would expand Class I to accept large-scale hydro and that collapse all RPS classes into a single class.

Large policy changes are not necessary and could prove harmful to ratepayers as well as NH's in-state power plants. To solve the compliance problem, we need first to acknowledge that New Hampshire is competing with Massachusetts, Connecticut and Rhode Island, for renewable energy credits. RECs that should be coming to New Hampshire are going someplace else.

II. ADJUSTING THE RPS

We propose several adjustments to the NH RPS, that if implemented in statute, would significantly increase compliance for Class I, II and IV and dramatically lessen the ACP payments. The first is to change the in-service date for Class I new resources from January 1, 2006 to January 1, 1998 to be consistent with both Massachusetts and Rhode Island. This one change could drive as many as 300,000 RECs into New Hampshire Class I overnight.

The second is to amend the ACP prices to be slightly higher than the ACPs in Massachusetts and Connecticut. RECs flow to the states that pay the most.

With regard to Class III, we encourage the Commission to reduce the 2014 and 2015 Class III RPS obligation to 0%, or a near zero percent and continue to do so annually until we can better assess how Connecticut will respond to its recent changes in statute.

These amendments and others are explained further in exhibit A attached.

Thank you for the opportunity to provide comments on this important matter.

RESPECTFULLY SUBMITTED,

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EXHIBIT A

Five proposed amendments to the current RPS that will go a long way in terms of correcting our inability to meet compliance and will lead to lower RPS costs for NH ratepayers.

A) Change The Start Dates. Change the start year for Class I (new) resources to January 1, 1998 to be consistent with the Massachusetts and Rhode Island RPS programs. Currently the date is January 1, 2006.

Effect: This change will reduce Class I cost of compliance by opening it to numerous landfill gas facilities that are now flowing to Connecticut to meet Connecticut's RPS Class I.

B) Amend The ACPs To Be Consistent With Other States. Raise the ACP for Class I to \$56.00 and leave it fixed there. Increase the Class II ACP to \$1.00 above the current year's Mass Class I ACP and raise the Class IV to \$0.50 more than the current year's Massachusetts Class II RPS. For now, retain Class III as is and continue the PUC administrative fix to reduce the percentage. At some point in the future, we expect NH Class III resources to return to New Hampshire as Connecticut and Massachusetts act to disqualify this technology.

Effect: New Hampshire's RPS will consistently offer more for RECs than the other states which we are now competing with for compliance. Changing the ACP should result in our Class I, II and IV classes being satisfied and the REC prices dropping in price. In all cases, achieving compliance is cheaper for ratepayers than paying ACPs.

C) Correct Class I-Thermal Percentages. Correct for the Concord Steam issue with Class I thermal by reducing the increase scheduled for 2015 and thereafter and place the balance at the end of the RPS. The Concord Steam plant for which this percentage was included has been terminated.

Year	Current	Change to
2013	0.00%	--
3014	0.40%	--
2015	0.60%	0.50%
2016	1.30%	0.60%
2017	1.40%	0.70%
2018	1.50%	0.80%
2019	1.60%	0.90%
2020	1.70%	1.00%
2021	1.80%	1.10%
2022	1.90%	1.20%
2023	2.00%	1.30%
2024	2.00%	2.00%

Effect: This action will protect NH ratepayers from incurring the cost of this mandate for which there are insufficient RECs.

D) Rebate ACP Funds To Ratepayers. Amend the statute to rebate back all ACPs to ratepayers of complying load servicing entities and electric distribution companies.

Effect: If the recommended adjustments do not result in New Hampshire energy suppliers meeting the mandates for renewable energy, the ratepayers should not be held responsible. The PUC will return the ACP funds to those entities who demonstrate a concerted effort to meet compliance.

E) Stop Power Purchase Agreements (Chapter 362-F:9). Long-term PPAs go against the principles of deregulation. Renewable energy proponents who insist that such PPAs benefit ratepayers by protecting them from fuel price volatility are ignoring our historical experience under the Public Utility Regulatory Policies Act (PURPA) which demonstrated decades ago that long-term fixed price contracts at above market prices do not lead to lower costs for ratepayers. In fact, with PPAs in place, it's project developers that are shielded entirely from market price fluctuations – fluctuations that they might create — while the full risk is borne by the ratepayer.

Currently PSNH and the NH Electric Coop hold long-term contracts with renewable energy projects that are substantially above market price. In a competitive energy market where prices can fall to as low as -\$900/MWh as reported by the ISO-NE for this month (January 2015), such contracts are harmful to ratepayers.

F) Increase Transparency on Reporting RECs. Amend RSA 362-F:8 by requiring the following information be collected by the PUC and documented in its annual report to the committee:

- 1) The number of renewable energy credits that were purchased during the prior year and identify the class of each renewable energy credit and source of the renewable energy credit.
- 2) The number of renewable energy credits that were produced during the prior year on a monthly basis and the Class of each renewable energy credit.

G) Retaining RECs. Any ACPs collected from energy suppliers who fail to meet NH's RPS that are awarded as grants to encourage in-state renewable energy projects should require that REC's generated by the projects stay in New Hampshire to satisfy NH's RPS.

H) Eliminate Potential For the Double-counting of RECs. Amend RSA 362-F:4 to include wording that states: read as follows:

Any electricity in megawatt hours or useful thermal energy that is claimed nor counted by a load-serving entity, province or state toward compliance with renewable portfolio standards or renewable energy policy goals in another province or state, other than the state of New Hampshire will be disqualified from the New Hampshire RPS.

RECs and ACPs 2012		2012-ACP	2012 ACP Price	Compliance Percent*	# ACP	Total RECS	Total RECS less ACP	REC Prices (96% ACP)**	RPS Cost 2012	ACP cost only
Class I		\$3,044,471	\$64.02	3.00%	47,555	316,751	269,196	\$61.46	\$19,589,022	\$3,044,471
Class I thermal		\$0	\$0.00	0.00%	0	0	0	\$0.00	\$0	\$0
Class II		\$180,907	\$168.13	0.15%	1,076	15,838	14,762	\$161.40	\$2,563,490	\$180,907
Class III		\$4,639,975	\$31.39	1.40%	147,817	147,817	0	\$30.13	\$4,639,975	\$4,639,975
Class IV		\$1,457,845	\$31.39	1.00%	46,443	105,584	59,141	\$30.13	\$3,240,011	\$1,457,845
	Total	\$9,323,198			242,891	585,989	343,098		\$30,032,499	\$9,323,198
estimated load (MWh)		10,558,356								
2012 RPS price/MWh (RPS cost/Est. Load)		\$2.84								
Cost/MO Avg residential***		\$1.66								

RECs and ACPs 2011		2011-ACP	2011 ACP Price	Compliance Percent*	# ACP	Total RECS	Total RECS less ACP	REC Prices (96% ACP)**	RPS Cost 2011	ACP cost only
Class I		\$2,288,344	\$62.13	2.00%	36,832	212,213	175,382	\$59.64	\$12,748,944	\$2,288,344
Class I thermal		\$0	\$0.00	0.00%	0	0	0	\$0.00	\$0	\$0
Class II		\$89,837	\$163.16	0.08%	551	8,489	7,938	\$156.63	\$1,333,182	\$89,837
Class III		\$15,551,499	\$30.46	6.50%	510,555	689,693	179,138	\$29.24	\$20,789,778	\$15,551,499
Class IV		\$1,205,812	\$30.46	1.00%	39,587	106,107	66,520	\$29.24	\$3,150,958	\$1,205,812
	Total	\$19,135,492			587,524	1,016,501	428,977		\$38,022,862	\$19,135,492
estimated load (MWh)		10,610,657								
2011 RPS price/MWh (RPS cost/Est. Load)		\$3.60								
Cost/MO Avg residential***		\$2.10								

* Compliance percentages do not include net metering credit.

** REC prices are conservatively assumed to equal 96% of ACP

*** Assumes residential users consume 7 mwh/year - (7 * RPS Cost/mwh)/12

Sources: NHPUC Annual Compliance Reports and industry REC price schedules

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