



NHPUC FEB11 '15 AM10:06

February 10, 2015

BY ELECTRONIC MAIL

Debra A. Howland
 Executive Director and Secretary
 New Hampshire Public Utilities Commission
 21 S. Fruit Street, Suite 10
 Concord, NH 03301-2429

**Re: Docket No. DE 15-035, Electric Renewable Portfolio Standard – RSA 362-F:4, V and VI, Adjustment to Renewable Class Requirements
Comments of Unitil Energy Systems, Inc.**

Dear Director Howland:

On January 21, 2015, the Public Utilities Commission (“Commission”) issued an Order of Notice (“Notice”) soliciting comments in the above referenced docket and scheduled a Public Hearing for February 12, 2015. The Commission seeks comments as to whether it is appropriate for the Commission to adjust the Class III renewable portfolio standard (“RPS”) requirements, and, if so, what calendar years should be adjusted, and how the adjustments should be calculated. Please accept this letter as the comments of Unitil Energy Systems, Inc. (“UES”), and the Company will be present at the Public Hearing to address any questions the Commission may have.

As discussed in its Notice, market conditions for New Hampshire renewable energy certificates (“RECs”) are such that NH Class III RECs are being purchased by electricity providers in other states to comply with RPS requirements in those states. UES’ recent experience in attempting to fulfill its RPS requirements for NH Class III RECs is summarized below.

Unitil Energy Systems, Inc.

RFP History for NH Class III RECs

2011 - 2014

RFP Issuance	Vintage RECs	Volume Solicited	Volume Received
October 11, 2011	2011	27,400	0
January 17, 2012	2011	53,000	0
January 17, 2012	2012	27,500	0
April 30, 2013	2012	10,900	0
April 30, 2013	2013	6,000	0
February 18, 2014	2013	11,575	0
February 18, 2014	2014	12,300	0
October 22, 2014	2014	23,000	0
October 22, 2014	2015	60,000	0

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The Company has attempted to acquire the RECs necessary to meet its NH Class III RPS requirements; however, as discussed, these RECs are not available. Accordingly, UES has fulfilled its requirements by making the requisite payments to the New Hampshire Renewable Energy Fund. For compliance years 2011 through 2013, UES has paid over \$2 million into the Renewable Energy Fund. A summary is provided in the following table.

Unitil Energy Systems, Inc.
Alternative Compliance Payments for NH Class III RECs
2011 - 2015

Compliance Year	RPS Percentage	REC Volumes	REC Payments	APS Payments
2011	6.50%	52,933	\$0	\$1,612,339
2012	1.40%	11,055	\$0	\$347,016
2013	0.50%	3,860	\$0	\$121,590
2014	3.00%	23,365	\$0	\$746,045
2015	8.00%	61,866	\$0	\$2,783,970

(1) 2014 projected payment based on current RPS requirement of 3% and ACP rate of \$31.93 per REC.

(2) 2015 projected payment based on current RPS requirement of 8% and ACP rate of \$45.00 per REC.

For compliance years 2014 and 2015, based on the current RPS requirements and ACP rates, UES expects to pay an additional \$3.5 million into the Renewable Energy Fund.

Given the current market conditions discussed in the Notice and the recent experience in meeting the NH Class III RPS requirements for calendar years 2011 through 2013, UES is concerned that ratepayer funds will continue to be used to claim support for NH Class III (biomass and methane) renewable facilities, yet result in significant payments to the Renewable Energy Fund which will be used for other renewable efforts.

Chapter 362-F, Section VI of the RPS allows the Commission to adjust the Class III requirement as follows:

After notice and hearing, the commission may modify the class III and IV renewable portfolio standards requirements under RSA 362-F:3 for calendar years beginning January 1, 2012 such that the requirements are equal to an amount between 85 percent and 95 percent of the reasonably expected potential annual output of available eligible sources after taking into account demand from similar programs in other states.

Considering the latter portion of the statute and the issues identified by the Commission in its Notice (i.e., the supply of NH Class III RECs is extremely limited because (1) to be eligible to produce Class III RECs, sources had to be operating as of January 1, 2006, and (2) a continued demand for NH Class III RECs in Connecticut, Massachusetts and Rhode Island), it appears that the expected potential annual output of available eligible sources after taking into account demand from similar programs in other states is effectively zero. Accordingly, UES recommends that the Commission reduce the Class III RPS percentage requirement from 3.00% to 0.00% for calendar year 2014; and reduce the Class III percentage requirement from 8.00% to 0.00% for calendar year 2015.

UES appreciates the opportunity to provide comment and make a recommendation regarding this policy matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Epler". The signature is fluid and cursive, with the first name "Gary" and the last name "Epler" clearly distinguishable.

Gary Epler
Attorney for Unitil Energy Systems, Inc.

cc: Service list