



The State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES



Robert R. Scott, Commissioner

January 16, 2020

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Ms. Debra A. Howland, Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301

RE: DE 19-203 Adjustment to Renewable Portfolio Standards Class III Requirements

Dear Ms. Howland,

Thank you for the opportunity to comment on DE 19-203, relative to electric renewable portfolio standards (RPS). This docket provides a forum for interested parties to provide data on the availability of Class III renewable energy certificates (RECs) and to make recommendations regarding whether those requirements should be adjusted for calendar years 2019. The Department of Environmental Services (DES) has concerns about potential adjustments to the RPS Class requirements and the impact they may have on future operation of biomass plants in New Hampshire.

Under the RPS, biomass plants are required to limit their emissions of particulate matter and nitrogen oxides and may be net zero for greenhouse gas emissions. DES considers these plants and their continued operation to be environmentally beneficial.

In its testimony dated January 28, 2014 on House Bill 1443 relative to adjustments to the RPS, DES stated:

“The market for NH Renewable Energy Credits (RECs) is complex and highly influenced by the regional nature of the New England electric “grid” and differing state RPS requirements. The current RPS statute includes obligations out to 2025. Energy supply projects require long-term planning and, therefore, benefit from long-term certainty in the market. Absent such certainty, developers’ ability to secure financing supported by anticipated REC income is significantly impaired. DES feels that long term market stability is the best solution for ensuring compliance with the RPS, as the goal of the program is to see increased development of renewable resources in the region, as opposed to alternative compliance payments. Future revisions should be based on sound market information and analysis, and carefully consider any long term implications. This type of rigorous analysis is difficult for a legislative policy committee to undertake during the busy legislative session. In lieu of frequent legislative changes, DES

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would support the inclusion of language requiring a periodic data-driven review to be conducted by the PUC, which would then suggest any recommended revisions based upon such a review and analysis to the appropriate policy committees.

Furthermore, Massachusetts and Connecticut have revised their programs and the regional market for existing biomass sources will be changing in the coming years. As a consequence, one wood-fired power plant in Massachusetts and one in Vermont have already applied for New Hampshire Class III RECs. At least one New Hampshire plant that currently sells RECs under Connecticut's program plans to apply for New Hampshire Class III RECs, as well. Class III was originally included to maintain operation of existing biomass sources. By eliminating Class III RECs, this bill could result in shutdown of one or more of these plants that rely on REC sales for economic viability."

Thus, despite the closure of two New Hampshire plants, including one that had sold RECs in the Connecticut market in the past, the New Hampshire 2019 REC market may not be as short as it is perceived to be. Class III Alternative Compliance Payments (ACPs) revenues were \$0 in 2018, indicating ample supply. In fact, three major New Hampshire distribution utilities have stated that they have already purchased enough, or nearly enough, RECs for 2019 compliance. As stated in the 2018 RPS Review report, the Commission's recommendation was to maintain the existing Class III obligation for policy consistency and predictability, unless necessary to modify the requirement after taking into account demand. Based on demand, modification is not necessary.

The RPS includes a banking component, such that banked RECs could be used for future compliance. As Eversource stated, lowering the requirement now would create a surplus of banked RECs, which would weaken the price. As Bridgewater Power stated, prices have already fallen just after the mere announcement that the Commission is considering lowering the requirement. The remaining operating biomass plants in New Hampshire are struggling to remain economically viable. Any adjustment that lowers REC prices may adversely impact those plants.

DES recommends no adjustment to 2019 requirements at this time. DES notes that RSA 362-F:10, III (c) unless amended in this session, reads as follows:

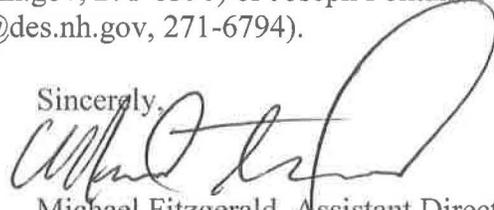
"By January 31, 2020 the commission shall compute the 2020 class III rate to equal the rate that would have resulted in 2020 by the application of subparagraph (a) to the 2013 rate and each subsequent year's rate to 2020."

Thus, the 2020 Class III ACP rate is already scheduled to decrease from \$55 to approximately \$35, which will impact the future economic viability of biomass plants.

January 16, 2020

Thank you for your consideration of this matter. If you have any questions, please contact me (michael.fitzgerald@des.nh.gov, 271-6390) or Joseph Fontaine, Trading Programs Manager (joseph.fontaine@des.nh.gov, 271-6794).

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Fitzgerald", written over a large, stylized loop.

Michael Fitzgerald, Assistant Director
Air Resources Division