

Committee Report

March 4, 2020

HOUSE OF REPRESENTATIVES

REPORT OF COMMITTEE

**The Committee on Science, Technology and Energy to
which was referred HB 1518-FN,**

**AN ACT relative to the alternative compliance
payments for renewable energy obligations not met
through the purchase of renewable energy credits.**

**Having considered the same, report the same with the
following amendment, and the recommendation that
the bill OUGHT TO PASS WITH AMENDMENT.**

Rep. Rebecca McWilliams

FOR THE COMMITTEE

COMMITTEE REPORT

| | |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| Committee: | Science, Technology and Energy |
| Bill Number: | HB 1518-FN |
| Title: | relative to the alternative compliance payments for renewable energy obligations not met through the purchase of renewable energy credits. |
| Date: | March 4, 2020 |
| Consent Calendar: | REGULAR |
| Recommendation: | OUGHT TO PASS WITH AMENDMENT 2020-0983h |

STATEMENT OF INTENT

This bipartisan bill seeks consistency in alternative compliance payments (ACP) in our Renewable Portfolio Standards program. The amendment sets ACPs based on a base amount of \$55, while doing no harm to eligible facilities currently in classes I and II. The amendment also unifies the escalation rate at 50% of the consumer price index (CPI), as some classes were being raised at 100% of CPI. The committee agreed that these changes were warranted and would benefit the renewable energy program.

Vote 13-5.

Rep. Rebecca McWilliams
FOR THE COMMITTEE

Original: House Clerk
Cc: Committee Bill File

REGULAR CALENDAR

Science, Technology and Energy

HB 1518-FN, relative to the alternative compliance payments for renewable energy obligations not met through the purchase of renewable energy credits. **OUGHT TO PASS WITH AMENDMENT.**

Rep. Rebecca McWilliams for Science, Technology and Energy. This bipartisan bill seeks consistency in alternative compliance payments (ACP) in our Renewable Portfolio Standards program. The amendment sets ACPs based on a base amount of \$55, while doing no harm to eligible facilities currently in classes I and II. The amendment also unifies the escalation rate at 50% of the consumer price index (CPI), as some classes were being raised at 100% of CPI. The committee agreed that these changes were warranted and would benefit the renewable energy program. **Vote 13-5.**

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This bipartisan bill seeks consistency in alternative compliance payments in our Renewable Portfolio Standards program. The amendment sets alternative compliance payments based on a base amount of \$55 while doing no harm to eligible facilities currently in Class I and Class II. The amendment also unifies the CPI escalation rate at 50% of the CPI as some classes were being raised at 100% of CPI. The Committee agreed that these changes were warranted and would benefit the renewable energy program.

Majority

Rep. Pearl, Merr. 26
Rep. Backus, Hills. 19
March 2, 2020
2020-0983h
06/10

Amendment to HB 1518-FN

1 Amend the bill by replacing all after section 1 with the following:

2

3 2 Electric Renewable Portfolio Standards; Electric Renewable Energy Classes. Amend RSA 362
4 F:4, I (c) to read as follows:

5 (c) Hydrogen derived from biomass fuels, *water*, or methane gas.

6 3 Electric Renewable Portfolio Standards; Renewable Energy Fund. Amend RSA 362-F:10, II-
7 III to read as follows:

8 II. In lieu of meeting the portfolio requirements of RSA 362-F:3 for a given year if, and to the
9 extent sufficient certificates are not otherwise available at a price below the amounts specified in
10 this paragraph, an electricity provider may, at the time of report submission for that year under RSA
11 362-F:8, make payment to the commission at the following rates for each megawatt-hour not met for
12 a given class obligation through the acquisition of certificates:

13 (a) Class I-\$55, except for that portion of the class electric renewable portfolio standards
14 to be met by qualifying renewable energy technologies producing useful thermal energy under RSA
15 362-F:3 which shall be [~~\$25~~] *\$55* beginning January 1, [~~2013~~] *2020*.

16 (b) Class II-\$55.

17 (c) Class III-~~[\$31.50]~~ *\$55 beginning January 1, 2020*.

18 (d) Class IV-~~[\$26.50]~~ *\$55 beginning January 1, 2020*

19 III.(a) Beginning in 2013 *for Class I (except for useful thermal energy under RSA 362-*
20 *F:3) and Class II, and beginning in 2021 for Class I qualifying renewable energy*
21 *technologies producing useful thermal energy under RSA 362-F:3, Class III, and Class IV,*
22 the commission shall adjust these rates by January 31 of each year using *1/2 of* the Consumer Price
23 Index as published by the Bureau of Labor Statistics of the United States Department of Labor [~~for~~
24 ~~classes III and IV and 1/2 of such Index for classes I and II~~].

25 (b) [~~In lieu of the adjustments under subparagraph (a) for class III in 2015 and 2016, the~~
26 ~~class rate in each of those years shall be \$45. In lieu of the adjustments under subparagraph (a) for~~
27 ~~class III in 2017, 2018, and 2019, the class rate in each of those years shall be \$55.~~

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

Amendment to HB 1518-FN

- Page 2 -

1 ~~(d) In 2021 and thereafter, the class III rate shall be determined by application of~~
2 subparagraph (a) to the prior year's rate] *The 2019 class rates for all classes are those in effect*
3 *on December 1, 2019 as posted by the commission.*

4 4 Effective Date. This act shall take effect 60 days after its passage.

Amendment to HB 1518-FN
- Page 3 -

2020-0983h

AMENDED ANALYSIS

This bill sets the alternative compliance payment at \$55 per megawatt hour to the renewable energy fund for electric distribution utility requirements not satisfied by renewable energy credits.

This bill also changes the rate adjustments for certain class obligations.

Voting Sheets

HOUSE COMMITTEE ON SCIENCE, TECHNOLOGY AND ENERGY

EXECUTIVE SESSION on HB 1518-FN

BILL TITLE: relative to the alternative compliance payments for renewable energy obligations not met through the purchase of renewable energy credits.

DATE: March 3, 2020

LOB ROOM: 304

MOTIONS: OUGHT TO PASS WITH AMENDMENT

Moved by Rep. McWilliams Seconded by Rep. McGhee AM Vote: 11-7

Amendment # 2020-0983h

Moved by Rep. Mann Seconded by Rep. Oxenham Vote: 13-5

CONSENT CALENDAR: NO

Statement of Intent: Refer to Committee Report

Respectfully submitted,

Rep Lee Oxenham, Clerk

HOUSE COMMITTEE ON SCIENCE, TECHNOLOGY AND ENERGY

EXECUTIVE SESSION on HB 1518-FN

BILL TITLE: relative to the alternative compliance payments for renewable energy obligations not met through the purchase of renewable energy credits.

DATE: 3/3/2020

LOB ROOM: 304

Am. 09832 - Am. OTP Mann Second - Oxenham 13-5-2

MOTION: (Please check one box)

- Inputs for MOTION: OTP (checked), ITL, Retain (1st year), Adoption of Amendment #, Interim Study (2nd year)

Moved by Rep. McWilliams Seconded by Rep. McGhee Vote: 11-7-2

MOTION: (Please check one box)

- Inputs for MOTION: OTP, OTP/A, ITL, Retain (1st year), Adoption of Amendment #, Interim Study (2nd year)

Moved by Rep. Seconded by Rep. Vote:

MOTION: (Please check one box)

- Inputs for MOTION: OTP, OTP/A, ITL, Retain (1st year), Adoption of Amendment #, Interim Study (2nd year)

Moved by Rep. Seconded by Rep. Vote:

MOTION: (Please check one box)

- Inputs for MOTION: OTP, OTP/A, ITL, Retain (1st year), Adoption of Amendment #, Interim Study (2nd year)

Moved by Rep. Seconded by Rep. Vote:

Maj. - Bob Backus

CONSENT CALENDAR: YES NO

Minority Report? Yes No (checked) If yes, author, Rep: Motion

Respectfully submitted: Lee Oxenham Rep Lee Oxenham, Clerk



2020 SESSION

Science, Technology and Energy

Am. Bill #: 0983 h Motion: OTP AM #: _____ Exec Session Date: 3/3/2020

| <u>Members</u> | <u>YEAS</u> | <u>Nays</u> | <u>NV</u> |
|----------------------------------|-------------|-------------|-----------|
| Backus, Robert A. Chairman | X | | |
| Moffett, Howard M. Vice Chairman | X | | |
| Cali-Pitts, Jacqueline A. | | | X |
| Mann, John E. | X | | |
| Oxenham, Lee Walker Clerk | X | | |
| Somssich, Peter F. | X | | |
| Vincent, Kenneth S. | | | X |
| Balch, Chris | X | | |
| McGhee, Kat | X | | |
| McWilliams, Rebecca J. | X | | |
| Saunderson, George L. | X | | |
| Wells, Kenneth D. | X | | |
| Harrington, Michael D. | | X | |
| Notter, Jeanine M. | | X | |
| Vose, Michael | X | | |
| Aldrich, Glen C. <i>Flanigan</i> | | X | |
| Thomas, Douglas W. | X | | |
| Merner, Troy E. | X | | |
| Ober, Russell T. | | X | |
| Plett, Fred R. | | X | |
| TOTAL VOTE: | 13 | 5 | 2 |



2020 SESSION

Science, Technology and Energy

Bill #: 1518 Motion: OTPA AM #: _____ Exec Session Date: 3/3/2020

| <u>Members</u> | <u>YEAS</u> | <u>Nays</u> | <u>NV</u> |
|----------------------------------|-------------|-------------|-----------|
| Backus, Robert A. Chairman | X | | |
| Moffett, Howard M. Vice Chairman | X | | |
| Cali-Pitts, Jacqueline A. | | | X |
| Mann, John E. | X | | |
| Oxenham, Lee Walker Clerk | X | | |
| Somssich, Peter F. | X | | |
| Vincent, Kenneth S. | | | X |
| Balch, Chris | X | | |
| McGhee, Kat | X | | |
| McWilliams, Rebecca J. | X | | |
| Saunderson, George L. | X | | |
| Wells, Kenneth D. | X | | |
| Harrington, Michael D. | | X | |
| Notter, Jeanine M. | | X | |
| Vose, Michael | | X | |
| Aldrich, Glen C. <i>Flansgar</i> | | X | |
| Thomas, Douglas W. | | X | |
| Merner, Troy E. | X | | |
| Ober, Russell T. | | X | |
| Plett, Fred R. | | X | |
| TOTAL VOTE: | 11 | 7 | 2 |

Hearing Minutes

Currently we are trading ACPs elsewhere to try to maintain the proceeds, sometimes in CT and sometimes in NH.

Q - We have heard repeatedly that if the biomass plants close down that it would drive capacity payments up by \$17 million. But nothing like that happened with Pilgrim's closing.

A - The price is higher than it would otherwise have been.

Q - I respectfully disagree.

Q - Do you know how the capacity market works?

A - If less capacity is offered, the price goes up.

*4 - Heidi Kroll - Gallagher and Associates ?? - No position.

GSA represents a number of biomass interests, but we are not taking a position on this bill due to the diversity of our membership and the unlikely impacts of this bill on diverse sectors. Many of our members are in Class IV - small hydro. Several members are eligible for Class I, as they have invested in upgrades to their facilities.

A problem for a number of our members is that they do not qualify for Class IV, even though they fall between 1 and 5 MW in size. This is because of the requirement for upstream and downstream fish passages. This disqualifies many of NH's small hydro facilities from participating in NH's or other states', RPS programs. A few are qualified in MA - but many are not. In addition, we have about 50 hydro plants at or below 1 MW.

The impact of the proposed changes to the ACP will be different according to which members are in which classes. For some, remuneration will go up, but for others, there will be a slight decrease. As you know, it's a regional market, and ACPs put a ceiling on market prices. This may have no impact on trading if prices stay low.

Q - I'm interested in why fish passages are required. Was that to incentivize their introduction?

A - They are not inexpensive, and conditions vary, but in general, yes.

5 - Jason Stock - Director of Timberland Owners Association. Support.

We support the bill, but it is necessary to look at all the potential impacts. With respect to Class I we are looking at what might be a "haircut." Elsewhere there is a much more sizeable difference. We hope there's a study committee to look at this. First, do no harm. Work it in over a few years so Class III and IV catch up, but other classes are not penalized.

Forestry is huge in the NH economy. We are looking at actual closures there. We would be happy to work with the committee on the bill.

Q - I'm curious about how the instability in biomass is affecting the industry and also the economy.

A - We are doing a survey and census of the industry to try to quantify the impacts. We know over a half million green tons of chip consumption was lost. Since the total was 1.3 million green tons, that's a significant piece. We have seen logging companies adjust and react, but we don't have good data. At a future date we will share the data we are gathering. It's not a happy time in the woods. The markets are not good and Mother Nature hasn't helped this past year.

6 - Matthey Mailloux - Office of Strategic Initiatives.

The intent of this bill is to make the ACP payments even. This was worked out between the Governors Office and a group of State Representatives, it did not come out of OSI. We oppose lowering prices to any of the RPS classes. We do support raising ACPs for those receiving lesser payments.

3 - Madeleine Mineau - Director, Clean Energy NH - No position on the bill.

The Renewable Energy Fund needs funds and we support that increasing. But there is a great deal of uncertainty in the industry. Changes should be carefully reviewed. There is a delicate balance. Raising ACPs could result in flooding the market and lowering prices. We will need to adjust the obligations so that we are sure that the goals of the program are maintained.

ACPs provide a ceiling on the market. By raising them you have the potential to raise the price of RECs, but because of the interstate commerce clause, we have little ability to keep others out of our market. People will take their RECs where they get the best prices. If we get too much supply, that can flood market and result in lower prices. Currently for Class II solar it is extremely difficult to find any buyers. You are lucky to get two to five dollars for a Class II REC. That's because the obligation level is so low, and what we call "REC sweeping."

Q - Other states will react to what we do. Won't they just raise prices if we do? It's unrealistic to make our policies on what others may do.

Q - More renewable energy anywhere in the region cleans the air. Right?

A - Yes. For a while our biomass RECs were selling in CT, and small hydro was selling in MA.

7 - Jim Monahan - Granite Shore Power

Schiller station is now a biomass facility - a Class I resource. Our concern is that this effort to save biomass may have a negative effect on other biomass entities, may destabilize that market, and reduce the amount of fuel purchased at Schiller.

If the goal is to stabilize the market as has been suggested, we should have a "do no harm" proviso. We are willing to work with the committee to do this.

Chair, Rep. Bob Backus - Should this be a sub-committee? Do we need that, or should the sponsors work on developing an amendment?

Respectfully Submitted,



Representative Lee Oxenham

Public Hearing

1 - Prime sponsor - Rep. Howard Perle –

The sponsor informed the committee that he and a small number of State Representatives had worked with the Governor's office over the past several months on a number of renewable energy related issues. The work group included 2 members of the Governor's team and 4 State Representatives. He advised us that we will be seeing a number of bills coming out of this group in the coming weeks.

This bill is quite straight-forward. It would assign the same price to all Alternative Compliance Payments (ACP) for all four classes in the Renewable Portfolio Standard (RPS). He argued that at the present time some renewable classes were relatively disadvantaged versus others. He asked that we make the ACP identical for all four classes and thereby level the playing field.

Q - Why not have the ACP set at zero? That would treat everyone equally.

A – We wanted to be fair and not have too strong an impact on markets by changing too much.

***2- Karen Cramton – Director of the Sustainable Energy Division, PUC** Our division is not taking a position on the bill. We are here for informational purposes.

First, a couple of technical issues. The effective date of this bill is 60 days after passage. However, the ACPs are based on a market driven process that works on a calendar year basis. Making a change in mid-stream, during the calendar year could have detrimental impacts on those markets. We recommend the committee set the effective date as the beginning of a calendar year, preferably Jan 1, 2021 if possible.

Also, by statute, the ACPs are currently adjusted annually by the commission, to respond to market forces. By statute, Classes I and II and thermal are adjusted by half of the CPI, while III and IV are adjusted by the full CPI annually. The committee should be aware that the different classes will not continue to receive identical payments going forward if that provision is not also changed.

3 -Michael O'Leary – Bridgewater Power, Asset Manager

A \$55 ACP is essential to keep the remaining biomass plants in production. Three plants have shut down and Bridgewater is hanging on by a thread. We suggest that the new rates be made retroactive to Jan. 2020. This would keep the ACP remuneration unchanged over the last three years. Currently we are trading ACPs elsewhere to try to maintain the proceeds, sometimes in CT and sometimes in NH.

Q - We have heard repeatedly that if the biomass plants close down that it would drive capacity payments up by \$17 million. But nothing like that happened with Pilgrim's closing.

A – The price is higher than it would otherwise have been.

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***4 -Heidi Kroll – Gallagher and Associates ?? – No position.**

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Forestry is huge in the NH economy. We are looking at actual closures there. We would be happy to work with the committee on the bill.

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A – We are doing a survey and census of the industry to try to quantify the impacts. We know over a half million green tons of chip consumption was lost. Since the total was 1.3 million green tons, that's a significant piece. We have seen logging companies adjust and react, but we don't have good data. At a future date we will share the data we are gathering. It's not a happy time in the woods. The markets are not good and Mother Nature hasn't helped this past year.

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If the goal is to stabilize the market as has been suggested, we should have a "do no harm" proviso. We are willing to work with the committee to do this.

Chair, Bob Backus – Should this be a sub-committee? Do we need that, or should the sponsors work on developing an amendment?

Testimony

HISTORICAL AND STATUTORY NOTES

Amendments

—2018. Amended section generally.

CROSS REFERENCES

Renewable energy certificates, see RSA 362-F:6.

362-F:9 Purchased Power Agreements.

HISTORICAL AND STATUTORY NOTES

Renewable Energy Portfolio; Purchased Power Agreements. 2012, 272:8, eff. June 19, 2012, provided: "No provision of RSA 362-F shall be construed to affect the cost recovery of any contract or agreement entered

into pursuant to RSA 362-F:9 prior to the effective date of this act. Such contract or agreement shall be governed by the commission's order approving the same."

CROSS REFERENCES

Renewable energy certificates, see RSA 362-F:6.

362-F:10 Renewable Energy Fund.

I. There is hereby established a renewable energy fund. This special fund shall be nonlapsing. The state treasurer shall invest the moneys deposited therein as provided by law. Income received on investments made by the state treasurer shall also be credited to the fund. All payments to be made under this section shall be deposited in the fund. Any remaining moneys paid into the fund under paragraph II of this section, excluding class II moneys, shall be used by the commission to support thermal and electrical renewable energy initiatives. Class II moneys shall primarily be used to support solar energy technologies in New Hampshire. All initiatives supported out of these funds shall be subject to audit by the commission as deemed necessary. All fund moneys including those from class II may be used to administer this chapter, but all new employee positions shall be approved by the fiscal committee of the general court. No new employees shall be hired by the commission due to the inclusion of useful thermal energy in class I production.

→ II. In lieu of meeting the portfolio requirements of RSA 362-F:3 for a given year if, and to the extent sufficient certificates are not otherwise available at a price below the amounts speci-

fied in this paragraph, an electricity provider may, at the time of report submission for that year under RSA 362-F:8, make payment to the commission at the following rates for each megawatt-hour not met for a given class obligation through the acquisition of certificates:

(a) Class I—\$55, except for that portion of the class electric renewable portfolio standards to be met by qualifying renewable energy technologies producing useful thermal energy under RSA 362-F:3 which shall be \$25 beginning January 1, 2013.

(b) Class II—\$55.

(c) Class III—\$31.50.

(d) Class IV—\$26.50.

III. (a) Beginning in 2013, the commission shall adjust these rates by January 31 of each year using the Consumer Price Index as published by the Bureau of Labor Statistics of the United States Department of Labor for classes III and IV and 1/2 of such Index for classes I and II.

(b) In lieu of the adjustments under subparagraph (a) for class III in 2015 and 2016, the class rate in each of those years shall be \$45. In lieu of the adjustments under subparagraph (a) for class III in 2017, 2018, and 2019, the class rate in each of those years shall be \$55.

(c) 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.

(d) In 2021 and thereafter, the class III rate shall be determined by application of subparagraph (a) to the prior year's rate.

IV. The commission shall make an annual report by October 1 of each year, beginning in 2009, to the legislative oversight committee to monitor the transformation of delivery of electric services established under RSA 374-F:5, the house science, technology and energy committee, and the senate energy and natural resources committee detailing how the renewable energy fund is being used and any recommended changes to such use. The report shall also include information on the total peak generating capacity that is net energy metered under RSA 362-A:9 within the franchise area of each electric distribution utility, and the

For use
With HB1518

| Inflation Adjusted Alternative Compliance Payment per Megawatt Hour | | | | | | | | | | | | |
|---------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|----------|----------|----------|----------|----------|----------|----------|
| <i>RPS Year</i> | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Class I non-T | \$ 58.58 | \$ 60.92 | \$ 60.93 | \$ 62.13 | \$ 64.02 | \$ 55.00 | \$ 55.37 | \$ 55.75 | \$ 55.72 | \$ 56.02 | \$ 56.54 | \$ 57.15 |
| Class I Thermal | | | | | | \$ 25.00 | \$ 25.17 | \$ 25.34 | \$ 25.33 | \$ 25.46 | \$ 25.69 | \$ 25.97 |
| Class II | \$ 153.85 | \$ 159.98 | \$ 160.01 | \$ 163.16 | \$ 168.13 | \$ 55.00 | \$ 55.37 | \$ 55.75 | \$ 55.72 | \$ 56.02 | \$ 56.54 | \$ 57.15 |
| Class III | \$ 28.72 | \$ 29.86 | \$ 29.87 | \$ 30.46 | \$ 31.39 | \$ 31.50 | \$ 31.93 | \$ 45.00 | \$ 45.00 | \$ 55.00 | \$ 55.00 | \$ 55.00 |
| Class IV | \$ 28.72 | \$ 29.86 | \$ 29.87 | \$ 30.46 | \$ 31.39 | \$ 26.50 | \$ 26.86 | \$ 27.23 | \$ 27.20 | \$ 27.49 | \$ 28.00 | \$ 28.60 |

Revised 02/05/2019

GRANITE STATE HYDROPOWER ASSOCIATION, INC.

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January 16, 2020

Representative Robert Backus, Chairman
N.H. House of Representatives Science, Technology, and Energy Committee
New Hampshire Legislative Office Building, Room 304
Concord, NH 03301

RE: HB 1518-FN re Alternative Compliance Payments for Renewable Energy Obligations Not Met through the Purchase of Renewable Energy Credits

Dear Chairman Backus and Honorable Members of the Committee,

The Granite State Hydropower Association (GSHA) appreciates this opportunity to testify on HB 1518-FN relative to Alternative Compliance Payments for Renewable Energy Obligations Not Met through the Purchase of Renewable Energy Credits, sponsored by Representative Pearl. GSHA is a voluntary, non-profit trade association for the small-scale hydropower industry in New Hampshire. Members of GSHA own and operate nearly 50 hydroelectric facilities located in 35 towns and cities throughout the state, totaling nearly 55 megawatts (MWs) of distributed generation.

GSHA members produce an emissions-free, renewable, reliable and locally distributed source of electricity that provides important economic, recreational, and environmental benefits to New Hampshire. GSHA hydro facilities pay local and state property and business taxes, employ New Hampshire residents, and purchase local goods and services needed for operation and maintenance. Virtually all GSHA facilities are regulated by the Federal Energy Regulatory Commission (FERC), and all work closely with state agencies and local officials on public safety matters.

GSHA takes no position on HB 1518-FN because of the diversity in GSHA's membership in terms of eligibility to participate (or not) in NH's RPS, and because the impacts of HB 1518-FN are difficult to predict. However, we appreciate the opportunity to offer the following information about small-scale hydro facilities in New England RPS markets.

GSHA has members that range in size from 10 kW to 4.6 MWs. Many, if not all, GSHA members that are at or below 1 MW participate in NH's RPS in Class IV. In addition, a few of our members have incremental new production that is eligible to participate in Class I. However, all but one of GSHA members that are between 1 MW and 5 MWs are not eligible to participate in NH's RPS at all because they do not meet the Class IV requirements for having both upstream and downstream fish passages. A few of NH's hydro facilities that are greater than 1 MW may qualify for other state's RPS programs, most notably Massachusetts' Class II, but most facilities are not cross-qualified¹. Therefore, **it is important to understand that many of NH's small hydro facilities that are between 1 MW and 5 MWs are not allowed to participate in any RPS programs, including NH's, despite producing renewable power and being in full compliance with federal and state fish requirements.**²

¹ Most NH hydro projects ≤ 1 MW are also not cross-qualified in other states' RPS programs.

² For example, hydro projects on the Merrimack River have a requirement to install upstream fish passages, but only

The Public Utilities Commission (PUC) posts data on its website about each renewable energy facility approved for NH's RPS. According to this data, of the fifty (50) hydro facilities at or below 1 MW that are certified for NH Class IV, forty seven (47) of them are located in NH and 3 are located in Maine. Per the Class IV statutory requirement for hydro facilities at or below 1 MW, all fifty (50) of these facilities are interconnected to an electric distribution system located in NH. Of the 11 hydro facilities between 1 MW and 5 MWs that are certified for NH Class IV, one (1) of them is located in NH, one (1) is located in Vermont, one (1) is located in Massachusetts, and eight (8) are located in Maine. Hydro facilities between 1 MW and 5 MWs are not required to be interconnected to an electric distribution system located in NH, but they are required to meet stringent fish passage requirements in order to qualify for NH Class IV.

The Alternative Compliance Price (ACP) serves as a ceiling price on prices set in the regional Renewable Energy Certificate (REC) market. The current ACP for NH Class IV is \$28.60 and the current ACP for NH Class I is \$57.15. An ACP of \$55 across all NH classes would mean an increase in the ACP for Class IV eligible facilities, a slight reduction in the ACP for Class I eligible facilities, and no impact for facilities that do not qualify for NH's RPS program. GSHA has members that fall into all three impact categories.

Because renewable facilities throughout New England may be eligible to participate in one or more state RPS programs and ACPs vary by state, it is very difficult to predict what the impacts would be from a \$55 ACP for all NH RPS Classes. If NH were to increase its Class IV ACP from \$28.60 to \$55, then hydro facilities that are eligible to sell their RECs in more than one state would likely try to sell their RECs in NH first, before selling their RECs in other states. This slightly higher supply of Class IV RECs compared to the unchanged demand for Class IV RECs would presumably drive the market price of these RECs down below the ACP, but the extent of this is unknown. Therefore, it is hard to predict how much extra REC revenue, if any, the sellers of Class IV RECs would actually get. Buyers would probably only offer a price just above the MA Class II ACP to facilities that are cross-qualified there. If hydro facilities do earn extra REC revenue, that revenue would go to both in-state and out-of-state small-scale hydro facilities. NH ratepayers would pay for the cost of any additional REC revenue.

Due to the complexities described above, GSHA takes no position on HB 1518-FN. However, we would be happy to serve as a resource to this Committee as it works on this bill.

GSHA greatly appreciates your time and consideration of this testimony and is happy to answer any questions or provide further information. Thank you very much.

Sincerely,



Bob King, President, Granite State Hydropower Association

after all projects downstream of their location have fully functioning fish passages.

HISTORICAL AND STATUTORY NOTES

Amendments

—2018. Amended section generally.

CROSS REFERENCES

Renewable energy certificates, see RSA 362-F:6.

362-F:9 Purchased Power Agreements.

HISTORICAL AND STATUTORY NOTES

Renewable Energy Portfolio; Purchased Power Agreements. 2012, 272:8, eff. June 19, 2012, provided: "No provision of RSA 362-F shall be construed to affect the cost recovery of any contract or agreement entered into pursuant to RSA 362-F:9 prior to the effective date of this act. Such contract or agreement shall be governed by the commission's order approving the same."

CROSS REFERENCES

Renewable energy certificates, see RSA 362-F:6.

362-F:10 Renewable Energy Fund.

I. There is hereby established a renewable energy fund. This special fund shall be nonlapsing. The state treasurer shall invest the moneys deposited therein as provided by law. Income received on investments made by the state treasurer shall also be credited to the fund. All payments to be made under this section shall be deposited in the fund. Any remaining moneys paid into the fund under paragraph II of this section, excluding class II moneys, shall be used by the commission to support thermal and electrical renewable energy initiatives. Class II moneys shall primarily be used to support solar energy technologies in New Hampshire. All initiatives supported out of these funds shall be subject to audit by the commission as deemed necessary. All fund moneys including those from class II may be used to administer this chapter, but all new employee positions shall be approved by the fiscal committee of the general court. No new employees shall be hired by the commission due to the inclusion of useful thermal energy in class I production.

→ II. In lieu of meeting the portfolio requirements of RSA 362-F:3 for a given year if, and to the extent sufficient certificates are not otherwise available at a price below the amounts speci-

fied in this paragraph, an electricity provider may, at the time of report submission for that year under RSA 362-F:8, make payment to the commission at the following rates for each megawatt-hour not met for a given class obligation through the acquisition of certificates:

(a) Class I—\$55, except for that portion of the class electric renewable portfolio standards to be met by qualifying renewable energy technologies producing useful thermal energy under RSA 362-F:3 which shall be \$25 beginning January 1, 2013.

(b) Class II—\$55.

(c) Class III—\$31.50.

(d) Class IV—\$26.50.

III. (a) Beginning in 2013, the commission shall adjust these rates by January 31 of each year using the Consumer Price Index as published by the Bureau of Labor Statistics of the United States Department of Labor for classes III and IV and ½ of such Index for classes I and II.

(b) In lieu of the adjustments under subparagraph (a) for class III in 2015 and 2016, the class rate in each of those years shall be \$45. In lieu of the adjustments under subparagraph (a) for class III in 2017, 2018, and 2019, the class rate in each of those years shall be \$55.

(c) 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.

(d) In 2021 and thereafter, the class III rate shall be determined by application of subparagraph (a) to the prior year's rate.

IV. The commission shall make an annual report by October 1 of each year, beginning in 2009, to the legislative oversight committee to monitor the transformation of delivery of electric services established under RSA 374-F:5, the house science, technology and energy committee, and the senate energy and natural resources committee detailing how the renewable energy fund is being used and any recommended changes to such use. The report shall also include information on the total peak generating capacity that is net energy metered under RSA 362-A:9 within the franchise area of each electric distribution utility, and the

Bill as
Introduced

HB 1518-FN - AS INTRODUCED

2020 SESSION

20-2456
06/10

HOUSE BILL *1518-FN*

AN ACT relative to the alternative compliance payments for renewable energy obligations not met through the purchase of renewable energy credits.

SPONSORS: Rep. Pearl, Merr. 26; Rep. Lang, Belk. 4; Rep. Costable, Rock. 3; Rep. Plumer, Belk. 6

COMMITTEE: Science, Technology and Energy

ANALYSIS

This bill sets the alternative compliance payment at \$55 per megawatt hour to the renewable energy fund for electric distribution utility requirements not satisfied by renewable energy credits.

.....

Explanation: Matter added to current law appears in *bold italics*.
Matter removed from current law appears [~~in brackets and struck through~~]
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty

AN ACT relative to the alternative compliance payments for renewable energy obligations not met through the purchase of renewable energy credits.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 1 Findings and Purpose. The general court hereby finds that renewable energy policies should
2 be technology neutral, so that one resource is not arbitrarily favored over another.

3 2 Electric Renewable Portfolio Standards; Renewable Energy Fund. Amend RSA 362-F:10, II to
4 read as follows:

5 II. In lieu of meeting the portfolio requirements of RSA 362-F:3 for a given year if, and to the
6 extent sufficient certificates are not otherwise available at a price below the amounts specified in
7 this paragraph, an electricity provider may, at the time of report submission for that year under RSA
8 362-F:8, make payment to the commission at the ~~[following rates]~~ **rate of \$55** for each megawatt-
9 hour not met for a given class obligation through the acquisition of certificates[:

10 ~~(a) Class I \$55, except for that portion of the class electric renewable portfolio standards~~
11 ~~to be met by qualifying renewable energy technologies producing useful thermal energy under RSA~~
12 ~~362-F:3 which shall be \$25 beginning January 1, 2013.~~

13 ~~(b) Class II \$55.~~

14 ~~(c) Class III \$31.50.~~

15 ~~(d) Class IV \$26.50].~~

16 3 Effective Date. This act shall take effect 60 days after its passage.

HB 1518-FN- FISCAL NOTE
AS INTRODUCED

AN ACT relative to the alternative compliance payments for renewable energy obligations not met through the purchase of renewable energy credits.

FISCAL IMPACT: State County Local None

| STATE: | Estimated Increase / (Decrease) | | | |
|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|
| | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Appropriation | \$0 | \$0 | \$0 | \$0 |
| Revenue | Indeterminable | Indeterminable | Indeterminable | Indeterminable |
| Expenditures | Indeterminable | Indeterminable | Indeterminable | Indeterminable |
| <i>Funding Source:</i> | <input checked="" type="checkbox"/> General <input type="checkbox"/> Education <input checked="" type="checkbox"/> Highway <input checked="" type="checkbox"/> Other - Renewable Energy Fund and Various Governmental Funds | | | |

COUNTY:

| | | | | |
|--------------|----------------|----------------|----------------|----------------|
| Revenue | \$0 | \$0 | \$0 | \$0 |
| Expenditures | Indeterminable | Indeterminable | Indeterminable | Indeterminable |

LOCAL:

| | | | | |
|--------------|----------------|----------------|----------------|----------------|
| Revenue | \$0 | \$0 | \$0 | \$0 |
| Expenditures | Indeterminable | Indeterminable | Indeterminable | Indeterminable |

METHODOLOGY:

This bill would change the alternative compliance payment rate (ACP) for all Renewable Portfolio Standard (RPS) classes to \$55.00, to be adjusted annually in accordance to current statutory requirements. The current ACP rates for calendar year 2019 are:

- Class I (new renewables) = \$57.15
- Class I Thermal (new thermal) = \$25.97
- Class II (solar) = \$57.15
- Class III (biomass/methane) = \$55.00
- Class IV (small hydroelectric) = \$28.60

Suppliers of electricity must either purchase renewable energy certificates (RECs) or make ACPs to satisfy the RPS statutory requirements. The ACP rate acts as a price ceiling for RECs. In general, raising the ACP rate may cause RPS compliance costs to rise. This in turn would result in retail electric suppliers incurring increased costs, either for RECs or ACPs, which may then increase costs for electric ratepayers, including the State and its political subdivisions. Conversely, lowering the ACP rate may cause RPS compliance costs to decrease which would

result in decreased costs for retail electric suppliers, either for RECs or ACPs, which may then decrease costs for electric ratepayers, including the State and its political subdivisions.

The market for RECs is a regional one, and generators across New England may be eligible to participate in REC markets in more than one state. This makes REC prices dynamic and difficult to predict. Thus, it is not possible to predict the dollar impact the changed ACP rates will have on State, County, or Local expenditures. It is also difficult to predict the dollar impact on the State's Renewable Energy Fund which receives its revenue solely from ACPs.

AGENCIES CONTACTED:

Public Utilities Commission and Department of Environmental Services