

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF ENERGY**

DE 21-037

ELECTRIC RENEWABLE PORTFOLIO STANDARD

Adjustment to Renewable Portfolio Standard Class III Requirements

COMMENTS OF THE BRIDGEWATER POWER COMPANY

NOW COMES the Bridgewater Power Company (“BPC”), by and through its attorneys, Donahue, Tucker, & Ciandella, PLLC, and hereby submits the following comments with regard to the proposal identified in the above-referenced docket.

1. The Department of Energy (“the Department”) issued an Order of Notice on January 21, 2022 for a public comment hearing, in which the Commission stated that, pursuant to RSA 362-F:4, VI, it was considering a modification to the Class III Renewable Energy Credit (“REC”) purchase requirements for compliance year 2021 from the 8.0% established under New Hampshire Renewable Portfolio Standard (“NHRPS”). The reason set forth for the Department’s consideration was the potential lack of availability of Class III RECs in the market due to “reduced production from a number of Class III certified biomass facilities, combined with uncertain demand and market dynamics on the regional scale,” which called into question the ability of electricity providers to procure sufficient New Hampshire Class III RECs to satisfy the Class III RPS requirement for compliance year 2021.

2. BPC submits these comments to express that, although it does not oppose a proposal that would result in the reduction of the purchase requirements for Class III RECs for 2021, BPC strongly believes this reduction can and should not become the new precedent for the future purchase requirements under the program. The reduction of such purchase requirements after the electrical generation for the compliance year has been completed is not appropriate unless

Load Serving Entities (“LSEs”) can demonstrate that they have made every effort to procure RECs during and throughout the entire compliance year. LSEs seeking and being granted a reduction in the purchase requirement after the generation year has been completed presents the strong potential to create an unfair disadvantage for REC eligible generators and undermines the intent of the RPS.

3. If LSEs consistently believe that the Department will lower the purchase requirement after the generation year has ended, so long as LSEs assert that they cannot procure sufficient RECs, these LSEs will have no motivation to offer competitive prices to generators during the compliance generation year and will, in turn, only offer prices well below the ACP during the compliance year. For this reason, to avail themselves of relief under RSA 362-F:4, IV, LSEs should first be required by the Department to demonstrate that they have offers in the market for RECs up to the Alternative Compliance Price (“ACP”) from January 1st of the compliance year and dates subsequent. Currently no offers have been made by any LSEs even though BPC has approximately 7,000 RECs available for purchase.

4. Requiring LSEs to make such a showing serves the spirit and intent of RSA 362-F, serves notions of fundamental fairness, and ensures that the RPS, as it relates to Class III generators, remains intact for the future. REC generators incur all of the operating costs of their facilities long before REC revenue is received. Generators can wait up to six months for payment for their RECs. For example, the REC associated with a MW generated January 1st of a calendar year cannot be monetized until July 15th of that year when the Quarter 1 trading period opens. Because of this, if generators do not know that they have RECs sold forward at a price that will sustain their operation, generators must make the difficult decision as to run or not run. When facilities elect not to run, this should send a price signal to the market that supply will be limited and prices would rise. However, if LSEs can rely on the Department to open a docket such as this

to lower the purchase requirement, then traditional market forces will not function, and LSEs can continue not offer a price to the market near the ACP. This in turn will create additional operating pressure and likely further lack of supply due to reductions in output because of the uncertain cash flow to the generators and these generators making the difficult decision to curtail output.

5. As reflected in RSA 362-F:1, the purpose of the RPS is, in recognition of the public benefit provided by renewable generation, to “stimulate investment in low emission renewable energy generation technologies in New England and, in particular, New Hampshire whether at new or existing facilities.”

6. Presently, the unavailability of Class III RECs is due in part to the temporary shutdown of biomass facilities. These temporary closures are largely attributable to two factors: (1) the low price for energy sales in the shoulder months and (2) the maximum price available in the market for RECs as set by the ceiling of the Alternative Compliance Payment (“ACP”) rate. The ACP dropped from \$55/rec in compliance year 2019 to \$34.54/rec for compliance year 2020 and was \$34.99/rec for compliance year 2021. With regard to factor (1), low natural gas prices in all but the winter months has resulted in negative pressure on locational marginal pricing, which in turn has significantly reduced the revenues earned from energy sales that can be utilized toward fixed and variable costs. Wholesale prices for all hours in ISO-NE in 2021 averaged \$45.92/mw. While natural gas prices started to increase in the second half of 2021, the future of energy prices remains uncertain and the operational viability of biomass facilities is, likewise, uncertain.

7. With regard to factor (2) the market price for RECs in Connecticut has been higher than in NH for 2021. The ACP in Connecticut for 2021 was \$40 per REC; after being as high as \$55.00 per REC in prior years. BPC was able to sustain operations for close to full output during 2021 and has sold most of the RECs associated with that generation for Connecticut Class I

compliance. For this reason, BPC does not oppose a reduction in the purchase requirement for compliance year 2021. However, BPC again emphasizes that a recurring and regular reduction of the Class III purchase requirements will have significant adverse impacts on Class III biomass generators, as Class III biomass generators will become increasingly reliant on the New Hampshire REC market in Compliance Year 2022 and thereafter as Connecticut begins their “biomass phase down” as outlined in Connecticut’s “Integrated Resource Plan.”

8. The impact of lower revenues from the sale of energy has resulted in biomass facilities to rely more heavily on sales of Class III RECs in New Hampshire and/or Class I RECs in Connecticut. These RECs are now necessary to pay fixed and variable costs to keep biomass facilities in operation.

9. There remains sufficient installed capacity to satisfy demand for Class III RECs under the NHRPS. Although the Class III REC production was likely below the 8% purchase requirement for Compliance Year 2021, the shortfall is not the result of unavailable installed capacity. Instead, it was the result of curtailed operations at several facilities due to the above-referenced market dynamics and higher prices in competing REC markets (which are expected to gradually dissipate in future years).

10. This docket reflects factual circumstances somewhat different and distinct from other occasions during which this Public Utilities Commission considered adjusting the purchase requirements for Class III RECS. In PUC Dockets DE 13-021, 14-104, 15-035, 15-477, the PUC considered lowering the Class III REC purchase requirement due to the scarcity of Class III RECs available to New Hampshire LSEs caused by Class III generators selling RECs in markets with higher REC prices or higher ACP rates. See Electric Renewable Portfolio Standard, Order 25,484, DE 13-021 at 16 (Decided April 4, 2013); Electric Renewable Portfolio Standard, Order 25,674,

DE 14-104 at 9 (Decided June 3, 2014); Electric Renewable Portfolio Standard, Order 25,768, DE 15-035 at 9 (decided March 13, 2015); Electric Renewable Portfolio Standard, Order 25,844 DE 15-477 at 5 (decided December 2, 2015); Electric Renewable Portfolio Standard, Order 26,472 DE 21-037 at 8 (decided April 20, 2021)..

11. Unlike those prior dockets, the scarcity of Class III RECs in this instance is due, in part, to market conditions forcing the suspension of operation of biomass facilities. Therefore, unlike in prior dockets – where the reduction of the Class III RECs purchase requirements in past compliance periods did not stand to cause an adverse effect on biomass generators – a reduction in this compliance year may create market signals that will have a long-term adverse impacts on biomass facilities like BPC in future compliance years if the Department’s decision has precedential impacts or does not take action to address the underlying conditions creating the scarcity in Class III RECs. A further reduction in the Class III REC purchase requirements should be coupled with a study of the market dynamics during the compliance year, including the offers made by LSEs and the timing of those offers during the Compliance Year. For example, BPC participated in an RFP with an LSE for 2022 New Hampshire Class III RECs and the offer was not accepted. The LSE indicated that they did not fill the request because they are not certain of their requirement because of these dockets – in other words, this LSE declined to purchase Class III RECs because it expected the Department to reduce that LSE’s purchase obligations.

12. By ordering a study of the Class III REC market, the Department will send a strong signal to all market participants that the purchase requirement for 2022 and subsequent years will be subject to scrutiny and will allow the Department to ascertain in greater detail the causes for Class III REC scarcities in future compliance years.

13. Further, BPC respectfully suggests that the Department inform LSE's that, if the LSE has satisfied its Class III REC purchase obligations purchase to the 8% level, that any REC's purchased in excess of the Department's amended purchase obligation, that those RECs be allowed to be recovered as a stranded cost, as opposed to having those REC's be banked, which will further adversely impact Class III generators by reducing the number of RECs to be acquired.

14. In conclusion, the negative purchase requirement adjustment to Class III RECs for compliance year 2021 is not opposed by BPC; however, the Department should actively study the Class III REC market to ascertain the cause of any purported shortage in available Class III RECs, which may inform the Department with regard to future dockets to consider future reductions in the purchase requirement.

15. BPC is mindful of the compliance costs of the RPS program to ratepayers and does not support large ACP payments when RECs cannot be procured. BPC will always support the LSEs request to lower the purchase requirement if they have acted in good faith in their procurement process. If they do not, BPC strongly believes these LSEs should be required to pay ACPs at the full 8% purchase requirement. This is the only way that the integrity of the program can be maintained and at the same time ratepayer interests protected.

16. BPC appreciates the Department's thought and consideration.

Respectfully submitted,
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Through its Attorneys
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Certificate of Service

I hereby certify that I served a copy of this filing pursuant to Puc 203.11(c) to the current service list in this Docket this 1st day of March, 2022.



Eric A. Maher, Esq.