



March 2, 2023

New Hampshire Department of Energy
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

Re: Adjustment to Renewable Portfolio Standard Class III Requirement

These comments are filed on behalf of the New Hampshire Electric Cooperative, Inc. (“NHEC”). NHEC appreciates the opportunity to offer written comments to the New Hampshire Department of Energy (the “Department”) as it considers making an adjustment to the Class III Renewable Portfolio Standard (“RPS”) requirement for the 2022 compliance year.

NHEC meets its RPS obligations through a combination of long-term contracts and forward market purchases designed to minimize cost impacts on its members. NHEC is continually looking for cost effective producers of NH Class III qualified Renewable Energy Certificates (“REC”) to meet its current and future obligations. Despite these efforts, Class III RPS obligation costs are expected to approach 46% of the total cost NHEC members pay for compliance with the RPS in 2022.

A scarcity of Class III RECs in the New Hampshire market

NHEC recognizes that RECs, and the RPS that govern their creation, are part of a regional market with many competing interests. The New Hampshire legislature vested the Department of Energy (the “Department”) with authority to maintain some degree of balance between these competing interests by including cost protections for electric ratepayers through RSA 362-F:4(VI). In circumstances of Class III REC scarcity similar to those present today, the Department (and the Public Utilities Commission (the “Commission”) before that) has exercised this authority to reduce Class III RPS requirements. For 2014, 2015 and 2016, the Commission reduced the Class III RPS requirement to a level of 0.5% of retail sales. *See, Order No. 25,783 (March 13, 2015), Order No. 25,844 (Dec. 2, 2015)*. For 2020, when faced with similar market scarcity, the Commission reduced Class III RPS requirements to 2.0% of retail sales. *See, Order No. 26,472 (April 20, 2021)*. For 2021, the Department reduced Class III RPS requirements to 1.0% of retail sales. *See, Order dated March 31, 2022*.

Similar to the 2021 RPS compliance year, there has been a significant shortage of NH Class III RECs for 2022. The Connecticut Class I REC and the Rhode Island Class I markets have remained above the NH Class III ACP and continue to trade actively. This disparity has resulted in higher demand for 2022 qualified NH Class III RECs for similar programs in Connecticut and Rhode Island, eliminating the availability for NHEC to use for RPS compliance.

In discussions with REC brokers active in the New England REC markets, NHEC has been advised that *there have been likely no New Hampshire Class III transactions* for the past several years. Dual qualified 2022 vintage RECs from biomass and LFG fueled generators have consistently been sold into the Connecticut Class I and Rhode Island markets during this period. In addition, several New Hampshire biomass fired plants that formerly produced New Hampshire Class III RECs have shut down and did not operate in 2022.

The demand and higher prices for New Hampshire Class III qualified RECs from neighboring states has benefitted New Hampshire Class III REC producers. Under current circumstances, however, NHEC has no reasonable expectation of being able to purchase additional 2022 Class III RECs at or below the ACP.

NHEC member cost implications

Absent action by the Department to reduce the Class III obligation for 2022, NHEC expects to meet its obligation of 55,355 RECs with an ACP payment of approximately \$2,012,700.

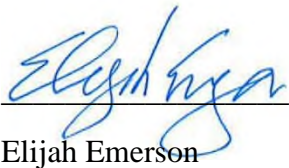
NHEC recommends the Department reduce the 2022 Class III obligation to 0.5% of annual sales, as was ordered by the Commission for 2014 through 2016, reducing NHEC's obligation to 3,460 RECs. At that level, NHEC could meet this obligation with an ACP payment of approximately \$125,805 and reduce current Class III RPS compliance costs by approximately \$1.89 million for NHEC members.

A scarcity-driven reduction

Current market conditions have continued an environment of scarcity identified in March 2022 by the Department's most recent order. NHEC urges the Department to reduce 2022 Class III RPS requirements to the lowest level consistent with the RSA 362-F:4(VI) criteria. The demand and higher prices for NH Class III qualified RECs from neighboring states combined with lower production are creating an environment of scarcity of NH Class III RECs. The current price of the CT Class I market is trading slightly above the NH Class III APC. This differential in price eliminates any rational NH Class III supply available for meeting a NH Class III obligation when it is also available to meet another state's Class I obligation. NHEC recognizes that the Connecticut biomass phasedown for Class I resources began in January 2022 where existing CT Class I biomass and landfill gas resources that were qualified more than 15 years ago began to be restricted to 50% of their output for RECs. Market prices in the region are reflective of this phasedown and given that CT Class I, MA Class I and RI Class I prices are trading slightly above NH Class III ACP, the impact of the phasedown does not appear to be affecting the economic scarcity of NH Class III resources. Additionally, the lack of known transactions for NH Class III resources and knowledge that many NH Class III qualified resources can trade their RECs in Massachusetts and Rhode Island markets, further limits the impact of the Connecticut Class I biomass phasedown on the availability of NH Class III resources.

NHEC also requests that the Department make this reduction of the 2022 Class III obligations effective prior to May 1, 2023, at the latest. This will allow NHEC and other retail energy suppliers to adjust to the lower obligation prior to the end of the Compliance Year to meet the expected 2022 obligations, and enable NHEC's members to benefit from the scarcity-driven reduction in the Class III RPS obligation costs.

Regards,

A handwritten signature in blue ink, appearing to read "Elijah Emerson", is written over a horizontal line.

Elijah Emerson

Cc: Service List (via e-mail)