



December 16, 2024

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 2024 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 has historically sought cost effective producers of NH Class III qualified Renewable Energy Certificates (“REC”) to meet its current and future obligations. Despite these efforts, absent an adjustment to the Class III requirement for 2024, the Class III RPS obligation costs are expected to be 39% of the total cost NHEC members pay for compliance with the RPS in 2024.

### **A scarcity of Class III RECs in the New Hampshire market**

In discussions with REC brokers active in the New England REC markets, NHEC has been advised that, as in past years, there have been no New Hampshire Class III transactions during 2024. In addition, several New Hampshire biomass fueled plants that formerly produced New Hampshire Class III RECs that were shut down and did not operate in 2022 and 2023 appear to have remained closed in 2024.

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.* For 2022 and 2023, the Department reduced Class III RPS requirements to 0.5% of retail sales. See, Orders dated April 11, 2023 and March 5, 2024.

**NHEC member cost implications**

Absent action by the Department to reduce the Class III obligation for 2024, NHEC expects to meet its obligation of 52,008 RECs with a combination of RECs purchased from a now expired contract and an ACP payment, the combined cost of which will be approximately \$1,868,000.

NHEC recommends the Department reduce the 2024 Class III obligation to 0.5% of annual sales, as was ordered by the Commission for 2014 through 2016, and again in 2022 and 2023, reducing NHEC's obligation to 3,250 RECs. At that level, NHEC could meet this obligation at a cost of approximately \$53,008 and reduce current Class III RPS compliance costs by approximately \$1.81 million for NHEC members.

Assuming the current 8% RPS obligation for Class III RECs, *if* RECs were available at the current market price of \$39.75/REC, purchasing the quantity that NHEC would need to meet this obligation would result in a cost savings of only \$20,500 compared to meeting its obligation through the combination of purchased RECs and ACP. This results in a cost reduction of only 1.1% and the NHEC members would still have to pay an additional \$1.79 million under this scenario.

**A scarcity-driven reduction**

Current market conditions have continued an environment of scarcity identified in past years by the Department's orders. NHEC urges the Department to reduce 2024 Class III RPS requirements to the lowest level consistent with the RSA 362-F:4(VI) criteria.

NHEC also requests that the Department make this reduction of the 2024 Class III obligations effective prior to February 1, 2025, 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 2024 obligations, and enable NHEC's members to benefit from the reduction in the Class III RPS obligation costs.

Regards,

  
Elijah Emerson

Cc: Service List (via e-mail)