

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF ENERGY
December 19, 2024**

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 “Public Comment Hearing.”

1. The Department of Energy (“the Department”) issued an Order of Notice on November 22, 2024 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 2024 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 2024.

2. BPC submits these comments as we have in prior years 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 compliance year 2024 if it was demonstrated that said reduction would indeed create ratepayer savings. BPC is skeptical that measurable savings would be realized by ratepayers sufficient to override the legislative purpose behind the Renewable Portfolio Standards (“RPS”),

as reflected in RSA 362-F:1. Load that has migrated from the utility system will see no savings from a reduction in the REC purchase requirement because customers of competitive suppliers would have already procured and paid for the competitive supplier's compliance costs by and through existing power purchase agreements without a likely method to reconcile any over-collections in the event the Class III REC Purchase Requirement is reduced. Instead, the LSE's that serve this migrated load will be the benefactors of the reduction as the 8% requirement without any corresponding benefit to customers of competitive suppliers. These LSE's should be required to pay the ACP's so that the integrity of the program is maintained and NH ratepayers in the longer term will benefit from the use of the ACP dollars that would be deposited in the Renewable Energy Fund.

3. BPC strongly believes any reduction should not become the new precedent for the future purchase requirements under the program. As was discussed by the generators during the Public Comment Hearing, such a precedent is quickly becoming apparent as market participants are not seeking to purchase Class III RECs throughout the compliance year in anticipation of a reduction of the Class III purchase requirement by the DOE. A 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 reasonable efforts to participate in the market throughout the compliance year and 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 creates an unfair disadvantage for REC eligible generators and undermines the intent of the RPS. Because of this, the purchase requirement that has been legislatively set should be upheld.

4. 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 or will not participate in the market at all. BPC provided proof of such a situation by reading a July 17, 2024 email into the record from an LSE stating, in pertinent part:

We are not active in the REC market right now. We usually like to wait until after the end of the calendar year so we know what our obligations are and how many RECs we have from our existing purchase contracts.

The availability of a reduction, therefore, is creating a self-fulfilling prophecy – LSEs will not purchase Class III RECs because the purchase requirement may be adjusted, and the purchase requirement will be adjusted because LSEs have not purchased sufficient Class III RECs by the end of 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 few offers have been made by any LSEs even though BPC has, as of the date of the Order of Notice RECs available for purchase. Of all the New England REC markets NH III’s has always been the least liquid.

5. 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. RSA 362-F:1 states:

Renewable energy generation technologies can provide fuel diversity to the state and New England generation supply through use of local renewable fuels and resources that serve to displace and thereby lower regional dependence on fossil fuels. This has the potential to lower and stabilize future energy costs by reducing exposure to rising and volatile fossil fuel prices. The use of renewable energy technologies and fuels can also help to keep energy and investment dollars in the

state to benefit our own economy. In addition, employing low emission forms of such technologies can reduce the amount of greenhouse gases, nitrogen oxides, and particulate matter emissions transported into New Hampshire and also generated in the state, thereby improving air quality and public health, and mitigating against the risks of climate change. It is therefore in the public interest to stimulate investment in low emission renewable energy generation technologies in New England and, in particular, New Hampshire, whether at new or existing facilities.

The current protocols employed by LSEs – waiting until the end of the compliance year to see what the purchase requirement will be – undermines this system. 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 first Quarter 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 operate their facility or remain idle. 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 to 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. The ultimate result is that those generators that are in furtherance of the purposes of the RPS under RSA 362-F are forced to remain idle, limiting the offset of generation produced by fossil fuels.

6. Additionally, per 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.” ACP’s and grants from the associated fund helps meet this purpose. However, if the ACP is never triggered because the purchase requirement is regularly adjusted, regardless of whether there is a LSE-created market shortage, the function of the ACP is minimized.

7. Presently, the unavailability of Class III RECs – which is less pronounced than years prior – is due in part to the curtailed output of some biomass facilities. These temporary curtailments 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. With regard to factor (1), low natural gas prices in all but the winter months have 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. This causes biomass generators to be more reliant on Class III RECs to pay for variable and fixed operating costs. If Class III RECs are not purchased or committed to be purchased, generators must choose whether to continue operation.

8. With regard to factor (2), the market price for RECs in Connecticut is no longer higher than in NH for 2024. The ACP in Connecticut for 2024 is \$40 per REC; after being as high as \$55.00 per REC in prior years. NH also had a three-year period where the ACP was \$55 (2017-2019); it is currently at \$40.23. New Hampshire’s higher ACP provides a market incentive for generators to sell Class III RECs in New Hampshire, a markedly different situation than in years’ past where the Connecticut ACP was higher than New Hampshire’s. However, there are few requests for proposals issued for Class III RECs in New Hampshire. BPC has sold most of the RECs associated with our generation as 50% for Connecticut Class I compliance and 50% for NH Class III compliance. BPC emphasizes that a recurring and regular reduction of the Class III

purchase requirement will have significant adverse impacts on Class III biomass generators, as Class III biomass generators are now increasingly more reliant on the New Hampshire REC market for Compliance Year 2024 and thereafter as Connecticut has instituted their “biomass phase down” as outlined in Connecticut’s “Integrated Resource Plan”. Only 50% of the quarterly generation from BPC’s facility now qualifies as CT Class I eligible.

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 2024, 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 sales to Connecticut because a market did not exist in New Hampshire.

10. This docket reflects factual circumstances 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 and the lack of a liquid New Hampshire Class III market. Therefore, unlike in prior dockets – where the reduction of the Class III RECs purchase requirements did not stand to cause an adverse effect on biomass generators – a reduction in this compliance year may create market signals that will have 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. As discussed at length above, such signals are already perceived by certain LSEs.

12. In conclusion, a negative purchase requirement adjustment to Class III RECs for compliance year 2024 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 and the extent to which rate payer savings will be realized by such a reduction. BPC opposes the reduction sought by LSEs down to the 0.5% of annual sales.

13. 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 by the LSE’s that serve default service and indeed can lower rate payer impact. 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 too 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.

14. BPC appreciates the Department’s thought and consideration.

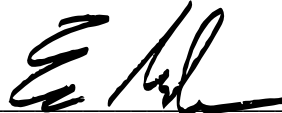
Respectfully submitted,
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Certificate of Service

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 21st day of January 2025.



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