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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

December 6, 2016 - 1:43 p.m. NHPUC DEC20'16 AM 1:41
Concord, New Hampshire

RE: DE 16-850
ELECTRIC RENEWABLE PORTFOLIO STANDARD:
Modification of Renewable Portfolio
Standard 2016 Class I Thermal and
2017 Class III Requirements.
(Hearing to receive public comment)

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Robert R. Scott
Commissioner Kathryn M. Bailey

Sandy Deno, Clerk

APPEARANCES: (No appearances taken)

Court Reporter: Steven E. Patnaude, LCR No. 52

**CERTIFIED
ORIGINAL TRANSCRIPT**

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17
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19
20
21
22
23
24

I N D E X

PAGE NO.

Summary by Ms. Cramton

3

STATEMENTS BY:

Robert Olson 7, 72

Charlie Niebling 25

Ray Albrecht 35

Jasen Stock 39

Dan Allegretti 42, 71

Nathan Hebel 48

Mark Dean 51

Matthew Fossum 60

Jim Monahan 63

FURTHER COMMENTS FROM PUC STAFF:

Mr. Eckberg 64

Ms. Cramton 68

Ms. Amidon 70

QUESTIONS BY:

Cmsr. Scott 23, 33, 46, 58, 67

Cmsr. Bailey 24

Chairman Honigberg 47, 59, 62, 65

1
2
3
4
5
6
7
8
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P R O C E E D I N G

CHAIRMAN HONIGBERG: Good afternoon, everyone. We're here in Docket DE 16-850, the Electric Renewable Portfolio Standards. We're here to consider public comment on a possible modification of the Renewable Portfolio Standards for 2016 Class I Thermal and 2017 Class III requirements. I will not read from the Order of Notice, which I'm sure you all have memorized anyway.

And, before going to the list of speakers, I'll ask Staff if there's anything they would like to say to set the scene?

MS. AMIDON: Yes.

CHAIRMAN HONIGBERG: That's one good thing about being Staff is you get to go first and last, if you'd like.

MS. AMIDON: Thank you. For the record, my name is Suzanne Amidon. And I'm the Staff attorney on this.

But I'm turning to Karen Cramton, the Director of the Substantial Energy Division for her comments.

MS. CRAMTON: Great. Thank you. I'm

1 Karen Cramton, the Director of the Sustainable
2 Energy Division.

3 Just to set the stage a little bit,
4 as you mentioned, we're here today to talk
5 about Class I Thermal requirements for the year
6 2016. Right now the obligation is set in the
7 statute at 0.6 percent of retail electric
8 sales. And, in 20 -- I'm sorry, that was the
9 2015 obligation. The 2016 obligation increases
10 to 1.3 percent of retail sales.

11 As you know, the Alternative
12 Compliance Payments go into the Renewable
13 Energy Fund. And we use the funds to
14 incentivize development in the renewable energy
15 area. And we have been targeting, in the past
16 years, our grant RFP towards the area of
17 thermal. And, in the past two years, we have
18 awarded three grants in the area of thermal.
19 That's both biomass and geothermal. In the
20 hopes that we would be getting more REC
21 certified facilities, thereby having more RECs
22 available out in the marketplace.

23 From 2014 to 2016, which are the
24 years in which there has been a thermal

1 requirement, we've seen the number of
2 facilities certified in New Hampshire grow from
3 six to we now have 17 in 2017 -- I'm sorry,
4 2016 that are certified. And, because of that,
5 we are seeing an increased amount of thermal
6 RECs.

7 That being said, we are still not
8 convinced, based on some estimates that we've
9 done, that there are enough RECs available to
10 meet the full obligation in 2016. But we're
11 here today to get comments on that as well.

12 So, that's a brief discussion of the
13 thermal RECs.

14 Class III, as you know, that is our
15 biomass REC, and that is for both biomass and
16 landfill electricity generation. The
17 obligation is set in statute at 8 percent.
18 Traditionally, in past years, we have reduced
19 that to 0.5 percent, based on language in the
20 statute that permits us to do that, based upon
21 the amount of RECs or the quantity of RECs that
22 will be available in the marketplace to meet
23 that obligation.

24 So, again, we're here today just to

1 listen to comments, to get a better
2 understanding of what's happening in the
3 marketplace today.

4 Just a few basic facts, so that you
5 all know. The ACPs are legislative set for
6 this class at \$45. In Connecticut, which is
7 where a lot of our RECs go, their ACP rate is
8 \$55. And just another little fact that I'll
9 throw out is that, in 2014, we saw Alternative
10 Compliance Payments for this class at roughly
11 \$1.7 million. In 2015, our Alternative
12 Compliance Payments came in for this class at
13 \$174,000, roughly. So, we are seeing or we
14 have some indication that there may be
15 something going on in the market, and again
16 that's the purpose of the public comment
17 hearing.

18 CHAIRMAN HONIGBERG: All right.
19 Thank you.

20 MS. CRAMTON: Thank you.

21 CHAIRMAN HONIGBERG: Thank you, Ms.
22 Cramton.

23 We have eight people who have
24 indicated that they wish to speak. I don't

1 know what order people came in, but I have two
2 sheets, and I'm going to do one sheet and then
3 the other.

4 So, the first speaker is Bob Olson,
5 to be followed by Ray Albrecht and Charlie
6 Niebling.

7 So, Mr. Olson.

8 MR. OLSON: Thank you. Thank you,
9 Commissioner. I represent the following
10 companies for purposes of this public comment
11 hearing: Bridgewater Power Company, LP; ENGIE,
12 which is E-N-G-I-E, ENGIE North America, Inc.,
13 they are the parent company of Pinetree Power -
14 Tamworth and Pinetree Power, Inc., the two wood
15 facilities located, respectively, in Bethlehem
16 and Tamworth; I also represent Springfield
17 Power, LLC; DG Whitefield, LLC; and Indeck
18 Energy Alexandria, LLC.

19 These facilities were all developed
20 before 1998. And the significance of that is
21 that it makes the New Hampshire Class III
22 market and the Connecticut Class I RPS market
23 the primary markets for these facilities.
24 Massachusetts Class I does not allow pre-1998

1 biomass facilities, and the Massachusetts Class
2 II market is a very low-priced market and has
3 eligibility requirements that really, as a
4 practical matter, preclude these facilities
5 from accessing it. So, when we think about
6 these units, with -- there are some minor
7 exceptions, but by in large they generally sit
8 in the Class III New Hampshire market or the
9 Connecticut Class I market. One of the
10 facilities has the ability and is a New
11 Hampshire Class I facility. That facility also
12 has the ability to opt into the New Hampshire
13 Class III market.

14 The biomass position on the 2017 RPS
15 adjustment for Class III is to leave the
16 percentage at the 8 percent level set by
17 statute. This recommendation is based on our
18 review of Class III supply and demand, and the
19 activities in the RPS markets in other states.
20 And I will walk through that supply-and-demand
21 scenario, as well as the activities in the
22 other states.

23 There are eight biomass facilities
24 that have been qualified or are capable of

1 being qualified in the New Hampshire Class III
2 market. These facilities had a 90 percent
3 plant factor, can sell 919,500 RECs. So,
4 that's 919,500.

5 I will probably, given the numbers
6 we're going through, also speak out the numbers
7 so that the court reporter can accurately
8 capture them.

9 With respect to that 919,500 REC
10 number, two of the facilities, Springfield and
11 Whitefield, have been derated for a partial
12 year because they need to make some
13 improvements to their pollution control
14 equipment. So, that number is not a full
15 number with respect to those facilities, but
16 represents a partial year.

17 I indicated that Indeck can move out
18 of Class I and into Class III. It's expected
19 that that would occur, because, if we look at
20 the 2015 report done by the Sustainability
21 Division, we see that Alternative Compliance
22 Payments for Class I were only approximately
23 \$18,000, indicating a fairly fully subscribed
24 Class I. So, the Class III market, with a \$45

1 ACP, even though it's lower than the New
2 Hampshire Class I market, might post better REC
3 prices than that New Hampshire Class I price.

4 I've also assumed, in looking at the
5 supply of RECs in the Class III, I've assumed
6 93,000 RECs from landfill gas methane. This is
7 a conservative number. If we review the
8 Sustainability Division's report on eligible
9 facilities, there's some 81 megawatts of
10 landfill gas that has qualified as Class III
11 eligible. The 93,000 RECs represents 11.8
12 megawatts at a 90 percent capacity factor. So,
13 I've taken 11.8 megawatts of the potential 81,
14 just to create some space for landfill gas.
15 The result of that is my estimate of the total
16 2017 REC supply into Class III from these
17 facilities is 1,012,500. So, 1,012,500.

18 Turning to the demand in Class III,
19 to start to create a demand number, we have to
20 create a statewide megawatt sales, because the
21 percentage is a function of the statewide
22 megawatt sales numbers. I took the 2015
23 statewide megawatt sale number of 10,768,805,
24 and that's 10,768,805, and escalated it at 1.1

1 percent each year to arrive at a 2017 number of
2 11,007,021. So, that's 11,007,021. So, that's
3 my estimate of the 2017 megawatt-hour statewide
4 sales for RPS purposes.

5 At the 8 percent statutory purchase
6 rate, that produces a demand of 880,561 RECs
7 for the 2017 Class III market. That's 880,561.

8 The result, if you do the
9 subtraction, is that, in 2017, if all of those
10 RECs materialize as supply against that demand,
11 we will have an oversupply of Class III RECs
12 equal to 131,938 RECs. So, that's 131,938 as
13 the REC oversupply, if you do that analysis.

14 The oversupply obviously was greater
15 than that, if more than 11.8 megawatts of
16 landfill gas arrive into the market. So, my
17 view is the 131,900 some REC oversupply is a
18 conservative statement.

19 Now, under the statute, RSA 362-F:4,
20 VI, the Commission is authorized to make
21 adjustments to the Class III percentage such
22 that the requirement is equal to an amount
23 between 85 and 95 percent of the reasonably
24 expected annual output from available sources,

1 after taking into account demand in other
2 states. So, there are two parts to it.

3 The first part is "what's the 85 to
4 95 percent number look like?" And "what are
5 the demands in other states that might affect
6 that?"

7 So, if you use that estimate I
8 derived just a moment ago of 1,012,500 RECs in
9 2017 for Class III, the 85 percent number is
10 860,625. So, 860,625. The 95 percent number
11 is 961,875, or 961,875. That produces a range
12 for the percentage comparable to the 8 percent
13 in the statute of about, and "about" means I've
14 rounded some of these decimal points, about
15 7.82 percent to about 8.73 percent. So, that's
16 the range of 85 to 90 percent of the RECs, if
17 you were to set that percentage against that
18 demand. So, obviously, the 8 percent number
19 fits nicely within that range. Especially if
20 one considers that it's conservative, as I
21 indicated, due to the -- only contributing
22 11.8 megawatts of landfill gas of the potential
23 of 81 megawatts.

24 So, how will 2017 RPS supply and

1 demand be affected by activities taking place
2 in other states? How will the Connecticut
3 market, the Massachusetts market, those being
4 the primary Class I markets in New England,
5 affect supply and demand, so that we can have
6 an indication of whether these RECs will indeed
7 flow into the New Hampshire Class III market,
8 or whether they will go to the Connecticut
9 market?

10 As I indicated, the Connecticut
11 market allows the eight biomass facilities as
12 eligible facilities in the 2017 year.
13 Connecticut, as Karen Cramton indicated, has a
14 statutorily fixed ACP rate of \$55, and the New
15 Hampshire ACP rate for Class III is \$45. ACP
16 rates are the upper limit. The REC price is
17 really a function of supply and demand.

18 In 2015, the Connecticut market, for
19 Class I, which is where these biomass
20 facilities would sell RECs, saw REC prices
21 generally in the \$45 to \$50 range. Sometimes
22 it was a little higher than \$50, but \$45 to \$50
23 was a good part of that Class I market in 2015.

24 In 2016, today, "today" meaning maybe

1 yesterday, when I did this, the Connecticut
2 Class I REC bid prices are around 20 to \$21.
3 So, we've seen the Connecticut REC bid prices,
4 compared to the market prices that were posted
5 in the prior year, cut in half at least, if not
6 more.

7 For purposes of this docket, the
8 relevant year is 2017. And the 2017
9 Connecticut Class I REC bid prices, as of
10 yesterday, were around \$24. So, there was some
11 uptick, and I will talk in a moment about what
12 might have caused the uptick. But, again, the
13 uptick nowhere near gets us back to where that
14 Connecticut market was in 2015. So, we've seen
15 some real significant price declines in the
16 Connecticut Class I REC market.

17 What that pricing indicates is that
18 it's likely that, for 2017, more supply is
19 available in the Connecticut Class I market
20 than has been in the past, and we certainly
21 have not seen any 2017 bid prices, as of
22 December 5th, for RECs even at \$30. They have
23 all been below that number, and certainly more
24 in the \$24 range.

1 It also indicates that the biomass
2 units that are Class III eligible are more
3 likely to sell in the New Hampshire Class III
4 market with a \$45 ACP. This is so, because,
5 under the New Hampshire RPS, fewer units can
6 meet the eligibility requirements for Class III
7 than can meet the eligibility requirements for
8 Connecticut Class I, which also includes hydro
9 below 30 megawatts, fuel cells, solar, wind,
10 and biomass, not just of the size for New
11 Hampshire Class III, which is 25 megawatts or
12 less, but large biomass units throughout New
13 England, like the 40- and 45-megawatt units
14 located in Maine, the 80-megawatt unit located
15 in Burlington, Vermont, and Schiller Station,
16 which is around a 45-megawatt biomass unit.
17 All of those qualify, as does wind and solar
18 and fuel cells, into the Connecticut Class I
19 market.

20 So, when I look at the New Hampshire
21 Class III market, I don't expect the supply to
22 be such that it significantly exceeds the
23 demand. My calculation was by about 132,000
24 RECs, compared to the Connecticut market. So,

1 the expectation is the Class III REC price will
2 be above the Connecticut Class I REC price,
3 because it will be access -- not "because",
4 but -- and hence will be accessible by those
5 Class III biomass facilities, rather than
6 having them remain in the Connecticut market.

7 So, what markets are causing this?
8 What's happening that it's creating this drop
9 or this oversupply apparent in the Connecticut
10 Class I market? One of the big drivers, I
11 believe, is the Massachusetts market. These
12 biomass facilities that we're speaking of, the
13 Class III facilities, as I indicated at the
14 outset, do not qualify in Massachusetts Class
15 I. But, other than that, Massachusetts and
16 Connecticut tend to use the same types of
17 facilities to meet their Class I supply
18 requirements for RECs. So, wind qualifies in
19 both; landfill gas, to some extent, qualifies
20 in both; solar qualifies in both. And, so,
21 that dual qualification nature allows those
22 RECs to be fungible between the two markets.

23 And, if REC demand is somehow
24 suppressed in Massachusetts, then those

1 dual-qualified facilities will seek other
2 markets, including that Connecticut Class I
3 market.

4 So, is demand being suppressed or
5 being supplied by other types of facilities in
6 Massachusetts? I think the answer is "yes".
7 Massachusetts has what is known as a "solar
8 carve-out". And the solar carve-out takes the
9 Massachusetts Class I percentage and carves out
10 a percentage of that percentage and sets it
11 aside only to be subscribed by solar facilities
12 that meet the Massachusetts requirements. And
13 it's an aggressive program. Massachusetts is
14 seeking 1,600 megawatts of solar by 2020. And
15 my understanding is, presently they have more
16 than 900 megawatts.

17 The result of that is that, as the
18 solar supply in Massachusetts increases, the
19 non-solar RECs that could have supplied Class I
20 move to other markets. And, in fact, that's
21 what's happening. I understand that
22 Massachusetts recently set its demand for the
23 2017 solar REC at around 1 million RECs. And
24 that will, obviously, reduce the demand for

1 non-solar RECs in that same class.

2 And we can see the effect of this if
3 we just look at the pricing impact.

4 Massachusetts is a larger REC market than
5 Connecticut. Massachusetts REC market is about
6 5,760,000 RECs for the 2017 period. Where the
7 Connecticut market is about 4,500,000 for the
8 2017 period. The Mass. ACP for 2016 was
9 \$66.99, compared to the Connecticut \$55 ACP.

10 But, when we look at how RECs are
11 trading in those markets, in 2016, the Mass.
12 Class I non-solar RECs are trading at about
13 \$21, which is similar to how Connecticut is
14 trading. And the 2017 Mass. RECs are trading
15 at around \$24, similar to the bid prices in the
16 Connecticut 2017 market. So, what you're
17 seeing is, for the non-solar portion of those
18 RECs, parity between those two markets,
19 indicating, in my view, that RECs are flowing
20 out of Massachusetts -- not "out of", but which
21 could have supplied some of that Mass.
22 demand or Mass. supply and are looking to
23 supply the Connecticut demand.

24 There are other factors that affect

1 that Connecticut market. First, Maine does
2 have some affect on the Connecticut Class I
3 supply. But the effect is one that has not
4 increased REC rights -- REC rates above those
5 expected in the New Hampshire Class III market.
6 So, for example, on November 30th, there was a
7 large so-called "load auction" in Maine, and
8 that has produced some activity in the REC
9 market. It's that activity, I understand, that
10 took the RECs from around \$21 to the 2017 \$24
11 number in Connecticut. And, so, that's what I
12 mean when I say "it has some effect", but it's
13 not having an effect that's making the
14 Connecticut market look better as a market of
15 choice than the New Hampshire Class III market
16 with its \$45 ACP.

17 New York has also established
18 something called a "Clean Energy Standard", but
19 it does not apply to pre-2015 units. And, so,
20 what we're seeing from New York, at least at
21 present, is a lot of wind and other types of
22 renewables making the economic choice to move
23 into other NEPOOL Class I markets, most notably
24 in Connecticut, given the situation in

1 Massachusetts with solar. But, again, they
2 could also, if it's wind, they could also
3 supply the Massachusetts solar market, putting
4 more pressure on the Connecticut market.

5 The final point in that concept is
6 that REC demand is actually down because load
7 is down. Remember, I'm positing 11 million
8 dollars -- "11 million dollars" -- I mean 11
9 million RECs in the New Hampshire Class III
10 market based on -- I'm sorry, strike all of
11 that. I'm positing that the REC demand in New
12 Hampshire is based on statewide sales of 11
13 million megawatt-hours. Demand in the New
14 England states is actually down, so that the
15 ISO-New England Net Energy Load Report shows a
16 decrease of about 3.2 percent through
17 September 2016, compared to 2015 in the same
18 period. And Massachusetts RPS load is down
19 about 3.3 percent, measuring the second quarter
20 of 2016 against the second quarter of 2015.
21 Again, what happens is, as load goes down, REC
22 demand goes down, but REC supply isn't going
23 away. They're still there. So, you're getting
24 an oversupply. Again, making the New Hampshire

1 market look to be a better market of economic
2 choice for those facilities that can qualify
3 here.

4 So, the result of all of those
5 interactions in the market, in my view, is that
6 the Connecticut looks like it's going to be
7 potentially oversupplied and it will exceed its
8 demand, the prices will remain low. And that
9 those units that are Class III New Hampshire
10 qualified would seek to sell into the New
11 Hampshire Class III market.

12 One final point here is, and this is
13 more of a policy point, I admit, but
14 determining the New Hampshire Class III demand,
15 and hence REC pricing, because the pricing
16 flows from demand, is critical at this juncture
17 for New Hampshire biomass facilities.

18 If we go back to the Commission's
19 docket in Docket DE 11-184, Order 25,305
20 approved certain biomass purchased power
21 agreements for some of the parties I represent
22 here today. Those agreements were for 2012
23 energy sales. And the energy price that the
24 Commission approved was \$69 per megawatt-hour,

1 with also the understanding that those
2 facilities would separately sell their RECs
3 into the market and obtain that benefit. So,
4 in 2012, we were looking at \$69 energy, plus a
5 REC market.

6 Well, today, as I'm sure you're
7 aware, wholesale prices in the ISO-New England
8 market are in significant decline. In 2014, if
9 I looked at the all-hours day-ahead prices for
10 delivery throughout the entire calendar year,
11 we would have averaged about \$70 a
12 megawatt-hour. In 2015, that same day-ahead
13 average all-hours was about \$41 a
14 megawatt-hour. And the average for
15 January 2016 through October 2016 for the
16 day-ahead market is under \$30 a megawatt-hour.
17 October was at about \$22 a megawatt-hour. It
18 was the sixth lowest monthly price since the
19 wholesale market was created in 2003. All of
20 that, obviously, puts a lot more pressure on
21 the REC price, in terms of an important revenue
22 source to maintain the viability of these
23 facilities paid in fuel diversity and the other
24 benefits that the RPS statute seeks to provide

1 here in New Hampshire.

2 The 2017 forwards for that day-ahead
3 market right now look to be posting an all-year
4 price for the day-ahead market of around \$40 or
5 less for the year. So, again, what we do here
6 today is of great significance to the continued
7 viability.

8 And that concludes my remarks for
9 now.

10 CHAIRMAN HONIGBERG: Commissioner
11 Scott I believe has a question for you.

12 MR. OLSON: Sure.

13 CMSR. SCOTT: Thank you very much.
14 And that was a nice around England -- around
15 New England tour.

16 Having said that, I was curious,
17 obviously, they're small, but Vermont recently
18 passed some legislation. Do you expect any
19 impacts from that?

20 MR. OLSON: No, I do not. I think --
21 I've not studied the Vermont legislation in
22 full, but my understanding is it's a limited
23 use. And, really, these facilities would not
24 qualify in that market.

1 CMSR. SCOTT: Thank you.

2 CHAIRMAN HONIGBERG: All right. Next
3 up is Ray Albrecht, to be followed by Charlie
4 Niebling and Jasen Stock.

5 Oh, you have a question? I'm sorry,
6 Commissioner Bailey has a question for you as
7 well.

8 CMSR. BAILEY: Can you give me your
9 thoughts about why the utilities are telling us
10 that they're not able to purchase these RECs?

11 MR. OLSON: I think what I understand
12 is the utilities are saying they're "unable to
13 purchase them historically". So that, in the
14 years when we came before the Commission in
15 similar proceedings, we would see in the
16 statute the percentage was at 8 percent. And
17 we would advocate for a reduction in that
18 percentage. And I think, in a number of those
19 years, the Commission did reduce it to as low
20 as one-half percent. So, I think that's where
21 they were.

22 Today, I don't think that's a correct
23 view of what's taking place in the market, if
24 they were saying that they're unable to

1 purchase them on a 2017 go-forward basis. They
2 may have difficulty purchasing 2016 RECs,
3 because the number has been lowered to half a
4 percent. But, for most of 2016, they sold into
5 a higher Connecticut market.

6 I think recently we're seeing some
7 activity, I know at least one of the facilities
8 I represent has recently put a bid into one of
9 the utilities for a sale of 2017 RECs and some
10 2016, I believe -- and some 2016 RECs.

11 CMSR. BAILEY: Okay. Thank you.

12 CHAIRMAN HONIGBERG: Now,
13 Mr. Albrecht, are you ready to follow that tour
14 de force.

15 MR. ALBRECHT: Well, that's a tough,
16 you know, act to follow. But Ray Albrecht
17 here. But, first, I would like to ask your
18 permission if we could let Charlie Niebling
19 speak for first, and then allow me to follow up
20 on his comments?

21 CHAIRMAN HONIGBERG: Sure. Mr.
22 Niebling.

23 MR. NIEBLING: Thank you, Mr.
24 Chairman, Commissioner Bailey, Commissioner

1 Scott. My name is Charles Niebling. I'm a
2 partner in the firm Innovative Natural Resource
3 Solutions, with my office in Concord here. And
4 I've been a student of the thermal -- Class I
5 thermal provision that was enacted in 2012 for
6 some years now, and will focus my remarks on
7 the issue before the PUC now relative to
8 potential delay of Class I thermal, and not so
9 much on the Class III issues.

10 The 1.3 percent purchase obligation
11 under the Class I Thermal provision in 2016,
12 assuming a REC-qualified load of 11 million
13 megawatt-hours, equate to about 143,000 thermal
14 RECs that the utilities and competitive
15 suppliers are obligated to purchase for the
16 2016 compliance year.

17 As Ms. Cramton mentioned, there are a
18 number of facilities that are now qualified to
19 sell thermal RECs in the state, and a number of
20 others that have applications pending before
21 the PUC, and several that I'm aware of that
22 will be submitting applications very soon.

23 Of the biomass projects, which is
24 most of the qualified thermal REC generators, I

1 think there are two geothermal and no solar
2 thermal projects. Most have been biomass
3 projects. I put their estimated annual REC
4 generation or useful thermal energy generation
5 at 35,000 to 40,000 megawatt-hours of qualified
6 heat and energy, and that assumes normal
7 heating season conditions. And, keep in mind,
8 thermal RECs are very much a function of what's
9 going on in the atmosphere, to wit what
10 happened last winter. I'll speak to that in
11 just a moment.

12 And I just -- so, clearly, there's a
13 deficit between what's available and
14 potentially available in the market soon and
15 what the retail service providers are obligated
16 to purchase. And I just wanted to speak to the
17 reasons why I believe that is the case.

18 First, the current statute obligation
19 of 1.3 percent was a legislated settlement
20 arrangement that was enacted in 2013 to
21 accommodate Concord Steam Corporation's planned
22 expansion, at the time, actually, was a new --
23 brand-new facility, a combined heat and power
24 facility, and subsequently they abandoned that

1 and focused instead on rebuilding their
2 facility outside the window here.

3 As we all know, that facility -- or,
4 Concord Steam has announced they do not intend
5 to continue with that project. It's received
6 considerable attention here and elsewhere.

7 But that was a revision of the
8 original implementation of the thermal class
9 per Senate Bill 218 in the 2012 session, which
10 would otherwise have put the percentage in the
11 2016 compliance year at seven-tenths of
12 1 percent, not 1.3 percent. It was a very
13 front-end loaded bump to accommodate this big
14 slug of proposed thermal RECs that Concord
15 Steam believed would be coming into the market
16 in 2016. So, that's the major reason we've got
17 this big disparity between supply and demand.

18 Secondly, the decline in fossil
19 heating fuel prices that we've seen in the last
20 several years has had a rather significant
21 impact on project development. The simple
22 payback economics, the internal rate of return,
23 return on investment just is not there the way
24 it was back in 2012, 2013, 2014, when we

1 thought this market was really going to take
2 off. And who knows what the future holds, but
3 I think it's a reasonable assumption that
4 fossil fuel prices will come back up again in
5 the next several years.

6 But that's had quite an impact, and
7 especially on larger projects, which have
8 typically a very high installed capital cost,
9 low operating costs, but very high installed
10 capital costs.

11 The third factor is that the PUC's
12 administrative rules and metering requirements
13 make it unattractive for many small projects to
14 seek qualification. The administrative
15 compliance and hardware costs are not
16 sufficiently offset by revenues for smaller
17 projects, and they just simply don't seek to
18 qualify.

19 While individually they may be small,
20 there are lots of them. There are about 100 of
21 them in the state, and most of them have come
22 on line in the last several years. And,
23 collectively, they represent many thousands of
24 thermal RECs that could be aggregated and sold

1 into the marketplace. We're hoping that the
2 rulemaking that is under consideration right
3 now through DRM 16-829 will provide an
4 opportunity for some creative thinking about
5 how to make this provision more accessible for
6 smaller projects, with more practical metering
7 or heat estimation requirements.

8 Fourth, and I alluded to this, we had
9 no winter last winter. And degree days in
10 Concord were 26-27 percent below normal. And
11 it had quite an impact on consumption of all
12 heating fuels, not just those -- not just
13 biomass.

14 And the last item I'll mention is
15 that a number of projects that have been
16 qualified have had some technical challenges
17 with their -- the accurate performance of their
18 meters. And, as a result, their independent
19 monitors are unable or unwilling to register
20 RECs generated with the GIS. And they're
21 actively seeking to remedy those challenges,
22 but metering heat is -- can be a complicated
23 engineering proposition, depending on the
24 installation.

1 So, I just want to make clear that,
2 despite all of these challenges, there are some
3 large projects in the works out there. There
4 is a substantial college combined heat and
5 power project that has been in development for
6 a number of years. There's a substantial
7 institutional biodiesel conversion from Number
8 6 oil that has received some media attention in
9 the last month or two. And a large thermal
10 wood dryer that I'm aware of that will be
11 seeking to qualify its heat output in 2017.

12 These are significant projects
13 generating many tens of thousands of thermal
14 RECs a year. And I will say unequivocally that
15 the existence of this incentive has figured
16 very prominently in the financial analysis,
17 financial proforma for those projects.

18 I will also say that the New
19 Hampshire Wood Energy Council, which I am
20 involved with, has done feasibility studies for
21 26 potential projects around the state,
22 including some fairly large biomass projects
23 that have -- are just kind of on hold waiting
24 for the economics of their projects to improve.

1 So, these are organizations,
2 institutions that took the time and effort to
3 do a deep dive on the economics and the
4 engineering of their projects. And they're
5 just waiting for things to come around in the
6 market, especially with fossil heating fuel
7 prices.

8 So, given all of that, I certainly am
9 very sensitive to the issue of a large
10 disparity between demand and supply. The
11 political issue of ACPs and ACP revenues, I
12 think everyone has been aware, with the demise
13 of Concord Steam's project, that this issue
14 would get attention inevitably.

15 And my recommendation to the PUC
16 would be to delay the 2016 increase and replace
17 it with the 0.7 percent factor that was
18 envisioned in the original Senate Bill 218 for
19 the 2016 compliance year.

20 And I have some written testimony,
21 and I have a table in that that shows how the
22 thermal class was implemented as originally
23 envisioned in Senate Bill 218, and how it got
24 modified in House Bill 542 in 2013. And it

1 will significantly address the issue, at least
2 for this year. And, then, I think it's
3 probably a pretty good bet that the Legislature
4 will take a run at this question this session
5 and perhaps implement a more durable
6 modification of the way the thermal class gets
7 implemented going forward.

8 So, that would be my recommendation.

9 CHAIRMAN HONIGBERG: Commissioner
10 Scott.

11 CMSR. SCOTT: Thank you for that
12 thoughtful commentary. I was with you right up
13 until the last thing you -- the last point you
14 made, where you suggested we delay the 2016,
15 which would be the 1.3 percent, and replace it
16 with a 0.7. That's where I got lost. The way
17 I'm reading the statute is our authority allows
18 us to either delay or accelerate by up to one
19 year, which would say we could either do the
20 1.3, or maintain the 0.6, I think. Is that not
21 correct?

22 MR. NIEBLING: Well, for up to one
23 year, you could prorate the implementation of
24 the point -- well, you could prorate the

1 implementation of the 1.3 for some portion of
2 the year.

3 CMSR. SCOTT: I guess I would need
4 some legal help with understanding how the
5 language does that for us.

6 MR. NIEBLING: Well, if it's "up to
7 one year", it seems like you have discretion as
8 to decide when you implement that delay, at
9 what point in the year do you implement that
10 delay. At the end of the year, you have a
11 total purchase obligation that's a function of
12 partial implementation of what the statute
13 requires and the delay.

14 And I'm speaking on-the-fly here.
15 So, if you had any discretion to do other than
16 delay to the prior year, my recommendation
17 would be to allow that one-tenth of 1 percent
18 increase to be implemented in 2016.

19 CMSR. SCOTT: So, let me ask you
20 this. I'm not unsympathetic to what you're
21 saying. But, if the lawyers can't get us
22 there, and the choice really is between 0.6 and
23 the 1.3, what would be your guidance?

24 MR. NIEBLING: I guess I'd leave it

1 at 1.3, and maybe there's something the
2 Legislature can do retroactively. Especially
3 if they enact their amendments before the
4 retail service providers have to meet their
5 compliance obligation in June, there may be an
6 opportunity to fix the issue legislatively.

7 CMSR. SCOTT: Well, I am aware of an
8 LSR. I'm not sure it does what you're
9 suggesting, though.

10 MR. NIEBLING: No.

11 CMSR. SCOTT: Thank you.

12 CHAIRMAN HONIGBERG: All right.

13 MR. NIEBLING: But we'll fight that
14 battle when it comes.

15 CHAIRMAN HONIGBERG: That may be a
16 different discussion.

17 Mr. Albrecht, is there anything you
18 would like to add to what Mr. Niebling said?

19 MR. ALBRECHT: Sure. Thanks very
20 much for allowing us to change the order in
21 which we're speaking, because I would like to
22 build upon what Charlie has said.

23 First of all, my name is Ray
24 Albrecht. I'm the technical representative

1 with the National Biodiesel Board, which is the
2 national association for biodiesel producers,
3 wholesale distributors, users, advocates from
4 all strata within industry and society. It's a
5 very broad-based organization. So, it's not
6 just strictly a group of manufacturers. It's a
7 widely-based advocacy group.

8 I've been involved with electric and
9 thermal RPS programs across New England, and
10 more recently in New York State, for a number
11 of years now. So, I, you know, have developed
12 some experience in terms of dealing with the,
13 you know, the real-world in terms of making
14 these programs work. And I guess I just would
15 repeat the applause that we gave to New
16 Hampshire a couple of years back when you, you
17 know, got the ball rolling. And, even though
18 there are some growing pains, we still look
19 very highly upon New Hampshire for your
20 leadership.

21 The bottom line that I'll give you
22 first is that I do believe that there is plenty
23 of potential supply for thermal Class I RECs,
24 okay, which is what Charlie was addressing, if

1 we can just make it possible for the smaller
2 users to participate. We had quite an
3 extensive discussion a couple or a few years
4 back in a hearing here about trying to
5 streamline the administrative/technical
6 procedures for participation by the
7 small/medium-size, you know, user community.

8 And I also had actually made a pitch
9 that taxpayer-funded facilities should likewise
10 have simplified procedures for participating in
11 the New Hampshire Thermal REC Program, so that
12 we can kill, you know, two or more birds with
13 the same stone, in terms of helping school
14 districts, local government and whatever to
15 switch to renewable thermal energy.

16 Recently, Massachusetts has modified
17 its Thermal APS Program to, you know, bring a
18 similar type program to that state. And
19 there's a lot from the Massachusetts program
20 that I think we could adopt and learn from.
21 Particularly, Massachusetts is allowing fuel --
22 renewable fuel dealers or also wholesale dealer
23 type groups that provide renewable thermal
24 technologies to do the administrative

1 processing on behalf of their customers, who
2 are the end-users. So, it's a way of making
3 participation by the end-user as painless as
4 possible, if not, you know, almost invisible,
5 okay? Let the fuel supplier do the paperwork.

6 In the case of biodiesel, and also
7 solid biomass, especially wood pellets, but I
8 think it could also work for wood chips, we
9 have, you know, documentation programs in
10 place, especially for biodiesel. You know, you
11 cannot purchase a gallon of heating fuel off of
12 a delivery truck without the metering process
13 that -- and the weights and measures issues
14 that prevail in almost all states. So, I think
15 there's the basis for documentation here that
16 should meet your requirements for credibility,
17 accuracy, and, you know, keeping folks honest,
18 all right?

19 And, you know, we'd be happy to share
20 those experiences from Massachusetts, as well
21 as the other states. But the key thing is, so
22 letting the businesses, you know, handle the
23 process.

24 So, my last point is that, and I

1 apologize, I've forgotten what kind of banking
2 provisions there might be under the Class I
3 Thermal RPS Program here in New Hampshire.
4 But, if you do have banking for the thermal
5 REC, that might be an alternate avenue to stay
6 on track for the longer term, okay, and maybe
7 give an extra boost especially for the next
8 couple of years.

9 But, again, you know, the bottom line
10 is, yes, there's plenty of, how would you say,
11 pent-up supply of thermal RECs, if we can just
12 get those -- allow those folks to get into
13 gear.

14 So, thanks very much.

15 CHAIRMAN HONIGBERG: All right.

16 Thank you, Mr. Albrecht.

17 Up next we have Jasen Stock, to be
18 followed by Dan Allegretti and Nathan Hebel.

19 MR. STOCK: Good afternoon. For the
20 record, my name is Jasen Stock. I am the
21 Executive Director of the New Hampshire
22 Timberland Owners Association. And I
23 appreciate the opportunity to speak on Docket
24 16-850.

1 Our Association represents timberland
2 owners, as well as the forest products
3 industry. Our interest in 16-080 [16-850?], in
4 this particular docket, is clearly biomass, the
5 use of wood chips for energy, be it thermal
6 and/or electricity, and specifically the role
7 the RPS plays in those markets and
8 maintaining -- keeping those markets viable in
9 today's energy market -- energy marketplace.

10 Within the last, I'll say, three to
11 four years, we've seen tremendous contraction
12 in the region's, that's northern New England,
13 timber industry, in and around low-grade timber
14 markets, in particular, the pulp and paper
15 industry, and also some biomass in Maine.

16 This contraction, on the order of
17 several million tons, has had a ripple effect
18 impacting timberland owners, as well as mills
19 and other wood processing facilities that
20 generate no waste. And, for that reason, the
21 sustainability and viability of the state's
22 biomass power plants and the ability to -- for
23 the thermal projects, such as what you --
24 Charlie Niebling had spoken to earlier, it's

1 more important now than we've ever seen it.

2 And, so, Charlie Niebling and Bob
3 Olson spoke to the technical aspects of how the
4 RPS marketplace and the balancing between
5 demand and supply and the percentages. I just
6 wanted to come today to raise and just put a
7 big exclamation point behind the need to keep
8 these markets viable. And just urge you, as
9 Commissioners, as you deliberate on this, on
10 this matter, consider that these, you know, the
11 state's biomass power plants, in particular,
12 the Class III provisions, those six power
13 plants, those facilities alone, on an annual
14 basis, provide about \$56 million a year to the
15 state's economy through their fuel purchases
16 and payroll, as well as O&M cost. They consume
17 about \$1.4 million green tons. Which, to put
18 it in perspective, when you look at the state's
19 Timber Tax records for 2014, the state, as a
20 whole, harvested around 3.3 million green tons.
21 So, the role that these plants play for the
22 forest products industry is significant.

23 And, so, I, again, appreciate the
24 opportunity to speak to this, and be happy to

1 try and answer any questions. Thank you.

2 CHAIRMAN HONIGBERG: All right.

3 Thank you, Mr. Stock.

4 Dan Allegretti, to be followed by

5 Nathan Hebel and Mark Dean.

6 MR. ALLEGRETTI: Thank you, Mr.

7 Chairman. Dan Allegretti, on behalf of

8 Constellation New Energy.

9 Constellation is the largest retail
10 electric supplier in the United States today.

11 We are a leading player in the New England

12 markets. And our Portfolio Desk from our

13 trading floor in Baltimore --

14 *[Court reporter interruption.]*

15 MR. ALLEGRETTI: -- participates in
16 the New England REC markets on a daily basis.

17 Before coming here, I had the

18 opportunity to visit our trading desk in

19 Baltimore to confer with our environmental

20 traders, who confirmed for me that Class III

21 RECs, which are produced from facilities that

22 began operation prior to January 1, 2006, are

23 not generally available in the marketplace

24 today, because -- in the New Hampshire

1 marketplace today, because those RECs are
2 largely going to meet RPS requirements in other
3 states, principally Connecticut.

4 Because those RECs are limited to
5 facilities that began operation prior to
6 January 1, 2006, there's a significant limit on
7 the additional supply that's likely to become
8 available of Class III RECs in the marketplace.
9 And we certainly haven't seen them showing up
10 in the trading markets, in the broker markets
11 in which we are active.

12 We think that means that retail
13 suppliers are unlikely to be able to procure
14 sufficient RECs to satisfy their Class III RPS
15 requirements for the next several years. Given
16 the inability to procure the necessary RECs,
17 they will be required to make substantial
18 Alternative Compliance Payments.

19 Now, I heard my friend and colleague,
20 Mr. Olson, describe at length his theories as
21 to how additional supply is likely to come into
22 the market, and how markets for renewable
23 energy certificates in neighboring states are
24 changing in ways that may change the supply

1 picture.

2 But, as we sit here today, as our
3 traders participate in the markets today, we
4 don't see the supply available to meet our load
5 requirements here in the State of New
6 Hampshire. And I would urge you to consider
7 suspending the requirement at least for an
8 additional year, until the supply actually
9 shows up.

10 There are a lot of moving parts out
11 there. There are unit outages, unit
12 retirements, other factors that can affect
13 supply in the other direction.

14 Until we actually see the supply turn
15 up in the marketplace, given the current
16 shortage that exists here today, in December of
17 2016, I would urge you to take that into
18 consideration and suspend the requirements for
19 an additional year, as you have in the past
20 several years.

21 With regard to the Class I Thermal
22 obligations for 2016, we do note, as Staff did,
23 that there are currently 17 licensed units
24 eligible to provide Class I Thermal RECs,

1 they're all very small. We've not seen any of
2 those RECs turn up in the broker markets and
3 the trading markets in which we participate.
4 That supply may exist, but it's just not
5 getting out there into the marketplace to the
6 suppliers that need it to meet their
7 obligations for serving load. And, as a
8 result, we're likely to see the payment of
9 Alternate Compliance Payments for that market
10 requirement as well.

11 And, so, we urge you to suspend that
12 one, as suggested in the Order of Notice in
13 this proceeding, for the same reasons.

14 I've just summarized the comments
15 that we have reduced to writing. We did submit
16 that to the secretary's office today. I hope
17 you'll accept it, enter it into the record.
18 Really just providing it in writing as a
19 convenience. It's here in the transcript
20 today.

21 That concludes my remarks. I urge
22 your consideration. Thank you.

23 CHAIRMAN HONIGBERG: Commissioner
24 Scott.

1 CMSR. SCOTT: Thank you for your
2 comments. I was curious. Obviously, it sounds
3 like there's a disagreement between you and Mr.
4 Olson. The telling part of Mr. Olson's
5 testimony was today's REC prices in the other
6 states for what would be eligible for the year,
7 Class I, for instance, in Connecticut.

8 Is that incorrect? And what would
9 account for those lower prices, if there's not
10 an oversupply?

11 MR. ALLEGRETTI: Yes. My
12 understanding is we generally see prices in
13 those markets for RECs at or close to the
14 Alternate Compliance Payments for the better
15 part of the year.

16 CMSR. SCOTT: Okay. I'm just -- so,
17 you're not necessarily disagreeing, you just
18 haven't seen Mr. Olson's -- Mr. Olson was
19 quoting, I think, today's market prices, if I
20 heard him correctly. So, you're not
21 necessarily saying he's wrong, you just haven't
22 seen that yourself yet. Is that correct?

23 MR. ALLEGRETTI: We've not been able
24 to procure those RECs at those prices for our

1 portfolio to date. Whether there are folks
2 making those offers in the marketplace, I -- I
3 can't say, I don't see every offer.

4 But, certainly, based on the
5 discussions with our traders, it's our view
6 that the market is currently in shortage.

7 CMSR. SCOTT: Thank you.

8 CHAIRMAN HONIGBERG: There's a pretty
9 profound disagreement there, Mr. Allegretti.
10 You know that, right? I mean, Mr. Olson made
11 representations about the market, I think,
12 technically, as of yesterday. So, is there --
13 is there a mismatch of information that can
14 somehow be reconciled quickly for someone? I
15 mean, and I'll just say, one of the things I'm
16 struck by is that Mr. Olson is here this year
17 saying something very different from what he
18 said for the last two years, where he has come
19 in here and said "Everybody is right. There's
20 no Class III RECs." Here, he's saying "Well,
21 there are, and the price reflects that."

22 So, any thoughts as to what's going
23 on?

24 MR. ALLEGRETTI: I can't explain Mr.

1 Olson's testimony. I can only tell you what
2 the information that was provided to me based
3 off our trading desk as of a week or two ago.

4 CHAIRMAN HONIGBERG: Okay. Next up
5 is Nathan Hebel, to be followed by Mark Dean
6 and Matthew Fossum.

7 MR. HEBEL: Good afternoon. My name
8 is Nathan Hebel.

9 CHAIRMAN HONIGBERG: Is your
10 microphone on?

11 MR. HEBEL: It is. Is this better?

12 CHAIRMAN HONIGBERG: Not much.

13 MR. HEBEL: I'll try one more time.
14 Is that working?

15 CHAIRMAN HONIGBERG: Just make sure
16 the microphone is right in front of your mouth,
17 and that will help.

18 MR. HEBEL: Sure. Got it. Okay.
19 Good afternoon. My name is Nathan Hebel. I'm
20 the Manager of Energy Trading for ReEnergy. We
21 are a biomass power producer. We have assets
22 in Maine and New York. So, I don't transact in
23 the New Hampshire market, but we do transact on
24 a very frequent basis in Connecticut, New York,

1 and Maine as well.

2 So, I'll defer to my colleagues
3 regarding volumes for today. But I think I can
4 lead you down the road on the market side to
5 some degree.

6 Just as a point of clarification, you
7 know, hearing the back-and-forth between
8 Mr. Olson and Mr. Allegretti, they may be
9 talking about different markets. It's not
10 clear to me. What I can tell you from my own
11 experience in trading in this market is that
12 the Connecticut Class I prices have indeed been
13 falling from approximately, let's say, \$48 this
14 time last year, to about 24 for the 2017
15 vintage as of yesterday, as Mr. Olson
16 mentioned.

17 I would imagine that there probably
18 is not a very robust New Hampshire Class III
19 market, most likely because the volume is very
20 small for vintages through 2016. And I would
21 suspect that it's just not trading, frankly,
22 because there's a waiting of what the
23 determination of this Commission is going to
24 be.

1 So, I can't speak to whether or not
2 there's a shortage. But I would suspect that
3 the answer is that there's just no trades
4 happening because of the uncertainty for what
5 happens with the demand going forward.

6 Just with respect to the other
7 comments made earlier, I would certainly agree
8 that a price disparity between the current
9 market and the ACP is a pretty wide room for
10 maneuverability to get incentives for parties
11 that have multiple eligibility to, in fact,
12 come over and transact in the New Hampshire
13 market. I think there's a broad incentive to
14 do that.

15 Hearing Mr. Olson's estimates for the
16 volumes available, it seems like the 8 percent
17 would be the appropriate target to maintain, as
18 is in the statute.

19 That concludes my comments. Any
20 questions?

21 CHAIRMAN HONIGBERG: Thank you,
22 Mr. Hebel.

23 MR. HEBEL: Thank you.

24 CHAIRMAN HONIGBERG: Mark Dean, to be

1 followed by Matthew Fossum.

2 MR. DEAN: Thank you. Am I coming
3 across on the microphone here?

4 CHAIRMAN HONIGBERG: Not great.

5 MR. DEAN: I usually don't need a
6 microphone at all, so...

7 I'm here representing New Hampshire
8 Cooperative. And, since I've lost track of how
9 many "all over agains" I have to say with "deja
10 vu", I'll skip that line this year. And,
11 because of the thermal REC involvement, maybe
12 it's not the same argument anyways.

13 So, first, I'd like to address the
14 Class III, and then the thermals. Because I,
15 as has already been pointed out, I think
16 there's a very significant statutory difference
17 between the two on what your options are under
18 each.

19 So, as to Class III, the Co-op's
20 experience, although we're not Constellation,
21 we are not the largest retail supplier in the
22 country, that the Co-op is an active
23 participant in the wholesale marketplace here
24 in New England. It's an active participant in

1 the RECs market here in New Hampshire and New
2 England. And, through November of this year
3 anyways, the information the Co-op has received
4 from the brokers it's contacted, *etcetera*, to
5 meet its obligation -- RPS obligations, has
6 been, essentially, there's no activity on Class
7 III, there's no activity on the thermals.

8 I appreciate, I certainly do not
9 have, nor I imagine anyone at the Co-op has the
10 detailed analysis of what's happening in each
11 of the markets in throughout New England that
12 Mr. Olson has gone through. I guess I could
13 only say that it seems to me, listening to two
14 different arguments, one saying "I would
15 project or estimate that this will be the
16 supply/demand situation going forward", and
17 others who are in the marketplace saying "Well,
18 that's not what we've experienced so far",
19 there's, obviously, a potential timing
20 difference, even a matter of weeks or days,
21 presumably, could make a difference.

22 And, then, I also, if I'm hearing it
23 correctly from Mr. Olson, I think there's a
24 little bit of a "if you raise it, they will

1 come" factor here, which is, maybe the world
2 looks different, the marketplace looks
3 different, if it's 0.5 than if it's 8.0. So, I
4 don't know how much that could explain the
5 difference.

6 But I will say, from the Co-op's
7 perspective, if, as I will recommend, you were
8 to maintain the 0.5 figure that was established
9 last year for 2016, the Co-op is in a position
10 to satisfy with RECs, that it has obtained its
11 requirements. If it were to go to 8 percent,
12 that would be, we're estimating, a \$1.5 million
13 cost to the Co-op that would be passed through
14 to its members in rates.

15 And, from that perspective and
16 looking at, and I think this is true of the
17 thermals, too, listening to everyone who has
18 talked about sort of the potentials out there
19 for supply, I'm -- you know, I wrote down it's
20 "contingent supply". It's contingent upon
21 various things that are going to happen in
22 different states. It's contingent upon who
23 gets certified, who doesn't get certified to
24 qualify. I guess I heard a lot of

1 contingencies.

2 And, so, from the Co-op's
3 perspective, we would urge you to not go too
4 far down the road with the contingencies that
5 could produce a different result and could have
6 ratepayers paying for substantial Alternative
7 Compliance Payments that they would not
8 otherwise have had to make.

9 Also, there's another thread, and
10 again this really goes to both Class III and
11 Class I, that the thermals that I have heard,
12 and referencing to the wholesale price changes
13 that have occurred in the last few years. The
14 energy market has declined. I understand and
15 appreciate that puts pressure on financial
16 models that generators may have anticipated.
17 But I really don't think there's anything in
18 the statute that would support a public policy
19 argument that the RPS is supposed to fluctuate
20 or be adjusted as sort of a supplement to deal
21 with energy prices when they fluctuate
22 downward, just as you wouldn't expect it to be
23 something that gets adjusted if energy markets
24 go higher. So, I don't think anyone was saying

1 that was in the statute. But I think that
2 people have raised it as, essentially, a policy
3 concern that you should have. And I guess I
4 can't say that you should ignore it, but I
5 certainly don't see it as an element in your
6 statutory assessment.

7 And, so, that really is it for Class
8 III. I don't know if you want to hit me with
9 questions just on Class III first or have me
10 finish up with the thermals?

11 CHAIRMAN HONIGBERG: Why don't you
12 finish with the thermals.

13 MR. DEAN: So, the Class I Thermals
14 really are -- it is a different story. And I
15 think it has been described that, essentially,
16 you've got the same thing going on as we've had
17 going on in Class III for these years, which is
18 that utilities can come in and say "We're
19 looking in the market, we don't see these RECs
20 available in the market generally. And, so,
21 there's essentially a non-liquid situation, and
22 so you should minimize the obligation to the
23 greatest extent you can under the statute."

24 But, with thermals, there's a whole

1 additional layer of complication, both legally
2 and outcomewise, which is there is a Concord
3 Steam bump built into the statute. A hard
4 wired increase that was there solely to address
5 the Concord Steam plant. It is -- I think my
6 math is a little different from Mr. Niebling's,
7 in that I think, under the statute before the
8 Concord Steam bump was created, it was a
9 0.2 percent increase annually. So, 2016 would
10 be under the old statute. Again, I don't think
11 there's any way for you to go back to it, but,
12 just for the record, I think would be a 0.8.
13 So, there was this substantial bump put in for
14 Concord Steam. That bump I think is now
15 irrelevant. I think the problem you're
16 confronted with is, really, you've got two
17 options, the way I read the statute. You can
18 either let it go at 1.3 percent or you can
19 delay that implementation for a year.

20 I'm not clever enough to figure out
21 how prorating -- I think, whatever the number
22 is in effect at the end of the year when you
23 have to be in compliance is the number that's
24 going to drive. I don't think it averages out

1 by the month over the course of the year.

2 So, the Co-op would urge you to delay
3 for a year the increase to 1.3. Also, I think
4 that, reading that statute, I see that as
5 essentially a one-time opportunity for you. I
6 don't think we could come back next year and
7 say "delay it again for a year". And I think
8 that legislative action is going to have to
9 come into play. And I would ask that the
10 Commission's order make some reference to that
11 need, because I don't think it's within your
12 power to do other than delay it for one year.
13 And, certainly, the Co-op would be more than
14 happy to work with any parties in trying to
15 come up with a legislative fix.

16 As you may know, the Co-op was
17 actively involved with Concord Steam in the
18 attempt to develop that program. And, even
19 then, we were not in favor of that 1.3
20 adjustment at the time, arguing that the
21 Legislature shouldn't be changing these
22 schedules hard wired to deal with, you know,
23 unit-by-unit projects that go forward. And I
24 feel like we're feeling the bite from that

1 decision at this point.

2 Thank you.

3 CHAIRMAN HONIGBERG: Commissioner
4 Scott.

5 CMSR. SCOTT: Thank you for that. I
6 just wanted to clarify on the Class III. Did I
7 hear you correctly, as far as where we are now
8 of a half percent, the Co-op's already procured
9 their supply of Class III. But, to go to
10 8 percent, you haven't, or you haven't looked
11 yet? I just want to parse out the words a
12 little bit better for me.

13 MR. DEAN: We would -- we have
14 available to us now under contract adequate
15 RECs to meet both Class I and Class III under
16 the current, the current numbers, 1.5 -- I
17 mean, 0.5 and the 0.6.

18 I think the Co-op's in a little
19 bit -- has been in a little different position
20 than some of the other entities, because it has
21 some longer term contracts for power from units
22 that RECs are included. So, it could meet
23 that. But it would have to, again, I assume
24 this is based on just multiplying the number of

1 RECs where there would be a shortfall at
2 8 percent times the Alternative Compliance
3 Payment. I think that's correct.

4 MR. HOWLAND: That is correct.

5 MR. DEAN: That would be
6 \$1.5 million, I'm sure rounded slightly, that
7 the Co-op would have to come up with to meet
8 that obligation.

9 CMSR. SCOTT: Thank you.

10 CHAIRMAN HONIGBERG: Mr. Dean, is
11 there a difference in the way we should look at
12 this with respect to Class I versus Class III,
13 in that, for Class I, we're actually sitting in
14 the year we're talking about, whereas, for
15 Class III, we're actually talking about next
16 year? Because you have a much clearer picture,
17 I assume, about what the 2016 situation is,
18 2017 hasn't even started yet.

19 MR. FOSSUM: Well, I think that's --
20 I mean, I think month by month, year by year,
21 yes, it will change, presumably, at least our
22 vision will change.

23 CHAIRMAN HONIGBERG: All right. The
24 last person who signed up to speak is

1 Mr. Fossum.

2 MR. FOSSUM: Good afternoon. I guess
3 I'll kind of end this on a whimper, because I
4 don't have just a whole lot to say. I'll just
5 start with, basically, that -- well, my name is
6 Matthew Fossum, and I'm here today on behalf of
7 Public Service Company of New Hampshire doing
8 business as Eversource Energy.

9 I'll start with noting I agree with
10 much of what Mr. Dean has said. But I can't
11 quite elaborate to the degree that he has,
12 because Eversource has not gone out to the
13 market just yet to solicit full compliance for
14 its RPS obligation, and so doesn't have perhaps
15 quite the same visibility as others.

16 Generally, our experience has been
17 that these markets, the two that we're
18 discussing this afternoon, have been under
19 supplied. And it's our estimation at the
20 moment that they would remain so, unless and
21 until we see something that shows us otherwise.

22 The only other thing that I wanted to
23 bring, I guess, to the attention of the
24 Commissioners this afternoon is something that

1 I'm sure you're all aware of anyway.

2 Eversource is in the process of preparing to
3 set, with Commission's approval, it's Default
4 Service rate for 2017. In that rate, there is
5 an RPS compliance estimate for next year. For
6 2016, the RPS obligation that fell to
7 Eversource was approximately \$12 million.
8 That's across all classes. And it's publicly
9 filed.

10 And our estimate for 2017 is a bit
11 north of 27 and a half million dollars across
12 all classes. Most of the classes are
13 percentagewise similar to where they have been
14 historically, with the exception of what's in
15 Class III, and I don't think I need to explain
16 then, but I will anyway, that that clearly
17 is -- it would be the big driver for that cost
18 difference. That's a cost, obviously, that's
19 passed on to customers. You know, and I
20 suppose that's up to the Commission as to
21 whether that ultimately is an appropriate cost
22 to be passed to customers for that compliance.

23 But I did want to highlight that
24 there is a fairly significant change in that

1 number year to year.

2 And that's essentially all I had this
3 afternoon.

4 CHAIRMAN HONIGBERG: Mr. Fossum,
5 regarding the last point you made. It is true
6 that a year ago we reduced the Class III
7 requirement before you set your default rate.

8 MR. FOSSUM: Correct.

9 CHAIRMAN HONIGBERG: So, that's the
10 reason why, if we were to -- if we were to
11 adjust the rate, do essentially what we did for
12 2017 what we had done for 2016, that
13 "27 million" would become something closer to
14 the 12?

15 MR. FOSSUM: Correct.

16 CHAIRMAN HONIGBERG: All right. Is
17 there anything else that Staff wants to add?
18 Is there anything else anyone else wants to
19 say? Looks like Mr. Eckberg and/or Ms. Cramton
20 would like to speak.

21 Mr. Monahan, you have something you
22 would like to add, is that right?

23 MR. MONAHAN: Yes.

24 CHAIRMAN HONIGBERG: All right.

1 Let's see who else wants to say something,
2 before we decide who's going to speak in what
3 order?

4 *[Show of hands.]*

5 CHAIRMAN HONIGBERG: All right.
6 Looks like Mr. Monahan, and then we'll turn it
7 back to Staff.

8 MR. MONAHAN: Thank you. And this
9 should be quick.

10 *[Court reporter interruption.]*

11 MR. MONAHAN: Yes. I hope this
12 should be quick. I just wanted to indicate
13 that Mr. Hebel, while he spoke today, had also
14 prepared written comments for the Commission
15 with an associated table. And I know you're
16 trying to get the record closed sooner rather
17 than later. And, so, we're happy to submit
18 those to the Commission before we leave today.

19 CHAIRMAN HONIGBERG: Okay. That's
20 fine. Thank you.

21 Mr. Eckberg, Ms. Cramton, who's going
22 to speak? Mr. Eckberg.

23 MS. CRAMTON: We're both going to,
24 but --

1 CHAIRMAN HONIGBERG: All right.

2 We'll let Mr. Eckberg go first then.

3 MR. ECKBERG: Thank you,
4 Mr. Chairman. You, a few minutes ago during
5 the conversation, you asked if there was
6 perhaps any information that would help clarify
7 the clear difference of opinions about the
8 state of some issues and situations that were
9 identified in the comments of Mr. Allegretti
10 versus those from Mr. Olson.

11 And I would point the Commissioners,
12 as well as anyone else in the room, to the
13 Annual Report that is produced and is available
14 on the Commission's website, the Annual Report
15 of the Renewable Energy Fund. In that report,
16 we provide a table which shows the ACP revenue
17 by distribution utilities and competitive
18 suppliers that are paid into the Renewable
19 Energy Fund in compliance with the RPS
20 requirements.

21 And it does show that Constellation
22 New Energy, Inc., for compliance year 2015,
23 which is the most recent compliance year, paid
24 no ACPs related to its Class III obligations.

1 So, that would indicate, if this information is
2 correct, that that company was able to find
3 sufficient Class III RECs to meet its
4 obligation for that compliance year.

5 Now, in the prior compliance year,
6 2014, Constellation New Energy did pay
7 Alternative Compliance Payments for the Class
8 III obligation. So, that would indicate they
9 did not -- they were not successful in finding
10 the RECs necessary to meet their obligation.

11 So, I just wanted to point that out.

12 CHAIRMAN HONIGBERG: What does that
13 tell us about what the state of the market is
14 today or yesterday? Or what it's likely to be
15 in 2017?

16 MR. ECKBERG: Well, it doesn't tell
17 us anything about the future of the market,
18 that is very correct. But I understood
19 Mr. Allegretti's comments to be saying that
20 they had not been able to find RECs to meet
21 their obligation in recent years. And, so, I
22 was trying to provide some information that
23 showed, in this recent -- the most recent year,
24 they were successful in finding those RECs.

1 CHAIRMAN HONIGBERG: Okay. Okay.

2 But I think that the pending disagreement
3 between Mr. Allegretti and Mr. Olson, and I
4 realize there are other people who have
5 opinions, but they're the two who have
6 expressed them most explicitly, have to do with
7 what they think is going to be available in
8 2017. I think Mr. Allegretti has been saying
9 that, at least thus far through his most recent
10 conversations with his trading desk, they're
11 not seeing it yet. Whereas, Mr. Olson is
12 saying that he believes they will be.

13 So, I think that's a -- it's a little
14 different from that, although I appreciate that
15 clarification, that's helpful.

16 MR. ECKBERG: Okay.

17 CHAIRMAN HONIGBERG: And a nice plug
18 for the Annual Report.

19 MR. ECKBERG: And perhaps I
20 misunderstood, to a certain degree, the
21 comments of Mr. Allegretti. But thank you very
22 much, Mr. Chairman.

23 CHAIRMAN HONIGBERG: I think
24 Commissioner Scott may have a question for you

1 as well.

2 CMSR. SCOTT: A little bit off your
3 topic, but, obviously, there's been -- I think
4 what I heard is an implication that the fact
5 that we issued the Order of Notice in November,
6 coupled with the fact that we have adjusted the
7 percentage in the past few years, what I think
8 I was hearing is perhaps there has been either
9 no trading or maybe even suppressed the price,
10 under the assumption that we were hearing this
11 action.

12 Have you heard, in your dealings,
13 any -- for anybody in the Sustainable Energy
14 Division, is there any implication of that
15 we're impacting the market by our discussions
16 today?

17 MR. ECKBERG: I'm not sure I want to
18 handle that question. Perhaps my -- perhaps
19 Karen -- Ms. Cramton would like to.

20 MS. CRAMTON: Well, we've received
21 phone calls, or I have received phone calls
22 regarding -- from people asking, you know, when
23 the order would be coming out. So, there is
24 interest in it. I can also say there was a

1 little bit of discussion about New Hampshire
2 and our obligations, and Class III in
3 particular, at a recent RPS submit in
4 Washington, D. C. last week.

5 So, just people questioning "Oh,
6 there's an order. When is the order going to
7 be" -- or, "There's a docket open, when is the
8 order going to be issued?"

9 So, they've expressed an interest.
10 Nobody has indicated to me specifically what
11 they think that effect is having -- what effect
12 that is having on the market. But I have been
13 receiving inquiries.

14 CMSR. SCOTT: Thank you.

15 CHAIRMAN HONIGBERG: There was
16 something else you wanted to say, right, Ms.
17 Cramton?

18 MS. CRAMTON: There was. Just a
19 couple of things. Just a few clarifications,
20 along the same lines as Steve was talking about
21 with the ACPs.

22 The utilities experienced the same
23 phenomena. In 2014, they did make ACPs or
24 Alternative Compliance Payments. In 2015, they

1 were able to procure all of the RECs that they
2 needed for Class III. And, just as an overall
3 summary, roughly seven companies or suppliers
4 made ACP payments in 2015, out of roughly 25
5 companies. So, that's one clarification.

6 The other topic I wanted to just
7 clarify a little bit on is the thermal RECs.
8 As far as availability, I just want to note,
9 there's a difference between Class III and
10 Class I Thermal. In that Class III, we do see
11 those RECs being traded in other states.
12 Currently, New Hampshire is the only state that
13 has a thermal market. So, all of the RECs that
14 would be available for thermal purposes are
15 available here in New Hampshire and only New
16 Hampshire.

17 The other thing, there was some
18 discussion about whether or not New Hampshire
19 allows banking. Just wanted to let you know
20 that we do allow banking for all classes for up
21 to two years. There are some other little
22 intricacies around that, so you should look at
23 the rules for pure definition.

24 And, then, I just also wanted to

1 remind you that we do have an open docket to
2 look at biodiesel, and how that plays into
3 Class I. And, also, we'll be looking at some
4 of the other 2500 rules, to see if there should
5 be some administrative changes in those areas
6 as well. That docket is not due to be
7 finalized until the end of 2017, just to put
8 that into perspective.

9 Thank you.

10 CHAIRMAN HONIGBERG: All right.

11 Thank you, Ms. Cramton.

12 Oh, Ms. Amidon, you have something as
13 well.

14 MS. AMIDON: Just for the record, I
15 just wanted to, and I believe you have it in
16 your file, Liberty Utilities did file comments
17 on December 2nd. And I just wanted to make --
18 I know that Liberty Utilities is here today,
19 and I just wanted to point that out, that they
20 did file a letter with their recommendations.

21 CHAIRMAN HONIGBERG: And we have been
22 assuming that, since nobody here from Liberty
23 put a "Y" in the column that asked whether they
24 were going to speak, that they were going to

1 rest on their written comments. And I'm
2 getting a confirmation of that.

3 All right. Is there anything else
4 that anyone would like to say, understanding
5 this is not an invitation to rehash your
6 argument?

7 It looks like Mr. Allegretti is the
8 only person. So, Mr. Allegretti, briefly.

9 MR. ALLEGRETTI: I briefly did want
10 to respond to Mr. Eckberg, because I think it
11 does go to my credibility here.

12 There are a number of potential
13 explanations for how Constellation was able to
14 supply RECs for the 2015 compliance. They may
15 have become available in the market after our
16 testimony was given before the Commission.
17 They may have been purchased above the ACP for
18 compliance elsewhere in our portfolio, and we
19 may have ended up with a surplus in
20 misestimating our load. There are a number of
21 potential explanations.

22 I would note that the supply of Class
23 III RECs from facilities in New Hampshire is
24 really limited to about three sources. So,

1 it's a very thin and somewhat volatile market
2 for that reason from time to time.

3 I'll also just mention briefly that,
4 while we were sitting here, I did confirm again
5 with our trading desk as to whether or not any
6 Class III RPS RECs for New Hampshire were
7 available in the marketplace within the last
8 several weeks, and they have not seen any
9 offers.

10 CHAIRMAN HONIGBERG: Mr. Olson, I was
11 shocked that, prior to now, you hadn't raised
12 your hand and asked to speak again, but --

13 MR. OLSON: I'm trying to be patient.
14 Just a couple of points.

15 The first is, with me today as I
16 indicated at the outset -- at the outset is
17 Michael O'Leary. He is the Asset Manager of
18 the Bridgewater Power Company, a biomass
19 facility located in Bridgewater. He's
20 indicated to me that he has put bids into
21 Public Service Company of New Hampshire for
22 2016 RECs and was not selected. Obviously, all
23 these bids are below the ACP. He also put bids
24 into the New Hampshire Co-op for 2016 RECs and

1 was not selected.

2 And I know Liberty filed comments,
3 which I quickly read this morning. And I
4 believe Liberty says they have been unable to
5 procure 2016 RECs. Mr. O'Leary submitted a bid
6 before close of business yesterday, in
7 consultation with Liberty, to sell some 2016
8 RECs and some 2017 RECs to Liberty, which I
9 don't believe are reflected in Liberty's
10 comment letter. And I don't mean to say
11 anything negative about Liberty. I think the
12 two transactions passed in the night. And I
13 just wanted to make that clear.

14 And I do think a lot of the so-called
15 "Allegretti/Olson" dialogue is the confusion
16 between 2016 RECs and 2017 RECs. 2016 was
17 reduced to half a percent because we stood
18 before the Commission and said "We don't expect
19 to sell RECs in New Hampshire. We expect to
20 sell them in Connecticut, the price is higher."
21 So, it's not surprising that facilities may not
22 have been able to procure all of their 2016
23 RECs at that half percent number, because we
24 said we weren't generally going to be available

1 in New Hampshire.

2 2017 is a whole different kettle of
3 fish. 2017 RECs don't really exist yet. They
4 haven't been minted. They will be minted in
5 2017. And it's that 2017 forward market that
6 we're looking at, and we're looking at forward
7 market prices. So, I just wanted to make that
8 clear for the record.

9 CHAIRMAN HONIGBERG: Commissioner
10 Scott.

11 CMSR. SCOTT: Thank you for that.
12 And either you or Mr. O'Leary, whoever, I just
13 wanted to understand, back to my earlier point
14 of, you know, by having this proceeding, are we
15 having an impact? Because I could see that,
16 depending on the timing of your bid offer to
17 PSNH, let's say, if PSNH is as yet unclear
18 whether they will need to buy a half percent or
19 8 percent or something in the middle, they
20 wouldn't purchase that, if they have already --
21 if they felt confident that they would get --
22 already had enough for the half percent, they
23 may not want to entertain an offer for more
24 until they understood the outcome. So, is that

1 a factor in this case, do you think?

2 MR. OLSON: Sure. Let me respond,
3 and maybe Mr. O'Leary has a view.

4 I would say that, with respect to the
5 2016 RECs, we submitted a bid to PSNH and we
6 weren't selected, that that percentage number
7 was known. And, so, this proceeding,
8 obviously, doesn't affect those RECs.

9 For the Liberty 2017s, we submitted a
10 bid. Liberty does not know what the percentage
11 will be. So, we don't know how they will
12 respond. They went out for what I considered
13 to be a small amount of RECs, was it -- for
14 '16, what were the '17? Yes, 21,000 RECs for
15 calendar year '17. So, that's, in the overall
16 scheme of things, that's not a lot of RECs.
17 So, we just don't know what Liberty will do
18 with that.

19 But I do think that the pendency of
20 the proceeding will determine where market
21 prices go and hence where RECs go, because it's
22 determining supply and demand. So, while this
23 proceeding is being determined, I would suspect
24 that the 2017 forward REC sales might not be as

1 robust as they will be once a percentage is
2 set.

3 But maybe Mr. O'Leary has something
4 to add.

5 MR. O'LEARY: Hi. Mike O'Leary,
6 Asset Manager, Bridgewater Power Company.
7 Thanks for providing me the opportunity to
8 speak.

9 I would just say that the 2017
10 dynamic, the way that we're seeing the
11 marketplace from most of the brokers that we
12 deal with and the information that we get is
13 that, even with the 8 percent requirement in
14 New Hampshire, that the Connecticut Class I
15 market would likely buoy above our ACP here in
16 New Hampshire of \$45.

17 Because of the solar carve-out in
18 Massachusetts, and some banking that might
19 occur in 2016, there was substantial banking in
20 2015 for 2016 compliance in Connecticut. And,
21 with those two dynamics, it's very likely that
22 the marketplace will still be considerably
23 short in Connecticut.

24 CMSR. SCOTT: All right. Thank you

1 for that. So, I guess my other question for
2 either one of you two would be, Mr. Olson,
3 would be --

4 MR. OLSON: I'm sorry. I just wanted
5 to clarify what Mr. O'Leary said.

6 *[Court reporter interruption.]*

7 MR. OLSON: I just wanted to clarify
8 what Mr. O'Leary said. That the shortage would
9 be in the supply of RECs currently. Right,
10 there would be an oversupply of RECs in the
11 Connecticut market, was Mr. O'Leary's point.

12 CMSR. SCOTT: Thank you. So, I guess
13 my question is is, as you've outlined and we've
14 talked, the Class I, at least the way I read
15 the statute, is pretty binary, that we can
16 delay or not delay. Class III, we have this 85
17 to 95 percent that we'll take into account,
18 which I'm not ready to do that mental math.
19 But it could argue for -- that if supply really
20 is somewhere between, I mean, there's quite a
21 leap between a half percent and 8 percent.

22 And, in my mind, I'm wondering, if
23 real availability is somewhere in the middle of
24 that, it sounds like we have the same evidence

1 before us, you know, the market is looking like
2 they do and acting like they do.

3 Do you have comment on that,
4 Mr. Olson?

5 MR. OLSON: I'm not quite sure the
6 import of your question. When I look at the
7 statute, the statute sets the 85 to 95 percent
8 number. The Legislature has said "8 percent",
9 until the Commission changes it. So, the
10 Legislature technically is comfortable with
11 8 percent, and whatever the result of 8 percent
12 might be.

13 Having said that, the statute also
14 gives you that 85 to 95 percent authority. So,
15 I think that's where we end up looking at
16 supply and demand and the impacts from the
17 other markets.

18 If you were to post a percentage at
19 5 percent, I think there would be serious
20 problems in the market. When I -- meaning the
21 ACP -- meaning the REC prices in the New
22 Hampshire market would not be robust, they
23 would not be useful prices. And, so, you may,
24 by lowering the percentage, you may lower the

1 REC price, and that may sound good to the
2 utilities who are looking to pass that through,
3 I think the result might be that you wouldn't
4 have a lot of REC supply. You might see
5 facilities coming down during the shoulder
6 months and reducing output to try and maintain
7 some kind of viability to the facility.

8 So, I don't know if that helps you to
9 think about the question.

10 CMSR. SCOTT: Thank you.

11 CHAIRMAN HONIGBERG: All right. I
12 think, with that, we will close this hearing.
13 I understand that there may be some written
14 submissions that come in before the end of the
15 day, and that's fine.

16 We'll take this matter under
17 advisement and issue an order as quickly as we
18 can.

19 ***[Whereupon the hearing ended at***
20 ***3:16 p.m.]***