

Renewable Energy Certificates

Renewable Energy Certificates (“RECs”) are created by state law and are part of a regulatory system designed to create a financial market which recognizes, quantifies and permits the purchase and sale of the environmental value of producing electricity using renewable sources, such as wind, sun, biomass, or landfill gas. One REC represents the environmental value of a megawatt-hour (“MWh”) of renewable generation. In this way, the owner of a renewable power generator is rewarded with an additional “product” which it can sell for each MWh of renewable energy it produces. The generator’s electricity is either used by the generator’s owner, or in larger scale facilities, is sold to the power grid, where it is in price competition with all other electricity sources. Meanwhile, the RECs associated with those same MWhs of generation can be sold separately.

While anyone can purchase RECs, most are purchased by electric utilities which are required by state law to own predefined quantities of RECs tied to a percentage of their total annual electricity sales (called the Renewable Portfolio Standard, or “RPS”). NHEC is a purchaser of RECs. In addition to its RPS obligations, NHEC has a corporate policy to be more environmentally-friendly than the law requires. This policy encourages the purchase of RECs as a way of helping the development of renewable generating resources. NHEC acquires RECs from a variety of sources, including utility-scale wind farms (Lempster Wind Farm, for example) and from our members who install net metered renewable energy sources at their homes and businesses. A net meter is a special meter that subtracts the amount of energy that flows to NHEC’s lines when your generator is producing more than you need from the electricity supplied by NHEC when your generator is producing less than you need.

The creation of RECs requires a regulatory process with the New Hampshire Public Utilities Commission (NHPUC). The NHPUC process is governed by statute and rules which can be found at the following websites:

<http://www.gencourt.state.nh.us/legislation/2007/HB0873.html> (statute)

<http://puc.state.nh.us/Regulatory/Rules/Puc2500.pdf> (rules)

The regulatory process to qualify a renewable generator for production of RECs includes an application which must be completed and filed with the NHPUC for approval. Additionally, when a renewable resource is net metered, referred to as a “Customer Sited Source”, it must also have an approved “monitor”. NHEC has been approved as a monitor. Among other responsibilities, to monitor a Customer Sited Source, NHEC must install one of its meters to record the amount of electric energy the resource generates (a “generator meter”), routinely read and maintain the generator meter, and report to the NHPUC on a regular basis. NHEC charges a Monitoring Fee which is currently \$11 per month.

The bills you receive from NHEC are based on kilowatt-hours (“kWh”) of usage. A REC is equal to the environmental attributes of a megawatt-hour (“MWh”) of generation. It takes 1,000 kWh to make a MWh. Unfortunately, the regulatory process which governs RECs does not recognize or allow the sale of renewable generation in increments less than one MWh. Accordingly, “partial” RECs cannot be counted and traded. Therefore, your generator must produce 1,000 kWh within a calendar year before a REC will exist. One way to bypass this restriction is to allow NHEC to aggregate (or combine) your RECs with other similar RECs from other members.

As a member who is planning to install a renewable energy source which will be net metered, you have five choices regarding the RECs your energy source will produce:

- A. NHEC monitors generation for informational purposes only. In addition to inspecting the interconnection and installing a net meter on your account, NHEC would install a meter to record the electric energy produced by your renewable system. No application would be made to the NHPUC. NHEC would provide you with an annual report of your generation. NHEC will charge you a monthly Monitoring Fee (currently \$11 per month). Under this option, without regulatory reporting, your system will not create RECs. If this is your choice please mark an "X" at Option A of the Renewable Energy Certificate Member Agreement.
- B. Allow NHEC to have the RECs. In addition to inspecting the interconnection and installing a net meter on your account, NHEC would install a meter to record the electric energy produced by your renewable system. NHEC would complete an application, with your assistance, to be filed at the NHPUC for their approval of the RECs. NHEC would report the energy generation information to the NHPUC in accordance with the law, rules and regulations. NHEC would provide you with an annual report of your generation. NHEC would not charge the monthly Monitoring Fee. Under this option, you would be helping NHEC meet its RPS requirements, thus reducing the costs included in the "Co-op Power Charge" on your and your neighbors' bills. If this is your choice please mark an "X" at Option B of the Renewable Energy Certificate Member Agreement.
- C. Sell the RECs to NHEC. Just like Option B above, NHEC would inspect the interconnection, install the net meter, install a meter to record the generation produced by the renewable source, complete (with your assistance) the NHPUC application and report the annual generation information to the NHPUC and to you. NHEC will pay you for the RECs your renewable source generates in accordance with the terms of the attached agreement. NHEC will charge you the monthly Monitoring Fee. If this is your choice please mark an "X" at Option C of the Renewable Energy Certificate Member Agreement.
- D. Sell the RECs to another entity. Just like Options B and C above, NHEC would inspect the interconnection, install the net meter, install a meter to record the generation produced by the renewable source and report the annual generation information to the NHPUC and to you. NHEC would not complete the NHPUC application; that would be your responsibility. NHEC will utilize the New England Power Pool Generation Information System to record and transfer the RECs to the entity you designate. Any contract between you and that other entity would be your responsibility to arrange. It will be important for you to keep NHEC informed regarding the receiving entity including who that entity is, quantity of RECs to be transferred and under what circumstances the contract ends.. NHEC will charge you the monthly Monitoring Fee. If this is your choice please mark an "X" at Option D of the Renewable Energy Certificate Member Agreement.
- E. Do nothing. Install your system. Properly interconnect it with NHEC, including following all of the requirements of the enclosed Interconnection Agreement. NHEC will inspect your system's interconnection and install a "net meter" on your account but will not install a meter on your generation output. You will be billed the net (or difference between your usage and your generation) on a monthly basis. Under this option, without metering and regulatory reporting, your system will not create RECs. This is the default option that we will assume you are electing unless we receive a Renewable Energy Certificate Member Agreement from you indicating you elect one of the other options above. Please contact NHEC and let us know this is your choice. Note that adding the required generator meter necessary for any of the other options at a later date may be considerably more complicated and expensive than including a generator meter at initial installation of your system.

Please note that although NHEC has used its best efforts to be all-inclusive in its list of options above, this is an ever-changing marketplace and other options and state rules may apply in the future.

In all cases in which NHEC needs to install a generator meter to record your generation output (all except Option E above), your installer needs to include a generator meter socket in the installation.

We ask that you complete, sign and return the attached Renewable Energy Certificate Member Agreement. ***If we do not receive a completed and signed Renewable Energy Certificate Member Agreement, we will assume you have chosen Option E, not to have NHEC monitor your system for RECs, and will not install a generator meter to measure the output of your system.***

Regardless of which option you choose regarding RECs, it is important and necessary for you to sign, date, and return the Net Metering Interconnection Application. We cannot connect the proper net meter or begin giving you credit for any generation in excess of your current month's usage until we receive this signed document.

Please note that the information in this document relates to your Renewable Energy Source only and does not change any of the other Rates, Fees and Charges applicable to your account.

If you have any questions regarding the information in this document please call our Member Solutions Department at 1-800-698-2007.