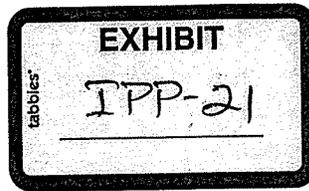




Northeast
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James B. Robb
Senior Vice President
Enterprise Planning and Development

October 21, 2010

Mr. Phil Giudice
Commissioner
Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

RE: Proposed Draft Regulation 225 CMR 14.00 – Renewable Energy Portfolio Standard
Class I

Dear Commissioner Giudice:

Northeast Utilities offers the following comments on the Massachusetts Department of Energy Resources (DOER) Proposed Draft Regulation 225 CMR 14.00 – Renewable Energy Portfolio Standard Class I on behalf of our two subsidiaries, Western Massachusetts Electric Company (WMECO) and Public Service New Hampshire (PSNH). As was stated in our comments in August 2010, we continue to be acutely sensitive to any increases to the cost of electricity or potential disruptions to the reliability of the electric system, while being very supportive of the environmental goals and policies of the states in which we operate.

The draft regulation 225 CMR 14.00 – Renewable Energy Portfolio Standard – RPS I, as proposed, will significantly affect the existing Massachusetts Class I Renewable Portfolio Standard (RPS) Renewable Energy Credit (REC) market, and reduce the number of qualified MA Class I biomass facilities. This will likely increase the cost of RECs, thereby increasing costs to electric customers in Massachusetts, including WMECO.

Additionally, the proposed regulatory changes may adversely impact the viability of biomass generation in New England. PSNH made a significant capital investment of over \$75 Million in 2006 to convert a 50 MW coal-burning unit to burn biomass at the Schiller Station facility in Portsmouth, New Hampshire. This facility received approval as a Massachusetts Class I qualified generating unit in 2006, and on average, has generated more than 300,000 RECs annually. An important factor in the final decision to

convert this unit from coal to biomass was the ability to qualify the unit in the Massachusetts Class I RPS market.

NU offers the following specific comments to the draft regulations.

1. Treatment of Previously Qualified Biomass Generation Units:

NU is concerned about the treatment of previously qualified biomass generation units, as outlined in Section 14.05(c). As currently proposed, existing facilities must meet an efficiency standard of 40% by 2015 to remain qualified as a Class I resource. This requirement is unreasonable and impossible for PSNH's Schiller Station to meet, and will result in the disqualification of our facility as a Class I Generating Unit under the proposed regulations in 2015.

It is critical to developers and investors that there be predictability in the renewable generation industry throughout New England, and that this industry will not be subject to changes in law that pose a significant risk to project viability, particularly after the investment has already been made. NU recommends that in order to promote consistent and predictable business practices, existing qualified facilities should be grandfathered on all aspects of the new regulations. If not grandfathered on all aspects of the new regulations, existing facilities should at least be exempt from the efficiency standard requirements in Section 1405(8)(b)3.

2. Sustainable Harvesting Practices and Eligible Biomass Woody Fuels:

In the case of NWPP, our facility receives approximately 500,000 tons of clean biomass annually from over 55 different suppliers. The majority of this supply comes from New Hampshire forests. To regulate the harvesting practices outside the purview of Massachusetts is unnecessary and redundant. Foresters in New Hampshire, Maine and Massachusetts are licensed and have to meet very strict guidelines to obtain these licenses. These foresters are an educated and trained group of professionals that utilize responsible and sustainable forest practices. The proposed regulations, as currently drafted greatly restrict options for sound forest management.

Regulations must have sound forestry principles at their core. They should lead to rules and standards that can be applied in a practical manner and result in rules that are sound, clear and auditable. The draft regulations in Section 1405(8)(a)(1)(c) require that no more than 15% of the total weight of all forest products harvested from a given forest harvest area can be considered Eligible Biomass Wood Fuel. Northeast Utilities is concerned that there is no basis in forestry science for the 15% limit. The amount of Forest Products Residues, Forest Management Residues, and Forest Salvage should ultimately be at the discretion of the forester but should be based on well-established silviculture practices.

If the DOER continues with this 15% limit, we must point out that there are serious challenges and potentially unintended consequences with administering biomass harvesting and being able to meet the 15% limit:

- A logging contractor would have no reliable way to determine if or when the 15% limitation has been surpassed.
- Since the final determination of the amount harvested can only be acquired post harvest, procurement personnel would have no way of predicting what percentage of purchased fuel will qualify for REC credit. Also, if the logging contractor cannot reliably determine if the 15% limitation has been surpassed, the contractor would not know if the material could be sold as qualifying biomass to a facility that requires strict adherence to these regulations.
- The 15% limitation will actually promote high grading – or selectively harvesting the highest grade of timber and leaving the lower grade timber at the site, which is not in line with good forestry management practices, nor should it be the unintended result of these proposed regulations. Harvests utilizing high grading techniques will actually likely meet the 15% requirement due to the ratio of a large volume (by weight) of saw log and pulp wood material vs. the relatively small weight of the tops coming from those trees. Conversely, the appropriate forestry practice of pre-commercial thinning (as well as others) will not qualify as Eligible Biomass Woody Fuel. The practice of pre-commercial thinning involves weeding the forest of undesirable, poor quality specimens in favor of trees with better overall health and potential. Since little if any saw log or pulp wood is removed during these operations, the 15% standard will easily be surpassed. Basic, accepted forestry practices will not qualify under the 15% mandate and may be wholly ignored by the forestry profession, thus depriving qualified facilities from obtaining a qualifying fuel source.

As you know, Northeast Utilities and our operating companies are executing a number of business initiatives aimed at helping our operating companies, states, and our region meet our complex set of energy, environmental, and economic goals and seeks to strike a balance between cost, reliability, and environmental benefit. For example, our utility scale solar program in Western Massachusetts was explicitly designed to help the Commonwealth meet its solar energy goals at the lowest possible cost to our customers.

As greenhouse gases are global, not local pollutants, we believe that operation of NWPP at Schiller Station on biomass provides significant economic and environmental benefits to Massachusetts. We are concerned about our continued ability to operate this facility economically if RPS qualified in Massachusetts is dependent upon the efficiency standard in the proposed regulations. Since NWPP can not meet the 40% efficiency standard outlined in the regulations, it is expected that the DOER will have to rescind the Unit's Statement of Qualification in 2015. We urge you to take action to address this issue and others that are outlined in our letter to ensure the continued qualification of the

NWPP as a Massachusetts Class I RPS qualified resource. We stand ready to discuss these issues and others concerning these proposed regulations, at your convenience.

Please feel free to contact Christie Bradway, NU's Manager of Renewable Power at 860-665-5296, or Terry Large, Director of Business Planning at PSNH at 603-634-2434 with any questions. I am always available to discuss these issues with you as well. Feel free to call me at (860) 728-4530.

Sincerely,

James B. Robb, III