

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DE 10-195
NH PUC Staff Responses

to Data Requests of Wood-Fired IPPS

Date Received: December 28, 2011
Request: IPP – 1

Date of Response: January 11, 2011
Witness: George McCluskey

REQUEST

Mr. McCluskey estimated that the balance in the cumulative reduction would have been \$77 million higher if PSNH had insisted on Laidlaw treating the above-market energy payments as loans requiring interest to be accumulated at 5% annually. Please estimate the interest on the over-market cost of:

- a. RECs assuming the RPS continues beyond 2025 under the current statute; and
- b. RECs assuming the RPS ends December 31, 2025 under the current statute.

RESPONSE:

Wood-Fired IPPs should note that the \$77 million value estimate was based on a 2008 analysis that reflects the proposed PPA prices and PSNH's initial plant assumptions. That is, a plant with a net capacity of 58 MW and a capacity factor of 85%. Using instead Laidlaw's revised plant assumptions (i.e., 63 MW net capacity and 87.5% capacity factor) increases the cumulative reduction balance by \$86 million to \$247 million. Note also that the increase would have been higher had the calculation been performed with market energy prices that reflect current market conditions rather than the market conditions reflected in PSNH's 2008 analysis.

The question asks for the cumulative interest owed to PSNH at the end of the 20-year term on above-market REC payments charged at 5% per annum. The calculation of the above-market payments and the interest on those payments requires a market-value projection for RECs. As shown in Attachment 1-1 to this response, using the current market-value for Class 1 RECs of \$16.5/MWh as a market value proxy results in the following:

- a. The interest on the above-market REC payments through 2033 amounts to \$211 million.
The corresponding balance in the above-market REC account is \$399 million.
- b. The interest on the above-market REC payments through 2025 amounts to \$74 million.
The corresponding balance in the above-market REC account is \$245 million.