

DE 10-195
Exhibit No. #3
Witness Panel 1
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STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DE 10- ____

DIRECT TESTIMONY OF
GARY A. LONG

Request for Approval of Power Purchase Agreement
Between
Public Service Company of New Hampshire
and
Laidlaw Berlin Biopower, LLC

July 26, 2010

INTRODUCTION AND PURPOSE

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Q. Please state your name, position and business address.

A. My name is Gary A. Long. I am the President and Chief Operating Officer of Public Service Company of New Hampshire.

Q. Have you previously testified before this Commission?

A. Yes, I have testified on many occasions in various regulatory proceedings on behalf of PSNH.

Q. Please briefly state the purpose of this filing.

A. The purpose of this filing is to request approval by this Commission of a long term Power Purchase Agreement (PPA) between PSNH and Laidlaw Berlin Biopower, LLC, under RSA 362-F:9. This PPA is for the purchase of electricity and various renewable attributes of the Laidlaw wood-fired energy project to be constructed in Berlin, New Hampshire (the “Project”). It is to support the fulfillment of the electricity needs of customers served by PSNH and the Renewable Portfolio Standards set by the State that PSNH must meet. The PPA is also intended to help meet the State’s Climate Action Plan goals as set forth in the March 2009 New Hampshire Climate Action Plan. The PPA is set forth in Attachment GL-1.

1 Q. Are there other witnesses in this proceeding who are sponsoring pre-
2 filed direct testimony in support of this request for approval of the
3 PPA?

4 A. Yes.

5 Terrance J. Large, Director – PSNH Business Planning and Customer
6 Support Services is presenting testimony on the Project, on how the PPA fits
7 in with PSNH’s overall power portfolio and in particular our renewable
8 energy resources needs. Mr. Large’s testimony will also discuss cost recovery,
9 environmental benefits and other matters set forth in RSA 362-F:9.

10

11 Richard C. Labrecque, Manager - PSNH Supplemental Energy Sources is
12 presenting testimony on the PPA’s terms and conditions and the unique
13 features of the PPA which provide value to our customers.

14

15 Dr. Lisa K. Shapiro – Economist from the law firm of Gallagher, Callahan &
16 Gartrell is presenting testimony concerning the positive impact the Laidlaw
17 project will have on the New Hampshire economy in general, and the
18 northern area of New Hampshire most directly.

1 **PSNH'S APPROACH TO MEETING THE STATE'S RENEWABLE**
2 **ENERGY REQUIREMENTS AND POLICY**
3

4 Q. **Please provide a background on the State's policies that PSNH**
5 **intends to further as a result of the PPA.**

6 A. The State's policies and objectives regarding environmental improvement,
7 increased use of renewable energy resources, and reduction of greenhouse gas
8 emissions are set forth in multiple statutes and policy directives of the State.

- 9 • For starters, RSA 374-F:3, in the electric restructuring statute, states
10 "Continued environmental protection and long term environmental
11 sustainability should be encouraged".
- 12 • The Renewable Portfolio Standard (RPS) statute, RSA Chapter 362-F sets
13 forth specific quantitative (percentage) requirements for renewable resources
14 within the portfolio of all electricity suppliers, including PSNH as a default
15 energy service supplier.
- 16 • The Regional Greenhouse Gas (reduction) Initiative, RGGI, as set forth in
17 RSA 125-O:19 established goals and a "cap and trade" approach to reducing
18 greenhouse gas emissions.
- 19 • And more recently, "The New Hampshire Climate Action Plan" issued in
20 March 2009 "recommends that New Hampshire strive to achieve a long-term
21 reduction of greenhouse gas emissions of 80 percent below 1990 levels by
22 2050."

23 Collectively, and individually, these stated policies of New Hampshire
24 effectively instruct PSNH, as a State regulated utility charged with

1 implementing much of the State's energy policy, to seriously and
2 affirmatively take action to meet these aggressive renewable resource,
3 environmental, and climate action objectives. These objectives are inherently
4 long term, and thus PSNH must take long term actions.

5

6 **Q. Please provide an overview of PSNH's strategy in meeting the State's**
7 **requirements regarding renewable resources and the State's goals to**
8 **reduce greenhouse gas emissions.**

9 A. Our strategy is to pursue a combination of actions to meet these goals. While
10 not all these actions will be subjects of this proceeding, these actions include,
11 1) improvement in the environmental characteristics of PSNH's owned
12 generation, 2) entering into strategic renewable resource based power
13 purchase agreements, 3) aggressive energy efficiency programs, and 4)
14 advancement of small scale renewable resources under RSA 374-G.
15 PSNH witness Terry Large discusses these strategies.

16

17 **Q. In addition to meeting the State's renewable resource,**
18 **environmental improvement, and climate change goals, are there**
19 **any other goals that PSNH is trying to meet with the PPA?**

20 A. Yes. PSNH's desire is, of course, to meet these goals in a cost competitive
21 manner from a customer's viewpoint. The costs/benefits of the Project must
22 be investigated together and broadly. PSNH witness Shapiro expands on
23 how this PPA furthers economic goals.

1 **OTHER POTENTIAL LONG TERM POWER PURCHASE AGREEMENTS**

2
3 **Q. Please comment on the general interest level of developers to enter**
4 **into a long term power purchase agreement with a credit worthy**
5 **regulated utility?**

6 A. I believe the interest is very high given the current New England market
7 structure and volatile market prices. The current market structure, in my
8 opinion, is not designed well for entities that may require long term price
9 signals. This creates uncertainty for unregulated entities looking for
10 profitable investment opportunities in the energy sector. Since the market is
11 inadequate for their needs, their interest turns to finding a purchaser of their
12 output under an agreement that can provide long term revenue assurance.

13
14 **Q. How does this compare with PSNH's own interest in entering into**
15 **additional long term power purchase agreement?**

16 A. At this time, PSNH's interest in entering into additional long term power
17 purchase agreements is highly limited.

18
19 **Q. What are examples of matters that limit PSNH's interest in long term**
20 **power purchase agreements?**

21 A. PSNH's primary energy role is as a Default Energy Service provider under
22 New Hampshire law. Since the amount of load that PSNH is required to
23 serve depends upon the choices that customers make to acquire their energy
24 supply, the amount of renewable resource requirements PSNH must meet
25 under the State's RPS also varies by the choices made by our customers.

1 PSNH needs to limit its use of long term power purchase agreements to
2 ensure flexibility to economically serve the varying Default Energy Service
3 loads.

4
5 Additionally, PSNH looks for diversity within its portfolio of energy
6 resources. As an example, PSNH would like to increase the amount of solar
7 energy resources within our portfolio to meet solar RPS requirements.

8
9 **Q. So, if PSNH is limited in its need for renewable resources and/or long**
10 **term power purchase agreements, what does PSNH consider before**
11 **entering in to a long term power purchase agreement?**

12 A. In addition to considering state law, we look for uniqueness, feasibility, and
13 added value in a project. There can sometimes be a plethora of concepts,
14 developers, and ideas at a time when PSNH has a very limited need. Thus,
15 we look for factors that can distinguish a project while adding value for our
16 customers and shareholders.

17
18 **Q. Is the Laidlaw Project and associated PPA unique?**

19 A. Yes, it is. PSNH witness Richard Labrecque describes the unique features of
20 the PPA. I would emphasize here however, that one very unique aspect of
21 the Laidlaw Project is that a substantial portion of that Project already
22 exists, since Laidlaw will modify an existing boiler, which they already own
23 along with the property around the boiler.

CONCLUSION

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3 **Q. Please summarize your recommendation on approval of this PPA.**

4 A. Considerable thought over more than two years went into developing this
5 unique PPA and I truly believe it is in the best interests of PSNH and our
6 customers over its term. PSNH requests that the Commission approve in the
7 PPA in order to allow this project to move forward quickly and produce
8 renewable energy while providing economic benefits for the State, and
9 especially the North Country.

10

11 **Q. Does this complete your testimony?**

12 A. Yes, it does.