

November 29, 2012

Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429



Re: DE 10-261: Public Service Company of New Hampshire Least Cost Integrated Resource Plan

Dear Ms. Howland:

We are writing to provide the Commission with new information relevant to its review of the Public Service Company of New Hampshire ("PSNH") Least Cost Integrated Resource Plan ("LCIRP") currently pending in the above-referenced docket. In CLF's closing brief (dated June 13, 2012) CLF stated that considering the evidence in this proceeding regarding the poor economics of Schiller Station and its adverse impacts to ratepayers, "the Commission should order PSNH to prepare an adequate plan, which properly assesses supply side options and evaluates the retirement and/or divestiture of Schiller Station." CLF Closing Brief at p. 8.

On August 17, 2012, after the close of the record in this docket, the Massachusetts Division of Energy Resources ("DOER") promulgated new Renewable Energy Portfolio Standard ("RPS") regulations as set forth in 225 Code of Massachusetts Regulations ("CMR") Title 14 applicable to generation units combusting biomass such as PSNH's Schiller Station Unit 5 ("SL5"). SL5 is currently certified as a Renewable Energy Certificate ("REC")-earning facility in Massachusetts under a 2006 Statement of Qualification ("SQ").

SL5 will maintain its current qualification through the end of 2012. 225 CMR 14.05(8)(e)(1). It will maintain qualification under the SQ from January 2013 through December 2015 if PSNH produces a qualifying Fuel Supply Plan, 225 CMR 14.05(1)(a)(7)(f)(i), and utilizes fuel that complies with the requirements for Eligible Biomass Woody Fuel certification and verification, 225 CMR 14.05(8)(a). 225 CMR 14.05(8)(e)(2).

Starting in January of 2016, SL5 must meet all provisions of the revised 225 CMR 14.00, including the greenhouse gas reduction threshold and overall efficiency provisions set forth therein. Failure to demonstrate compliance as laid out in these regulations will result in DOER rescinding the Unit's SQ at the beginning of Compliance Year 2016, rendering SL5 ineligible to earn Massachusetts RECs. 225 CMR 14.05(8)(e)(2).



Beginning in January of 2016, to be eligible for MA RECs a biomass unit will have to prove to DOER that its Overall Efficiency is at least 50% on a quarterly basis. 225 CMR 14.05(1)(a)(7)(f)(ii). A unit will only earn full credits with 60% overall efficiency, and half credits for efficiency between 50-60%. 225 CMR 14.05(8)(c)(3). Overall Efficiency will equal (on a quarterly basis): "[T]he sum of 1) Renewable Generation not utilized behind-the-meter, 2) Renewable Energy utilized behind-the-meter divided by one minus the average distribution and transmission line losses of the electrical grid for which for this purpose shall be 8%, 3) Useful Thermal Energy, and 4) Merchantable Bio-Products; divided by Biomass Input Heat Content." 225 CMR 14.05(8)(c)(3). SL5's thermal efficiency virtually assures that it will never achieve the Massachusetts Overall Efficiency standard for even partial credits. SL5's full load thermal efficiency is 22%, and in practice it has been as low as 20%.¹

In 2010, SL5 earned \$4,655,098 in REC revenue, and PSNH projected \$5,366,000 in revenue for 2011.² PSNH relied heavily on the Massachusetts REC program to obtain that revenue.

PSNH may be unable to comply with various eligibility requirements for MA RECs in the new regulations, including those that take effect beginning in January of 2013. It is virtually certain that PSNH will fail to comply with the overall efficiency requirement, and thus will cease to be eligible for MA RECs in 2016. The Commission may take administrative notice of each and all of the foregoing in accordance with PUC 203.27.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "N. Jonathan Peress", is written over a horizontal line.

N. Jonathan Peress

cc: Service list

¹ Calculated from average annual heat rates, Docket No. 11-094, Testimony of Michael D. Cannata, Jr., Exhibit MDC-2 at 53 (Oct. 14, 2011).

² Docket No. 12-116, Testimony of Robert A. Baumann, Exhibit RAB-4 at 11 (May 1, 2012).