

Petition for Authorization Pursuant to RSA 362-A:2-A, II
for a Purchase of LEEPA Output by the Private Sector

Docket No. DE 15-068

FEL Responses to Staff (OCA) follow-up requests made on October 5, 2015

FEL Revised Response to OCA 1-28(b) dated October 13.

Please provide a numerical example showing (a) how the affected rate components will differ from that shown in Attachment 1, i.e. page 2 of 4 of FEL's PSNH/Eversource bill, and (b) how the dollar amount of the charges on each of the affected components would change, given the expected level of consumption of energy generated by Fiske.

Response:

FEL submitted an email to the parties on October 2. The email is captioned "Clarification of FEL Responses to ES-7 and Liberty 3-c (hereinafter "Clarification").

With respect to the foregoing question pertaining to "how the affected rate components will differ from that shown in Attachment 1, i.e. page 2 of 4 of FEL's PSNH/Eversource bill," the Clarification states as follows.

(C) Eversource bills FEL under Rate G except that Eversource credits and reduces all charges levied on a cents per/kwh basis based upon an amount of energy equal to 2% of Fiske's energy output.

Accordingly, the *charges levied on a cents per/kwh basis* will not change. However, the amount of energy (kWh) billed under Rate G will be reduced by 2%.

Example: Fiske generates 100,000kWh in October of 2014. The amount of energy billed by Eversource to FEL will be reduced by 2000 kwh. FEL consumed 2480 kWh in October of 2014. Therefore, the amount of energy billed by Eversource to FEL in October of 2014 would have been 480 kWh (2480 – 2000 = 480).

The total PSNH bill to FEL for October 2014 was \$212.63. The total energy related charges for transmission and distribution for 2480 kWh were \$74.72. The net energy charges billed by Eversource based upon 480 kWh would be \$40.62 (480 kWh x \$0.068 + 480 kWh x \$0.016633 kWh).

Therefore, the reduction in the PSNH bill for October 2014 would have been 74.72 minus 40.62 = \$34.10.

**Petition for Authorization Pursuant to RSA 362-A:2-A, II
for a Purchase of LEEPA Output by the Private Sector**

Docket No. DE 15-068

Dated October 13, 2015

Clarification of FEL Response to Liberty 3-c

Staff received FEL's "clarification" of Liberty 3-c, but the clarification is merely a repetition of the original answer with the phrase "and 2% of its output to FEL" written some distance below the original answer. Please clarify this clarification.

Response:

The Clarification should have read as follows. The Response sent on October 2 was an earlier draft and should be discarded. **Here is the correct version:**

I. Current deal structure- Fiske sells 100 percent (%) of its output to Eversource; Eversource pays Fiske an amount 100% of its Short Term Avoided Cost Rate calculated in accordance with ¶ 33, page 24 of the Eversource Delivery Tariff.

II. Proposed deal structure:

(A) Fiske sells 98% of its output each hour, if any, to Eversource, and is paid 98% of the amount that Fiske would have been paid by Eversource absent Fiske's deal with FEL.

(B) Fiske sells and FEL purchases 2% of Fiske's energy output, if any. (1) FEL pays Fiske an amount equal to 2% of the amount that Fiske would have been paid by Eversource absent Fiske's deal with FEL. (2) FEL will also pay Fiske an additional amount equal to 50% of the foregoing amount under (1) above.

(C) Eversource bills FEL under Rate G except that Eversource credits and reduces all charges levied on a cents per/kwh basis based upon an amount of energy equal to 2% of Fiske's energy output.

(D) If 2% of Fiske's energy output exceeds the amount of energy (kwh) consumed by FEL in any month, FEL will transfer and assign said excess to PSNH. (This is often referred to as a "use or lose" provision.)

11. Page 4 of the June 15, 2015 submission states that the Commission will determine the cost of wheeling power from Fiske Hydro to FEL's meter. How does FEL propose that this cost be determined? What are the required inputs? Is FEL aware of any other wheeling tariffs that would serve as a basis or benchmark for this determination? If FEL is aware, please provide copies of such tariffs and explain how they are or are not applicable or useful in the instant matter.

Response: Pursuant to RSA 362-A:2-a, II, Eversource is required to transmit and deliver electrical energy from the Fiske's facility to the FEL's facility; however, pursuant to RSA 362-A:2-a, II, Fiske must compensate Eversource for all costs incurred in wheeling and delivering the purchased electricity to FEL.

Eversource does not charge any wheeling or transmission costs to Fiske in connection with the existing sale of the entire output of Fiske Hydro to Eversource for resale to ISO-NE. See ¶ 33, page 24 of Eversource Delivery Tariff. This, at a minimum, is an implicit recognition by Eversource that there are no costs incurred by Eversource associated with the delivery of the Fiske output to ISO-NE. Indeed, the present deal configuration whereby Fiske sells its entire output to Eversource, given its location on the Eversource system, arguably reduces loads and therefor the investments and expenses incurred by Eversource in the operation of its transmission and distribution system. A number of recent studies by independent third parties have found that the savings to the host utility create by intermittent source are in the range of 20 cents per kWh. Fiske, has not, at any time, been compensated for the transmission and distribution savings (avoided costs) that it has created for Eversource.

If Fiske were to sell some or all of its output to FEL instead of Eversource, there would be absolutely no change in the level of electrical load experienced at any point on the Eversource transmission and distribution system. (The laws of physics dictate that no electrons associated with the Fiske output will be physically delivered to FEL). Therefore, Eversource would incur no changes in its costs as a result of the sale by Fiske to FEL. Accordingly, there are no costs incurred in wheeling and delivering the purchased electricity to FEL and no compensation to Eversource is required by RSA 362-A:2-a, II.

Freedom Logistics, LLC d/b/a Freedom Energy Logistics

DE 15-068

OCA Set 1

Date Request Received: 06/23/15

Date of Response: 00/00/00

Request No. OCA 1-12

Witness: Witness Name Here

REQUEST: Reference Testimony of August G. Fromuth filed June 15, 2015, Attachment 1, page 2 of 4 of Freedom Energy Logistics's (FEL) bill. Do any of the delivery charges imposed solely on FEL recover all of the wheeling and transmission costs associated with Fiske's power sales to PSNH/Eversource?

RESPONSE: **Yes. See Response to Request No. OCA 1-9.**

Freedom Logistics, LLC d/b/a Freedom Energy Logistics

DE 15-068

OCA Set 1

Date Request Received: 06/23/15

Date of Response: 00/00/00

Request No. OCA 1-9

Witness: Witness Name Here

REQUEST: Do you agree that PSNH/Eversource incurs wheeling or transmission costs associated with Fiske's energy sales over the PSNH/Eversource transmission and distribution system?

RESPONSE: **No. Fiske Hydro does presently not pay any wheeling or transmission costs to Eversource in connection with the sale of the entire output of the Fiske Hydro Project to Eversource for resale by PSNH to ISO-NE. See Prefiled Testimony at p.3**

With respect to the transaction proposed in this proceeding, as an abstract proposition, and in accordance with applicable law, FEL will pay Eversource for any costs determined by the Commission, *net of locational value resulting from avoided transmission and distribution costs and avoided line losses*, incurred in wheeling and delivering the Fiske Hydro electrical output to FEL's meter.

This appears to be a highly appropriate arrangement because Fiske Hydro, in return, is not currently compensated for any transmission or distribution costs avoided by Eversource as a result of Fiske's injection of electricity at the tail-end of Eversource's distribution system. This circumstance effectively reduces the present loads experienced by Eversource on its transmission and distribution system and, therefore, its costs.

The electrical loads at each point on the PSNH transmission and distribution system will not change as a result of the transmission of electricity from Fiske Hydro and delivery to FEL. Accordingly, not only are there no incremental costs imposed on PSNH as a result of the transmission of electricity from Fiske and delivery to FEL, there are avoided costs. In this connection, the Commission should be informed by the conclusions of the very recent Maine Solar Value of Service study which estimated the savings from solar PV to be *at least 20 cents per kWh*. See Prefiled Testimony at p. 4.

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Freedom Energy Case Puts 1978 Law to the Test



CONCORD — New Hampshire has had a law on the books since 1978, allowing small hydroelectric power plants to sell electricity directly to a small number of end users, cutting the utility out of the middle except for the cost of transmission.

[See original Union Leader Article By Dave Solomon Here](#)

The law, known as the [Limited Electrical Energy Producers Act \(click to view it\)](#), was designed to encourage small-scale and diversified sources of power, to decrease the state's reliance on other sources which, according to the law "may from time to time be uncertain."

In all the years since, the law has never been put into action. But the folks at Freedom Energy Logistics, an energy broker serving large commercial and industrial clients, want to change that.

The Auburn-based company, founded soon after the state's electricity market was deregulated in 2004, has been pushing the envelope on deregulation under the direction of its chief executive August Fromuth and attorney James T. Rodier for years.

Since the 1990s, the two men have been trying to find ways to do an end-run around the utility companies and connect power producers to customers. Now they're going to go where no one else has wanted to tread since the days of leisure suits.

They've filed a petition with the Public Utilities Commission, asking regulators to authorize the direct purchase by Freedom Energy of five kilowatts of power from the Fiske Hydro Project in Hinsdale to help power FEL offices in Auburn.

The energy would be transmitted from Hinsdale to Auburn over power lines owned by Eversource, which would charge a fee for the transmission and would deduct the five kilowatts from the electric bill it sends to FEL.

Five kilowatts is only a fraction of the electricity needed to light, cool and otherwise operate the offices of FEL, but that's not the point. The idea is to create a test case that will force the PUC to finally rule on the mechanics of how the law could actually work.

If the petition succeeds, it will open the door for many other large users who want to try the same thing, but have not had the stomach for the lengthy and costly regulatory process. In a state where businesses are trying to find every possible angle to lower electricity costs, the notion that this idea could catch on is not that farfetched.

Rodier says the 37-year-old statute could open a pathway for renewable power to be sold directly to customers.

"We've got these clients who are very interested in doing this," said Rodier, "but they know there will be a challenge from Eversource, so no one wants to be the ones to go in and make this happen. We are normally a broker, someone who helps customers buy wholesale, so for us this is a bell-cow transaction. If it works, the others will follow."

Never tested in court

It's not as if the law has just collected dust for three decades. In 1995, the PUC ruled it a valid exercise of state powers and not preempted by federal law, addressing only the constitutional question but not authorizing any particular arrangement.

The law, which has never been tested in court, applies only to power plants that produce no more than 5 megawatts of power with renewable resources, which can be sold directly to no more than three end users. It's a very tightly drawn prescription designed to encourage renewables under limited circumstances.

In December, Freedom Energy asked the PUC for a declaratory ruling as to how the law might apply, now that the state has a deregulated energy market, enabling customers to buy their power from any number of sources. The PUC denied the petition because it did not contain a specific proposed transaction. So Fromuth and Rodier, working with Fiske, came up with one.

Fiske Hydro is refurbishing its hydroelectric dam on the Ashuelot River in Hinsdale, increasing the generating capacity from 160 kilowatts to 535 kilowatts. A \$225,000 grant from the state's renewable energy fund awarded last year goes a long way to covering the total cost of \$362,000.

The Granite State Hydropower Association, Eversource and Unitil have all filed as intervenors in the case, and at a May 6 pre-hearing conference agreed to a schedule that should lead to a hearing on the merits by late summer.

"The state's energy policy is to encourage distributed renewable energy," said Rodier, "so with all of that going on, it seems a good place to start is a law that goes back to 1978."

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