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HAND DELIVERED

October 10, 2008

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



Re: Hearing in Docket DE 07-108, PSNH Least Cost Integrated Resource Plan

Dear Ms. Howland:

This is to advise the Commission that TransCanada Hydro Northeast Inc. ("TransCanada") intends to raise an issue at the hearing in the above-captioned matter scheduled for October 14, 2008. TransCanada is a signatory to the Partial Settlement Agreement in this matter, which by its title and contents resolved many, but not all, of the issues. TransCanada wishes to address one issue not covered by the Partial Settlement Agreement at the hearing. TransCanada includes a summary of the issue below, and also respectfully requests that the Commission provide counsel to TransCanada and others an opportunity to speak to this issue at the hearing. TransCanada also wishes to note that Bridgewater Power Company, L.P. supports the comments in this letter.

The order issued by the Commission in DE 04-072, Order No. 24,695, 91 NH PUC 527 (2006) in Public Service Company of New Hampshire's ("PSNH") last least cost integrated resource planning docket, required PSNH to file "generic cost information regarding the construction or acquisition of new generation capacity in its next LCIRP" even though, as the Commission pointed out, "the construction or acquisition of new generation capacity by PSNH appears to require prior legislative authorization". 91 NH PUC at 540. The Commission did this despite opposition from PSNH itself, which "argued that it is not reasonable to require the Company to evaluate new generation options as long as uncertainty remains regarding its authority to construct or acquire generation capacity." 91 NH PUC at 536. The Commission said: "to the extent that PSNH suggests or advocates a change in the law that would allow it to build or acquire new generation, PSNH must demonstrate that the resources that it plans to add to its portfolio will satisfy customers' energy service needs at the lowest overall cost." 91 NH PUC at 540.

In that order the Commission also rejected an argument by Staff “that the constraint placed upon PSNH by RSA 369-B:3-a to retain its generation assets until at least April 2006 means that any decision to retain or divest those assets subsequent to that date should be addressed in the supply-side assessment mandated by RSA 378:38.” 91 NH PUC at 536. In rejecting Staff’s argument on this issue the Commission noted summarily: “we agree with PSNH that it should not be required to evaluate the costs and benefits of divestiture in the context of its LCIRP, inasmuch as the legislature created RSA 369-B:3-a to deal specifically with divestiture of PSNH generation assets.” 91 NH PUC at 540.

As noted in that order, the statute, RSA 378:38, III, requires each utility to include in its LCIRP “[a]n assessment of supply options.” In the past the Commission has directed that “the assessment of supply-side options be comprehensive (i.e., consider the full range of supply-side resources available to meet future energy requirements)” . 91 NH PUC at 535. Clearly one supply side option would be for PSNH to divest its generating assets, collect the revenue it would obtain from the sale of those assets, and purchase replacement power from other providers. There is no way of knowing whether or not such an option would be the least cost option without evaluating it and the place where an evaluation should be done as to whether it would be a least cost option is in a docket established for that purpose.

TransCanada submits that if the Commission is going to continue to require PSNH to evaluate new generation options, even though PSNH does not have the statutory authority to undertake such options, despite repeated legislative efforts to obtain that authority, it should require PSNH to evaluate all supply side options, including whether the least cost option would include the divestiture of some or all of its generating assets. This should be especially true given the current state of the law, which is that PSNH has the authority to divest its generating assets. TransCanada respectfully submits that to direct PSNH to evaluate a supply-side option for which it does not have authority, and not to evaluate a supply-side option for which it does have authority would be illogical and contrary to the intent of the basic principles of the least cost planning process.

If the least cost planning process evaluation of supply side options for PNSH is to continue, and the Commission in Order No. 24,435, Docket No. DE 04-072, 90 NH PUC 60 (2005) suggested that there was value in the least cost planning process in a post-restructuring world, then it should be done in a comprehensive manner. In that order the Commission also said that “the sensible course is to require PSNH to submit a document that delineates its planning in light of its possible continued ownership of generation and the other realities described in PSNH’s memorandum.” 90 NH PUC at 67. TransCanada submits that the sensible course is to require PSNH to do a complete supply side analysis, not one that provides a truncated analysis of supply side options that does not reflect the utility’s authority under NH law. As the Commission further noted in that order: “PSNH should describe options available to it for assuring that safe and reliable electricity is available to its customers at the lowest possible cost – which is the overall public policy goal of restructuring. See RSA 374-F:1,I.” There is no way of knowing what the lowest possible cost is unless all of the supply side options are evaluated. In this docket, which is a planning docket, we are not asking that PSNH be required to divest, merely that it be required to study all supply side options, especially if it is required to study the possibility of acquiring or constructing new generation.

TransCanada appreciates the opportunity to submit these comments and the Commission's consideration of them.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Patch", written in a cursive style.

Douglas L. Patch

cc. Service list in DE 07-108

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