

**THE STATE OF NEW HAMPSHIRE**  
**BEFORE THE**  
**NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**

**Docket No. DE 07-**

**DIRECT TESTIMONY OF**

**S. B. Wicker, Jr.**  
**and**  
**Richard C. Labrecque**

Request for Approval Under RSA 362-F  
of a  
Power Purchase Agreement

*November 20, 2007*

1     **I.       INTRODUCTION**

2     **Q.       Please state your names, business addresses and positions.**

3     A.       My name is S. B. Wicker, Jr. My business address is 780 North Commercial Street,  
4             Manchester, NH 03105. I am currently a Principal Engineer with PSNH.

5     A.       My name is Richard C. Labrecque. My business address is 780 North Commercial  
6             Street, Manchester, NH 03105. I am a Principal Engineer with PSNH.

7     **Q.       Mr. Wicker, have you previously testified before the Commission?**

8     A.       Yes, I have testified on numerous occasions before the Commission on issues relating to  
9             non utility generation.

10    **Q.       Would you provide a brief summary of your educational background and work  
11             experience?**

12    A.       I received a Bachelor of Science degree in electrical engineering from Worcester  
13             Polytechnic Institute in 1966. I received a Master of Business Administration degree  
14             from Northeastern University in 1977. I first began my employment at PSNH in 1966.

15             From 1972 until 1981, I held various engineering positions. I became a manager of  
16             financial projects in 1981. In 1986, I became manager of Supplemental Energy Sources  
17             Department (SESD), a position I held until July of this year when I became a part time  
18             employee handling special projects relating to non-utility generation. SESD is  
19             responsible for PSNH's relations with all generators seeking to interconnect with the  
20             PSNH electric system and includes the interconnection, administration, and payment  
21             activities relating to approximately 150 projects.

22    **Q.       Mr. Labrecque, have you previously testified before the Commission?**

23    A.       Yes, I have testified several times in Energy Service and Stranded Cost Recovery Charge  
24             dockets.

25    **Q.       Would you provide a brief summary of your educational background and work  
26             experience?**

27    A.       I graduated from Rensselaer Polytechnic Institute in 1988 with a Bachelor of Science  
28             degree in Nuclear Engineering. In 1992, I received a Masters of Nuclear Engineering  
29             Degree from North Carolina State University. In 2001, I received a Master of Science

1 degree in Management from Rensselaer at Hartford. I have worked at Northeast Utilities  
2 since 1992. From 1992 to 1998, I was employed in the Safety Analysis Branch of the  
3 Nuclear Engineering Department.

4 In 1998, I joined the Wholesale Power Contracts department. My current responsibilities  
5 include providing the analytical support required to fulfill the power supply obligations of  
6 PSNH, CL&P and WMECO. For CL&P and WMECO, I assist in the design and  
7 execution of the power supply sourcing contracts associated with these companies'  
8 versions of generation service. For PSNH, I assist in the development of the Energy  
9 Service rates and the strategy used to procure energy and capacity needed to supplement  
10 PSNH's resources

11 **Q. What is the purpose of your testimony?**

12 A. PSNH has entered into two separate three-year agreements with two Pinetree biomass  
13 projects to buy energy, capacity and New Hampshire Renewable Energy Certificates  
14 (NH RECs) during 2008 through 2010 and is seeking Commission approval of the  
15 arrangement as required under the RSA 362-F:9. That law provides, in part, as follows:

16 "Upon the request of one or more electric distribution companies and after  
17 notice and hearing, the commission may authorize such company or  
18 companies to enter into multi-year purchase agreements with renewable  
19 energy sources for certificates, in conjunction with or independent of  
20 purchased power agreements from such sources, to meet reasonably  
21 projected renewable portfolio requirements and default service needs to the  
22 extent of such requirements, if it finds such agreements or such an approach,  
23 as may be conditioned by the commission, to be in the public interest."

24 **Q. Please define New Hampshire Renewable Energy Certificates.**

25 A. New Hampshire Class III Renewable Energy Certificates (NH RECs) are NEPOOL GIS  
26 Certificates derived from the energy production of the Projects that have been qualified  
27 for the New Hampshire minimum renewable standards for energy portfolios as  
28 established in NH RSA Chapter 362-F.

29 **Q. Please describe the projects and the Terms of the agreements?**

30 A. Pinetree Power, Inc ("Bethlehem") is a 15 MW wood-fired plant in Bethlehem, New  
31 Hampshire. Pinetree Power – Tamworth, Inc. ("Tamworth") is a 20 MW wood-fired  
32 plant in Tamworth, New Hampshire. The Term of the Bethlehem agreement is from  
33 January 1, 2008 to December 31, 2010. The agreement with Tamworth starts after the

1 expiration of the current rate order (April 1, 2008) and ends on December 31, 2010. Both  
2 of the agreements are being filed under a Motion for Protective Order. Redacted versions  
3 of the agreements are attached hereto as Attachments SBW/RCL-1 and SBW/RCL-2.

4 **Q. Can the Terms of the agreements end earlier?**

5 A. Yes. If the Commission rejects these agreements or fails to approve them by  
6 December 31, 2008, the agreements will terminate on December 31, 2008.

7 **Q. How will PSNH reconcile the cost of the products procured under these**  
8 **agreements?**

9 A. The energy, capacity, and RECs procured via these agreements will be used to satisfy  
10 PSNH's Default Energy Service obligation and the associated renewable portfolio  
11 standard requirement. Forecasted costs will be included in the Default Energy Service  
12 rate and actual costs will be reconciled annually.

13 **Q. Why is PSNH seeking a protective order regarding certain financial terms and**  
14 **conditions in these arrangements?**

15 A. PSNH would like to be able to use the structure of these arrangements to purchase  
16 additional renewable power and does not want to be at a competitive disadvantage, which  
17 would happen if the structure of these agreements became public. Also, certain terms  
18 contained in these agreements are plant specific and are considered commercially  
19 sensitive to the Projects' owners.

20 **Q. Are both agreements structured similarly?**

21 A. Yes. Except for certain plant specific data, the pricing and terms and conditions are the  
22 same.

23 **Q. What are the specific energy pricing terms of the Agreements?**

24 A. PSNH will purchase the energy from the projects at fixed prices that are competitive with  
25 forward market prices that existed at the time the agreements were completed. The actual  
26 pricing is structured so that the projects are paid more during peak months and on-peak  
27 hours and less during shoulder months and off-peak hours. The peak months are January,  
28 February, July and August, with the rest of the year being shoulder months. In addition

1 the on-peak prices are increased when the on-peak capacity factor during on-peak months  
2 is above a specified amount.

3 **Q. Please describe the payments for capacity from the projects.**

4 A. For each month during the Term, each Project will be paid a fixed percentage of the value  
5 realized by PSNH through the ISO-New England settlement process for the Project's  
6 capacity (the "Capacity Payment"). However, if the project's capacity factor is less than  
7 75% in that month, then the Capacity Payment will be zero.

8 **Q. Please describe the terms and conditions associated with the purchase of NH RECs?**

9 A. PSNH will pay each project a fixed percentage of the NH Class III REC Default Price the  
10 each MWh of energy that qualifies for a NH REC.

11 **Q. Are the projects required to sell all the NH RECs to PSNH?**

12 A. No. The Projects can elect to sell the RECs produced to third parties for compliance with  
13 a Renewable Portfolio Standards programs other than the NH RPS program.

14 **Q. Why are the projects being given this option?**

15 A. Since New England REC market now includes all six states and the requirements and  
16 prices vary from time to time, the agreements allow the projects to seek the greatest value  
17 for the RECs.

18 **Q. Will PSNH customers benefit if the projects elect to sell RECs to third parties?**

19 A. Yes. The agreement provides for PSNH to receive a payment that is equivalent to the  
20 discount off of the NH Class III REC Default Price whenever the projects sell RECs to  
21 third parties.

22 **Q. What terms relate to encouraging the Projects to upgrade to qualify for NH RECs?**

23 A. The agreements contain three provisions to encourage the projects to modify the plants to  
24 qualify for NH RECs. First, contract energy prices are reduced for generation that does  
25 not qualify for NH RECs. Second, for purposes of calculating the project's capacity  
26 factor, 14 days of outages are excused during the Projects conversion to qualify for NH  
27 RECs. Third, the fuel price adjustment clause does not become effective until after the  
28 project(s) qualifies for NH RECs.

1 **Q. Please describe the terms relating to changes in the cost of wood burned by the**  
2 **Projects?**

3 A. The Agreement allows for a limited quarterly fuel price adjustment if delivered wood  
4 prices for each project increases or decreases during the term of the agreement.

5 **Q. Does PSNH have an estimate of the number of RECs it will need under the New**  
6 **Hampshire Class III RPS requirement?**

7 A. Yes. Based upon PSNH's 2006 retail load, PSNH would need approximately 262,000  
8 Class III RECs in 2008, 337,000 RECs in 2009, and 412,000 in 2010, for a total  
9 estimated requirement of 1,011,000 RECs.

10 **Q. What is the amount of NH RECs that could be generated by this agreement?**

11 A. If the projects upgraded under the proposed schedule and if PSNH bought all the RECs  
12 from both projects, these agreements could yield approximately 750,000 NH Class III  
13 RECs.

14 **Q. What generation sources qualify for New Hampshire Class III?**

15 A. New Hampshire Class III sources are qualifying biomass and methane projects.

16 **Q. What existing generation qualifies for Class III?**

17 A. All existing methane projects qualify for New Hampshire Class III. However, we  
18 understand that all existing methane projects are currently selling RECs into the  
19 Connecticut Class I market. No other current New Hampshire biomass project qualifies  
20 for Class III RECs, although we understand at least one other wood project is in the  
21 process of upgrading to qualify.

22 **Q. Could any other projects in New England qualify for New Hampshire Class III**  
23 **RECs?**

24 A. Yes. Three other existing New Hampshire wood projects could qualify if they upgraded  
25 their plant, but we understand that one of those projects has already sold at least some of  
26 its future RECs. There are two other wood projects outside of New Hampshire that  
27 potentially could qualify, but both projects are currently involved in long term power  
28 purchase agreements. One other NH project is currently being redeveloped and its plans  
29 to upgrade the facility are unknown.

1     **Q.     What are the legal standards for approval of these agreements?**

2     A.     RSA 362-F:9, I allows the Commission to authorize a utility to enter into a multi-year  
3           purchase agreement for renewable energy certificates and/or energy from renewable  
4           energy sources if it finds the agreement in the public interest. To determine whether an  
5           agreement is in the public interest, RSA 369-F:9, II requires that the Commission must  
6           find that the agreement is substantially consistent with the following factors:

7           “(a) The efficient and cost-effective realization of the purposes and goals of this  
8               chapter;

9           (b) The restructuring policy principles of RSA 374-F:3;

10          (c) The extent to which such multi-year procurements are likely to create a  
11             reasonable mix of resources, in combination with the company's overall  
12             energy and capacity portfolio, in light of the energy policy set forth in RSA  
13             378:37 and either the distribution company's integrated least cost resource  
14             plan pursuant to RSA 378:37-41, if applicable, or a portfolio management  
15             strategy for default service procurement that balances potential benefits  
16             and risks to default service customers;

17          (d) The extent to which such procurement is conducted in a manner that is  
18             administratively efficient and promotes market-driven competitive  
19             innovations and solutions; and

20          (e) Economic development and environmental benefits for New Hampshire.”

21     **Q.     Do these agreements meet the standards listed above?**

22     A.     Yes, they do. The first standard requires that the agreement meet the purposes and goals  
23           of the chapter in an efficient and cost-effective manner. The goals of the chapter are to  
24           promote renewable energy production in New Hampshire. The agreements will certainly  
25           do that, since they will not only allow the project to continue to operate, but will also  
26           encourage modifications to each project to allow them to qualify for NH RECs.  
27           Moreover, the pricing of energy is less than forward market prices that existed at the time  
28           the agreements were signed, and the Class III RECs are being obtained at a discount to  
29           the legislatively determined default price.

30           The second standard requires that the agreements be consistent with the restructuring  
31           policy principles of RSA 374-F:3. Nothing in the agreements is in conflict with any of  
32           the policy principles contained in that statute.

1 The third standard requires that the agreements create a reasonable mix of resources in  
2 light of the state's energy policy in RSA 378:37 and the utility's integrated least cost  
3 resource plan. The agreements will provide PSNH with renewable energy and assist  
4 PSNH in meeting the requirements of the Renewable Portfolio Standard (RSA 362-F).  
5 PSNH's Integrated Least Cost Resource Plan filed on September 30, 2007, PSNH  
6 discusses the need to enter into intermediate-term contracts with renewable facilities that  
7 produce RECs.

8 The fourth standard discusses the need for procurement of power to be administratively  
9 efficient and promoting market-driven competitive solutions. With the approval of these  
10 contracts, PSNH will obtain 35 MW of renewable power representing approximately  
11 75% of PSNH's Class III requirement during 2008 – 2010. The contracts will form a  
12 model for future negotiations, thus providing for administrative efficiency. Moreover,  
13 since the contracts have been negotiated with market participants, they are market-driven  
14 competitive solutions to PSNH's need for renewable energy.

15 The fifth standard requires that the agreements provide economic development and  
16 environmental benefits for New Hampshire. The contracts ensure that the facilities will  
17 continue to operate in their communities and will invest in capital additions to reduce  
18 nitrogen oxide (NOx) and particulate emission rates. The renewable energy generated by  
19 the facilities will reduce PSNH's reliance on fossil-fuel-based market purchases.

20 **Q. Do you believe these agreements are beneficial for PSNH's customers and will meet**  
21 **the requirements of the New Hampshire RPS program?**

22 A. Yes. We believe the agreements provide energy and capacity for our customers at prices  
23 that are below market and help fix our future cost of purchased power. These agreements  
24 also promote the upgrade of existing biomass projects in New Hampshire as part of the  
25 NH RPS program and help PSNH meet its RPS requirements.

26 **Q. What action are you requesting from the Commission?**

27 A. We are requesting that the Commission find that the agreements are in the public interest,  
28 as required under RSA 362-F:9.



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

2    **A.**     Yes, it does.