



**Public Service
of New Hampshire**



DE09-007

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The Northeast Utilities System

Robert A. Bersak
Assistant Secretary and
Assistant General Counsel

April 8, 2009

Honorable David Bertrand
Mayor of the City of Berlin
City Hall, Main Street
Berlin, New Hampshire 03570

Re: *Biomass Facilities in Berlin, NH*

Dear Mayor Bertrand:

PSNH President Gary Long has asked me to respond to your letter of March 18, 2009. In that letter, you raise questions regarding PSNH's business relationships with two potential biomass facilities proposed to be constructed in your city.

First, it is important to note that neither PSNH, nor any other electric distribution utility in New Hampshire, is required to agree to a long term power contract with any electric generator or supplier. Following the implementation of the state's electric restructuring law a few years ago, PSNH operates an "open access" retail electric system where any retail customer is free to choose their own electric supplier. PSNH's role is to provide "default energy service" for those retail customers of PSNH who do not choose their own supplier.

Consequently, PSNH's need for purchasing power from others is limited. PSNH is cautious about making any voluntary long term agreements and considers many factors. As a general policy and business practice, PSNH does not publicly discuss such private discussions with other parties involving competitive and commercially sensitive information. If a long term business arrangement is made between a wholesale power supplier and PSNH, that arrangement is typically subject to review and approval by the state's Public Utilities Commission ("PUC"), subject to confidentiality protections afforded by RSA 91-A:5.

Under federal law, PSNH is required to purchase power from certain small power producers at rates established by the PUC. PSNH does purchase power in this manner

from a number of such producers. The biomass generation developers in Berlin are aware of this possibility, but have chosen not to pursue this option.

Energy suppliers (including the proposed Berlin biomass generation facilities) have many options for marketing their power including: 1) as stated above, if their project qualifies they can require PSNH to purchase their output under rates established by the PUC; 2) they can sell their output directly to the New England wholesale market; 3) they can negotiate a bilateral purchase and sales agreement with any one of hundreds of New England wholesale market participants, including electric utilities, municipal electric departments, and cooperatives throughout New England; or, 4) they could sell their output outside New England if they acquire necessary transmission services.

Your letter specifically inquires about PSNH's decisions related to the proposed Clean Power Development ("CPD") facility. Yesterday, CPD filed a formal complaint against PSNH with the state PUC. In light of that legal filing, PSNH respectfully refrains from addressing specifics regarding CPD.

I hope you and the City Council find this background informative as to PSNH's obligations and CPD's opportunities in the New England wholesale electric marketplace.

Sincerely,



Robert A. Bersak
Assistant Secretary and
Assistant General Counsel

cc: Governor John Lynch
Chairman Thomas Getz, NHPUC ✓
Coos County Commissioners
Berlin City Council