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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

November 18, 2010 - 10:08 a.m.
Concord, New Hampshire

NHPUC DEC02'10 AM 8:47

RE: DE 10-261
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:
2010 Least Cost Integrated Resource Plan.
(Prehearing conference)

NHPUC DEC02'10 AM 8:47

PRESENT: Commissioner Amy L. Ignatius, Presiding

Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service Co. of New Hampshire:
Gerald M. Eaton, Esq.

Reptg. Conservation Law Foundation:
N. Jonathan Peress, Esq.
Melissa Hoffer, Esq.

Reptg. TransCanada:
Douglas L. Patch, Esq. (Orr & Reno)

Reptg. Granite Ridge Energy:
Maureen D. Smith, Esq. (Orr & Reno)
Office of Consumer Advocate

Reptg. N.H. Sierra Club:
Arthur B. Cunningham, Esq.

Reptg. New England Power Generators Assn.:
Sandi Hennequin

Court Reporter: Steven E. Patnaude, LCR No. 52

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APPEARANCES: (C o n t i n u e d)

Reptg. Office of Energy & Planning:
Eric Steltzer

Reptg. Residential Ratepayers:
Meredith Hatfield, Esq., Consumer Advocate
Kenneth E. Traum, Asst. Consumer Advocate
Stephen Eckberg
Office of Consumer Advocate

Reptg. PUC Staff:
Alexander Speidel, Esq.
Edward N. Damon, Esq.
George McCluskey, Electric Division

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P R O C E E D I N G

1
2 CMSR. IGNATIUS: Let's open the hearing
3 in DE 10-261. This is Public Service Company of New
4 Hampshire's 2010 Least Cost Integrated Resource Plan. On
5 September 30th, 2010, Public Service of New Hampshire
6 filed its 2010 Least Cost Integrated Resource Plan
7 pursuant to RSA 378:37 and Commission Order Number 24,945
8 and Order Number 25,061.

9 In the filing, PSNH addressed eight
10 areas that are identified in RSA 378:38, as well as a
11 continuing unit operation study for PSNH's Newington
12 Station pursuant to Commission Order 25,061. All of these
13 are spelled out in the Commission's November 3rd order of
14 notice, and all are available on the Commission's website
15 in their entirety.

16 So, with that, let's take appearances
17 please.

18 MR. EATON: For Public Service Company
19 of New Hampshire, my name is Gerald M. Eaton. And, Madam
20 Commissioner, we filed with the Commission today a fax
21 copy of the affidavit of publication. We have not
22 received the original with the tear sheet, the actual
23 publication, yet from the Union Leader. But we'll forward
24 that to the Commission as soon as we get it.

1 CMSR. IGNATIUS: Thank you.

2 MR. PERESS: Good morning, madam Chair.
3 Jonathan Peress, Conservation Law Foundation, and with me
4 in this docket is Melissa Hoffer from the Conservation Law
5 Foundation as well.

6 CMSR. IGNATIUS: Good morning.

7 MR. PATCH: Good morning, Commissioner.
8 Doug Patch, from the law firm of Orr & Reno, on behalf of
9 TransCanada.

10 And, if I could just briefly make a
11 statement. Mr. Rodier sent me an e-mail this morning,
12 asked me to convey to the Commission that he can't make it
13 to the prehearing conference, said "would you kindly
14 mention to the Commission that I have other commitments,
15 but do intend to participate in this proceeding, if
16 allowed."

17 CMSR. IGNATIUS: All right. Thank you.
18 And, he's submitted on behalf of Freedom and Halifax?

19 MR. PATCH: That's correct.

20 CMSR. IGNATIUS: All right.

21 MS. SMITH: Good morning, Commissioner.
22 Maureen Smith, of Orr & Reno, representing Granite Ridge
23 Energy.

24 CMSR. IGNATIUS: Good morning.

1 MS. SMITH: Good morning.

2 MR. CUNNINGHAM: Arthur B. Cunningham,
3 on behalf of the Sierra Club, New Hampshire Sierra Club.
4 And, I have the Chapter Director, Catherine Corkery with
5 me.

6 CMSR. IGNATIUS: Good morning.

7 MR. CUNNINGHAM: And Rachel Martin, who
8 is a Senior Field Organizer for the national Sierra Club.

9 CMSR. IGNATIUS: Thank you.

10 MR. STELTZER: Good morning,
11 Commissioner. My name is Eric Steltzer, representing the
12 Office of Energy & Planning.

13 CMSR. IGNATIUS: Good morning.

14 MS. HENNEQUIN: Good morning,
15 Commissioner. My name is Sandi Hennequin. And, I'm
16 representing the New England Power Generators Association.

17 CMSR. IGNATIUS: Good morning.

18 MS. HATFIELD: Good morning. Meredith
19 Hatfield, for the Office of Consumer Advocate, on behalf
20 of residential ratepayers. And, with me for the Office
21 are Ken Traum and Steve Eckberg.

22 CMSR. IGNATIUS: Good morning.

23 MR. SPEIDEL: Good morning. Alexander
24 Speidel, for the Staff of the Commission. And, with me I

1 have Edward Damon of the Legal Division and George
2 McCluskey of the Electric Division.

3 CMSR. IGNATIUS: Good morning. Is that
4 everyone?

5 (No verbal response)

6 CMSR. IGNATIUS: Thank you. We have
7 received numerous Petitions to Intervene, and I believe
8 everybody who submitted a Petition to Intervene is present
9 here, with the exception of Mr. Rodier, and we've heard
10 that he wasn't able to come, but let me just be certain
11 here.

12 We have no other interventions
13 submitted, unless there's anything new in the record?
14 Appears not. And, we've seen no opposition to any of the
15 Petitions to Intervene. Are there any? I guess, is there
16 any opposition on the part of PSNH to any of the
17 intervention requests?

18 MR. EATON: No.

19 CMSR. IGNATIUS: All right. That being
20 said, unless there is something else from anyone else to
21 each other's request to intervene, I'll take the matter
22 under advisement and consult with the other Commissioners
23 on the intervention requests.

24 I think, then, let's turn to statements

1 of positions on the filing and hear from not only PSNH,
2 Staff, and the OCA, but all of the potential intervenors
3 as well. Mr. Eaton.

4 MR. EATON: Thank you, Madam
5 Commissioner. We have filed our Least Cost Integrated
6 Plan as required by statute and the Commission's orders.
7 Included with that is a Continued Unit Operation Study,
8 which was suggested by Staff Witness Mullen in the context
9 of the Energy Service docket, and scheduled that to be
10 filed contemporaneously with this Least Cost Plan.

11 We expect to have a thorough review by
12 the parties and the Staff, and respond to questions, and
13 work to resolve all the issues in this proceeding. Thank
14 you.

15 CMSR. IGNATIUS: Thank you. Mr. Peress.

16 MR. PERESS: Good morning, Madam
17 Commissioner. The Conservation Law Foundation submits
18 that we are at a critical juncture in New Hampshire with
19 respect to electricity delivery, and particularly with
20 respect to Public Service of New Hampshire's supply costs,
21 its environmental implications, as well as the
22 Commission's oversight. As I think many are aware, PSNH
23 has the highest Energy Services rate in New Hampshire.
24 And, in fact, they have the second highest in New England,

1 not including their sister company, CL&P, in Connecticut.
2 Indeed, their current Energy Services default rate is more
3 than 20 percent higher than National Grid's rate in New
4 Hampshire. The LCIRP discusses this issue generally, but
5 it omits some very key considerations.

6 PSNH is unique in its reliance on a
7 fleet of old, inefficient, obsolete and expensive
8 coal-fired generating units. The LCIRP, as written, would
9 have the readers believe that this is a positive attribute
10 for PSNH's energy supplies. But, notably, in the LCIRP,
11 omitted are the heat rates and the efficiency of those
12 units. The PSNH units that it relies upon to supply
13 energy to its customers have comparatively high heat
14 rates, and among the highest heat rates of any fleet in
15 New Hampshire. This is a result specifically of their
16 reliance on old, obsolete coal-fired units. And, the
17 result of that in the market has been extensive migration,
18 which is being looked at in Docket 10-160. Nearly all, at
19 least two-thirds of PSNH's commercial and industrial
20 customers have migrated to competitive suppliers, and
21 there's no clear end in sight to that migration.

22 In their Energy Service rate filing for
23 2011, they demonstrate that their market rates are -- that
24 their energy supply rates are increasingly above market

1 and only getting worse. And, PSNH's elegant solution to
2 that problem is to alter the intricate regulatory and
3 statutory scheme that this Commission and the Legislature
4 has put together, by removing supply costs from the Energy
5 Services rate and including those in a non-bypassable rate
6 for all of their customers.

7 Why did they propose to do this?

8 Because I think, frankly, PSNH's Energy Service rate is in
9 the midst of a death spiral. They've got a decreasing
10 customer base. They have got increasing costs. That
11 decreasing customer base is more and more required to
12 cover the costs of those increased costs. As you know,
13 those increased costs will entail during the planning
14 period for this LCIRP over \$400 million amortized in
15 emission control costs for the Scrubber Project at
16 Merrimack Station. The LCIRP neglects to mention the
17 possibility that they might be required to install cooling
18 towers at prices upwards of \$100 million. Those costs
19 would also go into the energy supply default rate.

20 The LCIRP neglects to mention that the
21 Utility Air Toxics Rule under the Clean Air Act is
22 required to address more than mercury, and it will impose
23 requirements, not only on Merrimack Station, but also on
24 Schiller, and also on Newington. Because it's likely to

1 regulate both hydrogen chloride emissions and hydrogen
2 fluoride emissions, as well as nickel emissions from those
3 facilities, adding costs to the energy supply default
4 rate.

5 They neglect to mention that EPA is in
6 the midst of how coal ash ought to be treated from a
7 regulatory standpoint. It neglects to mention that
8 National Ambient Air Quality Standards have been
9 tightened, and that several PSNH units are contributing to
10 exceedances, that is violations of new National Ambient
11 Air Quality Standards. It neglects to mention that, as
12 part of the new National Ambient Air Quality Standard for
13 ozone, PSNH will -- I'm sorry, EPA will be required to
14 redo its Air Transport Rule, and it will likely require
15 additional reductions for NOx emissions from PSNH's fleet.

16 It neglects to mention the boiler MACT,
17 the boiler MACT, that is an Air Toxics Standard, for
18 Schiller Unit 5, for which additional costs will be
19 required.

20 It neglects to mention that
21 Massachusetts Department of Energy resources has recently
22 proposed, during the LCIRP planning period, to disallow
23 Renewable Energy Credits, that is the qualification of
24 Schiller Unit 5, the wood-fired unit, for Renewable Energy

1 Credits, which will add additional costs to ratepayers.

2 It neglected to mention the multitude of
3 reports that have recently been released, suggesting that
4 coal-fired units, such as those at Schiller and Merrimack,
5 are not viable during the five year Least Cost Integrated
6 Resource Plan period. It neglected to mention an ongoing
7 EPA investigation relating to compliance of those units
8 with the Clean Air Act regulations. It neglected to
9 mention the failure of Schiller Unit 5, that is the
10 wood-fired unit, the failure of that unit with the
11 Compliance Stack Test, a five year Compliance Stack Test
12 that occurred in 2009, which is currently being
13 investigated and the implications of that. Each of those
14 items, as well as many more, represent additional,
15 potential or actual costs, and, in addition, most of these
16 issues are germane directly to the statutory review
17 factors in 378:37, including the assessment of supply
18 options, the environmental, energy, price impacts, and
19 compliance with the Clean Air Act.

20 As we discussed in our Petition to
21 Intervene, CLF's interests in the environmental impacts of
22 PSNH's supply -- supply options are directly at risk,
23 based on PSNH's planning and its supply -- its supply
24 determinations during the LCIRP period. We intend to put

1 on substantial expert testimony regarding the adequacy of
2 PSNH's planning over the LCIRP planning period, and the
3 implications of the plan, as submitted, with reference to
4 the statutory factors in 378:38.

5 In addition, this, of course, also
6 includes the demand-side and the extent to which the LCIRP
7 and PSNH's planning adequately address supply
8 opportunities that can be provided by demand response --
9 or, by demand resources, and further investment in energy
10 efficiency deployment.

11 Lastly, the question of whether
12 additional analysis related to the prudence of continuing
13 to operate the various units, other than Newington, is
14 something that needs to be addressed in this docket,
15 pursuant to Order 24,945, in DE 07-108.

16 If you have any questions, we will be
17 pleased to answer them, Madam Commissioner.

18 CMSR. IGNATIUS: Thank you. Mr. Patch.

19 MR. PATCH: Thank you. TransCanada does
20 not have a substantive preliminary position in this
21 docket. It's something that we will develop we believe
22 over the course of the docket. We did want to point out,
23 however, that TransCanada recognizes the importance of
24 this docket, which is underscored by the provision in the

1 law, RSA 378:41, that says "Any proceeding before the
2 Commission initiated by a utility shall include within the
3 context of the hearing and decision reference to
4 conformity of the decision with the Least Cost Integrated
5 Resource Plan most recently filed and found adequate by
6 the Commission." That's become crystal clear in some of
7 the other dockets of importance to TransCanada, and I
8 refer to 09-180, the Energy Service docket last year.

9 We also believe there's significant
10 overlap with some of the issues here and some of the other
11 dockets, like the migration docket and reconciliation
12 dockets. And, so, we think this is a very important
13 docket, but TransCanada does not have a preliminary
14 position, other than it thinks these issues, obviously,
15 need to be investigated thoroughly.

16 CMSR. IGNATIUS: Thank you. Ms. Smith.

17 MS. SMITH: Good morning. Maureen Smith
18 for Granite Ridge Energy. Granite Ridge does not have a
19 substantive position to take on this docket. However, as
20 Attorney Patch just stated, Granite Ridge does recognize
21 the importance of this docket, because it will inform PUC
22 decisions on a variety matters going forward, and provide
23 a road map --

24 (Court reporter interruption.)

1 MS. SMITH: -- it will provide a road
2 map for future sources of energy supply. As the owner and
3 operator of a 720-megawatt gas-fired power plant in
4 Londonderry, New Hampshire, Granite Ridge is particularly
5 interested in issues to be explored on natural gas
6 supplies, pricing, reliability, and other factors going
7 forward. And, it's in a unique position to test the
8 forecasts and assumptions that have been made in the plan
9 on those issues.

10 And, so, it looks forward to
11 participating in this very important docket and to offer
12 to the PUC some very important information on natural gas
13 supply and pricing going forward. Thank you.

14 CMSR. IGNATIUS: Thank you.
15 Mr. Cunningham.

16 MR. CUNNINGHAM: Madam Chair, on behalf
17 of New Hampshire Sierra Club, Arthur Cunningham. The
18 pending Air Toxic MACT that's due by court order on
19 January 11th, 2011 -- or, January 16th, 2011, is going to
20 create -- it's going to be a game-changer for PSNH.
21 They're going to have to deal with toxics, air toxics,
22 including mercury.

23 Another particular problem that PSNH has
24 that's going to be significantly expensive for them is

1 their problem with NOx. The MK2 boiler has an extremely
2 high heat rate, extremely high heat exit rate. And, its
3 uncontrolled NOx emissions are 2.66 pounds per million
4 Btus. They have been operating -- PSNH has been operating
5 since 1998 under a NOx RACT order that requires a
6 reduction in NOx to 0.37 pounds per million Btus.

7 What's going to happen, in terms of the
8 Regional Haze Rule and what's going to happen in terms of
9 the Attainment/Nonattainment Designation Rules, is that
10 that NOx RACT order is going to have to be increased. In
11 other words, the emission limits are going to have to be
12 significantly more stringent to deal with NOx emissions.

13 For example, we've done a 91-A on the
14 Regional Haze Rule and discovered that PSNH predicts that,
15 to reduce that NOx emission rate from 0.37 million pounds
16 per -- 3.7 -- 0.37 pounds per million Btus will cost them
17 between three and \$10,000 a ton to reduce to a 0.34 NOx
18 RACT order. This creates a problem for them in Regional
19 Haze. The Regional Haze presumptive rate for NOx
20 emissions is 0.1 pounds per million Btus. So, the
21 existing RACT order is four times as high as the existing
22 NOx RACT order.

23 It's going to become even more
24 problematical when DES goes through the

1 Attainment/Nonattainment redesignation. I'm sure the
2 Commissioners are aware that a large part of southern New
3 Hampshire is a nonattainment, is a nonattainment for
4 ozone. Well, NOx, of course, and VOCs are central
5 components of ozone. So, and the EPA is under orders or
6 past their deadline on redesignation, compliance with the
7 NOx, in southern New Hampshire in the nonattainment area.
8 So, that's also going to drive down the NOx RACT order.
9 It's going to be significantly more stringent.

10 The point here is, is that, given that
11 extremely high cost for PSNH to deal with their NOx
12 problem, that's going to impact rates. And, that's going
13 to impact rates significantly. And, we wish to address
14 those issues. Ozone, as the Commission is quite aware,
15 I'm sure, is a dangerous health hazard, to asthmatics, to
16 people with respiratory diseases and infections, it causes
17 premature death for people with hard disease and lung
18 disease.

19 So, as these standards develop, the
20 costs for PSNH to deal with their NOx problem is going to
21 be -- create a significant and substantial impact on
22 rates.

23 CMSR. IGNATIUS: Thank you.

24 Mr. Steltzer.

1 MR. STELTZER: Yes. Good morning. At
2 this time, the Office of Energy & Planning takes no
3 position on this docket. However, we do recognize the
4 immense importance that this docket has on New Hampshire's
5 environment, the reliability of electricity to the grid,
6 as well as the cost to the ratepayers. And, that's why
7 we're here today.

8 We look forward to being an active
9 participant in the docket as it proceeds forward. Thank
10 you.

11 CMSR. IGNATIUS: Thank you.
12 Ms. Hennequin.

13 MS. HENNEQUIN: Thank you. NEPGA is the
14 largest trade association in New England, and we represent
15 electric generating competitive companies. And, here, in
16 New Hampshire, we have five member companies, we represent
17 about 2,600 megawatts, which is about two-thirds of all
18 the generating capacity in the state.

19 Similar to TransCanada and Granite
20 Ridge, we don't have a substantive position at this point.
21 However, we do view this as a significant docket that we
22 believe would be very important for us to be a part of.
23 And, I wanted to make just three very quick points to this
24 effect.

1 First, on the macro level, as others
2 have pointed out, there's many discussions that are going
3 on right now before this Commission on the future of the
4 electric industry and what it's going to look like in this
5 state, 160, 195. We think that this is an important
6 component of that discussion. NEPGA is involved and an
7 active participant in these other documents, and we would
8 desire to be an active participant in this docket as well.

9 On a more specific level, the Least Cost
10 IRP really is a road map of how PSNH will procure their
11 capacity, their energy, their RECs to serve their default
12 Energy Service customers. And, for our members, as
13 providers of these products, obviously, any of the
14 assumptions, many of the forecasts and the validity of
15 these, obviously, have an impact on our members.

16 And, finally, the last piece that we
17 have a great interest in this docket is the continued unit
18 operation study for Newington Energy. In the Least Cost,
19 one of the points that was made was a benefit of this --
20 of this unit is to provide "capacity suppression
21 benefits". I think, as an active -- an active Forward
22 Capacity Market participant, all of our members, this is
23 something that would have an impact on each of our members
24 and would be something that we would find of interest as

1 well to be involved in in this discussion.

2 So, again, I thank you for our
3 consideration, and open to any questions.

4 CMSR. IGNATIUS: Who are the five
5 companies in New Hampshire that are members?

6 MS. HENNEQUIN: Sure. The five
7 companies are Brookfield Renewable Power, they own several
8 hydro facilities in this state; also GDF Suez, that owns
9 two biomass facilities; also NextEra, Seabrook Station,
10 out on the Seacoast; then the other Newington Energy, NAEA
11 Newington Energy; and, finally, Granite Ridge Energy, in
12 Londonderry.

13 CMSR. IGNATIUS: Thank you. Ms.
14 Hatfield.

15 MS. HENNEQUIN: Yes.

16 CMSR. IGNATIUS: Yes, I'm sorry?

17 MS. HENNEQUIN: Oh, I thought you had
18 another question. Sorry.

19 CMSR. IGNATIUS: No.

20 MS. HATFIELD: Thank you. The OCA does
21 not have a position on this docket at this time. We
22 intend to engage in discovery to explore many of the
23 issues that have been raised by the other parties,
24 including the potential cost of additional environmental

1 requirements on PSNH's fleet, and also issues related to
2 demand-side resources. Thank you.

3 CMSR. IGNATIUS: Mr. Speidel.

4 MR. SPEIDEL: Good morning. Staff would
5 like to indicate to the Commission that it will carefully
6 assess the Company's IRP processes, in light of the
7 statutory requirements and Commission Order Number 24,945.
8 Special attention will be given to the Company's
9 assessment of demand-side management resources, the
10 determination of the optimal mix of demand-side resources
11 in the resource portfolio, and the continuing unit
12 operating study for Newington Station, among other
13 matters. Thank you.

14 CMSR. IGNATIUS: Thank you. Is there
15 anything further on positions? Obviously, Mr. Rodier's
16 clients may have other issues as well, but some of those
17 are laid out in the Petition for Intervention.

18 (No verbal response)

19 CMSR. IGNATIUS: If not, I think, is
20 there a plan to work on a procedural schedule after this?
21 I see nodding. Good. I think one thing that will be
22 important in this case, as a number of you have pointed
23 out, is there are other dockets that pick up some aspects
24 of this or that interrelate with this. And, finding the

1 scope of this docket that doesn't duplicate what's going
2 on in other dockets or try to swallow up what's going on
3 in other dockets would be important. So, to the extent
4 any of you as a group want to think about that and address
5 that in a proposal, that would be fine. If not, I suspect
6 the Commissioners will do so. We are not a substitute for
7 proceedings at the Environmental Services Department of
8 the state, and we don't want to be caught in a position in
9 which we are both trying the same issues or taking other
10 things that are related to what we do, but are not
11 directly under our jurisdiction. So, there are
12 significant environmental issues for this docket, but we
13 have to not end up, in effect, trying those cases in this
14 proceeding at the same time.

15 Same thing with the migration docket,
16 you know, we've got to find a way that we not duplicate
17 efforts, and all of them relate to each other, but we've
18 got to find an efficient way to keep moving and not let
19 any of them bog down.

20 So, that's a large challenge, I know.
21 But, to the extent any of you have views on that, have
22 thoughts on how to help keep clarity on the planning
23 process functions of the Long Range Integrated Resource
24 Plan -- excuse me, Least Cost Integrated Resource Plan,

1 that would be helpful.

2 Unless there is anything else, I will
3 take the intervention requests under advisement and await
4 a procedural schedule and a report from your meeting.
5 Appreciate you being here this morning. Thank you.

6 (Whereupon the prehearing conference
7 ended at 10:33 a.m., and a technical
8 session was held thereafter.)

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