STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

ORIGINAL
N.H.P.U.C. Case No. DE 15-068
Exhibit No. #1
Witness August G Fromuth
DO NOT REMOVE FROM FILE

PETITION FOR AUTHORIZATION PURSUANT TO RSA 362-A:2-A, II FOR A PURCHASE OF LEEPA OUTPUT BY THE PRIVATE SECTOR

DE 15-068

TESTIMONY AND EXHIBITS OF AUGUST G. FROMUTH

August G. "Gus" Fromuth is the Managing Director of Freedom Logistics, LLC d/b/a Freedom Logistics (FEL). FEL is a licensed broker in a number of New England states, including New Hampshire. Its main focus has been the management of load asset accounts of large customers in New England that participate directly in the ISO-NE wholesale market ("MPEU's"), and retail electricity/natural gas portfolio management.

Mr. Fromuth is formerly Vice Chairman of the NEPOOL Participants Committee and Chair of the End User Sector. The End User Sector is comprised of companies and institutions purchasing electricity directly from the wholesale market, consumer advocates, public interest organizations, and government entities.

Mr. Fromuth served for seven years in Washington in the Reagan Administration's Commerce Department as a Deputy Assistant Secretary. Mr. Fromuth was educated at George Washington University (BA) and Johns Hopkins School of Advanced International Studies.

I. Introduction

The purpose of this Testimony and accompanying Exhibits is to support the petition filed on February 17, 2015 by Freedom Logistics, LLC d/b/a Freedom Energy Logistics (FEL). FEL proposes to purchase a portion of the output of the Fiske Hydro Project which is owned and operated by Fiske Hydro, Inc. In particular, FEL's petition requested Commission authorization for the purchase by a private sector retail customer of electrical output generated by a limited electrical energy producer, pursuant to RSA362-A:2-A, II, a section of the Limited Electrical Energy Producers Act (LEEPA).

In 1978, the New Hampshire General Court enacted the Limited Electrical Energy

Producers Act (LEEPA), codified at RSA chapter 362-A, to encourage "small scale and diversified sources of supplemental electrical power to lessen the state's dependence upon other sources which may, from time to time, be uncertain." RSA 362-A:1. In 1979, the legislature added RSA 362-A:2-a to LEEPA to further that same objective. RSA 362-A:2-a allows a facility that produces not more than 5 megawatts of power by means of renewable resources or cogeneration to sell power directly to not more than 3 end users.

In 1995, the Commission issued a declaratory ruling that RSA 362-A:2-a is a valid exercise of state police powers which is not preempted by federal law. The declaratory ruling addresses only the constitutionality of RSA 362-A:2-a, and does not authorize any particular proposed arrangement for retail wheeling. Re Cabletron Systems, Inc., DR 95-095, Order No. 21,850, 80 NH PUC 620, (October 3, 1995).

It has been 36 years since the legislature enacted RSA 362-A:2-a, and 20 years since the Commission issued its Order that RSA 362-A:2-a is a valid exercise of state police powers which is not preempted by Federal law. No LEEPA facility during this extended period has been willing to litigate to determine the manner in which RSA 362-A:2-a is to be implemented.

II. Summary of Applicable Law

Under RSA 362-A:2-a, a facility that produces not more than 5 megawatts of power by means of renewable resources or cogeneration may sell power directly to not more than 3 end users, pursuant to agreements for the retail sale to the purchaser and for the wheeling of power by the franchised electrical public utility that are approved by the Commission as consistent with specific statutory criteria. Under LEEPA, the Commission retains the right to order the wheeling of power by the utility to the end users and to set the price and other terms for a wheeling agreement as it deems necessary, consistent with these specific criteria.

Accordingly, for the purposes of this proceeding, counsel has advised me that LEEPA can be summarized in laymen's terms in the following manner:

1. A LEEPA facility is authorized to sell to no more than three (3) purchasers (other than the "franchise electric utility.")

2. The Commission shall review and approve all contracts for the sale of electricity between the LEEPA facility and the purchaser.

3. The utility in the transmission area shall transmit and deliver electrical energy from the LEEPA facility to the purchaser's facility. The LEEPA facility shall compensate the utility for all costs incurred in transmitting and delivering the electricity to the purchaser.

4. The Commission must approve all agreements for the transmission and delivery of the electricity, and retains the right to order such transmission and delivery and to set such terms including price that it deems necessary.

III. Summary Description of FEL and Fiske

FEL is a Rate G delivery customer of Public Service Company of New Hampshire with a service location at 5 Dartmouth Drive, Suite 301, Auburn, New Hampshire 03032. *See* Attachment 1, FEL Bill from PSNH. As noted above, FEL has entered into an agreementwith Fiske Hydro, Inc., a limited electrical energy producer under LEEPA, to purchase a portion of the Fiske Hydro Project's output pursuant to RSA 362-A:2-a.

The Fiske Hydro Project is located at 15 Main Street in Hinsdale, New Hampshire. The Fiske Hydro is interconnected to PSNH's local distribution system. (The Fiske Hydro is licensed by FERC to operate 810 KW of generation at the site). The Fiske Hydro Project is both a Limited Electrical Energy Producer ("LEEPA") and a Qualifying Facility ("QF").

The Commission certified the Fiske Hydro Project as a Class IV renewable energy source on November 30, 2012. *See* Attachment 2, NHPUC Letter of Certification**.** In early 2014, the Fiske Hydro Project was awarded a $225,000 grant by the Commission to increase its generating capacity to 535 Kw. Presently, the Fiske Hydro Project anticipates that it will complete this work during 2015. At that time, Fiske Hydro Project anticipates that it will convert its New Hampshire Class IV certification to a New Hampshire Class I certification.

Fiske Hydro Project's ISO-New England asset identification number is MSS #15201. Fiske Hydro's generator voltage is 480 V and is stepped up to 34.5 KV by the transformer located near 15 Main Street at Hinsdale, New Hampshire. That power is delivered to PSNH's 34.5 KV distribution line that runs along Main Street in Hinsdale, New Hampshire. A copy of PSNH's Interconnection Report for Fisk Hydro is available in the Commission's file. *See* DE 12-309.

Fiske Hydro, Inc. presently sells the entire output of the Fiske Hydro Project to PSNH d/b/a Eversource Energy (Eversource) at its Short Term Avoided Cost Rates. *See* Attachment 2. Fiske Hydro Invoice to PSNH. Fiske Hydro does not pay any wheeling or transmission costs to Eversource in connection with such power sales to Eversource. Eversource, in turn, transmits

the output of the Fiske Hydro Project for resale by Eversource to ISO-NE.

The Fiske Hydro Project produces about 100,000 kWh per month. FEL consumes approximately 2500 Kwh per month with a peak demand of approximately 13 kW.

IV. Summary of Terms for Purchase and Sale of Electricity

FEL has agreed to purchase two (2) per cent (%) of the electrical output (Kwh) of Fiske Hydro.

FEL will pay the Fiske Hydro a price equal to 150% of Eversource's Short Term ,Avoided Cost Rate for each kWh delivered to FEL's meter. Eversource would deduct the kWh sold by Fiske Hydro to FEL and delivered to FEL's meter from the kWh total usage recorded on FEL's meter, and would render monthly bills to FEL based upon total usage net of the kWh purchased by FEL from Fiske Hydro.

V. Summary of Terms for Delivery of Electricity by PSNH to FEL

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. In this regard, it should be noted that 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. This appears to be a highly appropriate arrangement because Fiske Hydro, in return, is not 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[1] which estimated the savings from solar PV to be *at least 20 cents per kWh* as shown below:

Figure 3. Levelized Value Stack (20 years) for Customer-sited Solar Contract - CMP

Value Component	CMP 20 Year LCOE ($/kWh)
Avoided Energy Cost	$0.078
Avoided Generation Capacity Cost	$0.039
Avoided Residential Generation Capacity Cost	$0.005
Solar Integration Cost	-$0.004
Avoided Trans. Capacity Cost	$0.016
Market Price Response	$0.069
Total	**$0.20**

V. Request for Findings and Rulings

FEL requests that the Commission issue an Order making the following findings and rulings:

1. Authorize the Purchase and Sale Agreement between FEL and Fiske Hydro in accordance with the terms and conditions shown on Attachment 3 hereto.

2. Order Eversource to deduct the kWh sold by Fiske Hydro to FEL and delivered to FEL's meter from the total usage (kWh) recorded on FEL's meter, and render monthly bills to FEL based upon total usage net of the kWh purchased by FEL from Fiske Hydro.

3. Order Eversource to transmit and deliver the Fiske Hydro electrical output to FEL's s meter at no cost to FEL or Fiske Hydro.

[End]

[1] http://www.maine.gov/meopa/news/Maine%20VOS%20White%20Paper%20V2%202.pdf