

CONTOOCOOK HYDRO, LLC**113 Bartlett Road****Plainfield, Vermont 05667****(802) 454-8458 (Cell)****lori@communityhydro.biz**

March 20, 2015

Via E-Mail and U.S. Mail

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

Re: DE 12-278, Hopkinton Hydro Class I REC Application
Request for Further Information

Dear Ms. Howland:

Thank you for your letters dated February 4, and March 9, 2015. In response, Contoocook Hydro, LLC ("Contoocook" or the "Applicant") hereby submits the following information pertaining to its Application for Class I certification for a portion of the generation from its Hopkinton Hydro Project (the "Project" or the "Facility"):

- A list of claimed eligible improvements that excludes:
 - (i) Items that are not capital investments;
 - (ii) Items that were installed, replaced, or implemented for a primary reason other than increasing electric generating output; and
 - (iii) Items that have little or no effect on increasing electric generation output from the Facility;
- For the listed improvements taken as a whole, a good faith estimate of the total aggregate increase in electricity production attributable to the improvements, expressed either in KWh or on a percentage basis, above the historical generation baseline; and
- For the listed improvements, if possible, a good faith estimate of the increase in electricity production attributable to such improvement, expressed either in KWh or on a percentage basis, above the historical generation baseline.

Before we respond to these requests, the Applicant believes that the Commission should be aware of the following.

On the Staff's preliminary assessment that fifteen of the capital expenditures¹ may not be such, the Applicant references the accounting standard for the capitalization of expenditures is as follows:

“Plant and equipment, consisting principally of a power generating facility, is stated at cost less accumulated depreciation. **Renewals and betterments that increase the useful lives of the assets are capitalized.** Repair and maintenance expenditures are expensed as incurred.”^{2 3}

In nearly every instance, the Applicant removed an item that was the original item and was 24 years or older. It then replaced that item with an equivalent or better item with a useful life ranging from 10 to 100 years.⁴ Seven of the fifteen items are explicitly listed as new items.⁵ The Applicant believes that in nearly every case it met the capital expenditures definition as defined in standard accounting practices as well as the standard of the New Hampshire RPS statute.

On the issue of whether these capital expenditures are or are not efficiency improvements, the Applicant believes that, in nearly every instance, they are. Several of the remaining items are replacements for items that were failing or had previously failed.⁶ Since there are numerous pieces of equipment that could fail and shut the plant down, adequate spare parts on site are essential to achieve maximum electric production. Waiting even one day for a part to be delivered could cost as much as 5 MWh of generation. The same thing can be said for installing and maintaining equipment to prevent catastrophic failure. A few items fall into this category.⁷

Efficiency improvements raise plant availability by reducing downtime, and increasing the Facility's output and raising its capacity factor. This is reflected in the production records, which clearly show the Facility produces more power and operates far better with these capital expenditures than without them.

In similar filings with the Rhode Island and Maine Public Utilities Commissions, nearly all of the 70 items presented herein were deemed to be capital expenditures that improved

¹ These items have been highlighted in yellow throughout this document and the enclosures.

² This quote is from a filing of Covanta West Enfield in the Docket No. 4370 of the Rhode Island Public Utilities Commission. The actual quote is from the audited financial statement of Indeck Maine Energy, L.L.C. Copies of these audited financial statements are available upon request by either the Commission or Staff.

³ Similar wording may be found on page 11 of the audited 2013 financial statements of New England Power Company. <http://investors.nationalgrid.com/~media/Files/N/National-Grid-IR/reports/ngy/ngy13-nep03312013withopinionfinal.pdf>

⁴ One item had a useful life of less than 1 year while 4 items had useful lives of 4 to 5 years. Except for the one item with a useful life of less than one year, all of these expenditures were deemed to be capital expenditures.

⁵ These items are numbered in this document as 2008-6, 2008-14, 2009-3, 2009-13, 2010-3, 2010-7 and 2011-4.

There are two items that are as new items that are not included in this list. They are numbered 2009-9 and 2009-17.

⁶ These items are numbered 2008-4 and 2009-16.

⁷ These items are numbered 2008-17, 2009-7, 2009-13, 2010-7 and 2011-8.

efficiency.^{8 9} Nevertheless, the Applicant withdraws from consideration 6 of the 70 items as capital expenditures that improved efficiency.¹⁰

In response to the Commission's request, we submit 64 items as capital expenditures that improved efficiency.

As requested, the Applicant has provided a good faith estimate of the increase in electricity production attributable to each such improvement, expressed either in KWh¹¹ or on a percentage basis, above the historical generation baseline.

We appreciate the option of submitting a good faith estimate as it is the only alternative. Accurate data under a strict interpretation is difficult to prove unless a dam owner literally makes one individual capital expenditure then waits for three or more years to judge its results. There is no way to accurately quantify its benefit.

It would be a great loss to New Hampshire if its in-state hydro-electric projects cannot be given even partial New Hampshire Class I treatment due to a strict interpretation of the RPS statutes and regulations.

For purposes of responding to inquiries regarding this matter, persons should contact the following:

Primary Contact

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Secondary Contact

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⁸ For example, see the confidential documents that were submitted to Staff with a cover letter dated October 3, 2014.

⁹ For example, see the confidential documents that were submitted to Staff with a cover letter dated October 4, 2014.

¹⁰ These items are numbered 2008-5, 2008-18, 2009-9, 2009-17, 2011-3 and 2012-2.

¹¹ The Applicant has decided to supply this information in MWh as opposed to KWh.

Upon your review of this submission, if you have any questions or comments, please do not hesitate to contact either Lori D. Barg or myself.

Sincerely yours,

William P. Short W

enclosures

cc: Lori D. Barg (e-mail only)
Barbara Bernstein (e-mail only)
David K. Wiesner (e-mail only)
Susan W. Chamberlain (e-mail only)
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