

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: July 8, 2009

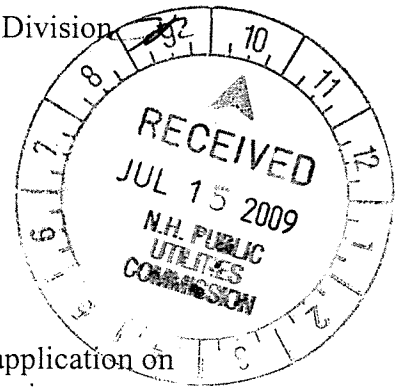
AT (OFFICE): NHPUC

FROM: Maureen L. Reno
Utility Analyst III

SUBJECT: DE 09-008, Conservation Services Group on behalf of
Indeck Energy-Alexandria, LLC Application for Class I Eligibility
Pursuant to RSA 362-F
Staff Recommendation

TO: Chairman Thomas B. Getz
Commissioner Clifton C. Below
Debra A. Howland, Executive Director and Secretary

CC: Jack K. Ruderman, Director of the Sustainable Energy Division
Suzanne Amidon, Staff Attorney



Summary

On January 26, 2009, Conservation Services Group submitted an application on behalf of Indeck Energy-Alexandria, LLC (Indeck) requesting the Commission grant conditional approval of the Indeck Alexandria biomass facility (Alexandria facility) to produce Class I renewable energy certificates (RECs) pursuant to RSA 362-F, New Hampshire's Electric Renewable Portfolio Standard law. Indeck recently recommissioned the Alexandria facility to increase the efficiency and performance of the facility. In addition to improvements to the boiler, Indeck installed a pollution control system that qualifies the facility as using eligible biomass technologies pursuant to Puc 2502.16. The resulting improvements in generation and pollution control technologies qualify the facility to be certified as a Class I renewable energy source, as defined in the N.H. Admin. Code Rule Puc 2502.07 (e).

RSA 362-F:11, III provides that the Commission may certify a biomass facility on a conditional basis, pending the receipt from the Department of Environmental Services (DES) of nitrogen oxide (NO_x) and particulate matter emissions test results. The statute includes this provision for biomass facilities based on the length of time it may take DES to file a notification letter with the Commission. On April 6, 2009, DES notified the Commission that it had extended the deadline for emissions testing under the facility's temporary air emissions permit from April 26, 2009 to July 27, 2009 and recommended

certain conditions for approval of the facility's certification. If at that time the facility meets the emissions standards pursuant to RSA 362-F, it would qualify to produce RECs in the third quarter of 2009. Moreover, as soon as DES files the emissions report with the Commission, the Commission has only 10 days to designate a facility as eligible to produce Class I RECs. Conditional approval at this time would expedite the approval process once the emissions testing results are filed with the Commission.

At this time, the Commission has not received the emissions test results from DES. Other than the test results, the Alexandria facility meets the eligibility requirements under RSA 362-F:4, I. The applicant has provided all the necessary documents to receive conditional certification as a Class I facility. Based on its review of the application, Staff recommends that the Commission conditionally certify the Alexandria facility as a Class I facility, subject to receiving emissions standard approval from DES.

Analysis

The Alexandria facility is a biomass facility that uses biomass fuels as defined in RSA 362-F:2. The Alexandria facility has a gross nameplate capacity of 16.5 megawatts and the initial commercial operation date of the recommissioned facility was January 31, 2009. The facility is located at 151 Smith River Road, Alexandria, New Hampshire. The facility's NEPOOL generation information system facility code number is MSS 14211.

In response to Staff's request, the applicant submitted a Cost Segregation Study on May 28, 2009 that was prepared by BDO Siedman showing that the total investment made to the facility, net of land improvements was \$6,970,488. The facility's resulting total federal income tax basis of plant and equipment for 2009 minus property and intangible assets is \$7,525,703. As a result, the investments made to the Alexandria facility in 2008 represent 92.6 percent of the facility's federal income tax basis. Given these investments, the applicant has demonstrated that it has completed capital investments intended to restore generation to the facility and exceeds the 80 percent federal income tax basis threshold for new plants required under RSA 362-F:4, I (j).

The Alexandria facility operates under a temporary air emissions permit (permit number TP-B-0532) issued by DES on February 4, 2008, which is valid through August 31, 2009. Currently the facility's permitted NO_x emissions rate is 0.33 pounds per million British thermal units (lbs/Mmbtu) and a permitted particulate matter emissions rate of 0.03 lbs/Mmbtu. RSA 362-F:2, VII defines eligible biomass technologies as generating technologies that use biomass fuels as their primary fuel source, provided that the generation unit has a quarterly average NO_x emission rate of less than or equal to 0.075 lbs/Mmbtu, and an average particulate matter emission rate of less than or equal to 0.02 lbs/Mmbtu as measured and verified under RSA 362-F:12. In order to meet these emissions limits, the applicant has installed a Selective Non-Catalytic Reduction System (SNCR) to achieve the lowest NO_x emission rate possible without violating the ammonia slip emission limits set by its temporary emissions permit. The backside of the SNCR will have an ammonia scrubber to clean and collect ammonia slip and reuse the ammonia

in the SNCR system. The applicant has not conducted its emissions testing for New Hampshire RPS eligibility. After the emissions test deadline was extended, DES recommended the Commission grant the facility conditional approval.

Pursuant to Puc 2505.02 (b) (8), the applicant must submit proof that it has “an approved interconnection study on file with the commission, is a party to a currently effective interconnection agreement, or is otherwise not required to undertake an interconnection study.” The applicant submitted and Staff verified an interconnection agreement titled “Standard Small Generator Interconnection Agreement” with Public Service Company of New Hampshire effective October 3, 2008.

Pursuant to Puc 2505.02 (b) (11), the applicant shall include a statement as to whether the facility has been certified under another non-federal jurisdiction’s renewable portfolio standard and proof thereof. The Alexandria facility has been certified in Maine as a Class I source.

Recommendation

Staff has reviewed the Alexandria facility application and can affirm that, aside from the emissions test results from DES, the Indeck application for the Alexandria facility was completed pursuant to Puc 2505.02 on May 28, 2009. The applicant has provided all the necessary information and documentation demonstrating that the Alexandria facility meets Class I eligibility subject to DES approval of emissions standards. Staff recommends that the Commission grant the Alexandria facility conditional approval for Class I eligibility pursuant to RSA 362-F effective May 28, 2009, the date on which Staff was able to make a determination that the facility otherwise meets the requirements for certification as a Class I renewable energy source.