

**CONTOOCCOOK HYDRO, LLC**

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NH PUC FEB 26 '15 AM 11:33

February 24, 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 letter dated February 4, 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 assessment that the vast majority of the capital improvements were not such, the Applicant references the accounting standard for the capitalization of improvements 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.”<sup>1 2</sup>

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. Accordingly, the Applicant believes that in nearly every case it met the capital improvement 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 improvements are or are not efficiency improvements, the Applicant believes that, in nearly every instance, they are. 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 improvements 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 improvements that improved efficiency.<sup>3</sup> Nevertheless, while not admitting that these items are not capital improvements or not capital improvements that improved efficiency, the Applicant withdraws from consideration 61 of the 70 items as capital improvements that improved efficiency.

In response to the Commission's request, we submit nine items suggested by Staff in its memo to the Commission dated February 3, 2015 as capital improvements that improved efficiency.

On the issue of the need for specific increases in performance traced to each individual capital improvements that improved efficiency, the applicant's consultant is concerned that this proposed interpretation may chill other persons from filing for New Hampshire Class 1 treatment when they upgrade their hydro-electric facilities and increase power production. For example, in this case, Contoocook Hydro, if it had argued that, let's say that 65 of the 70 improvements were

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<sup>1</sup> 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.

<sup>2</sup> 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>

<sup>3</sup> For example, see the confidential documents that were submitted to Staff with a cover letter dated October 4, 2014.

efficiency improvements, it would have to provide a separate calculation for each one. The administrative burden would be enormous and would most likely produce little benefit to the public.

As requested, the Applicant has provided a good faith estimate of the increase in electricity production attributable to each such improvement, expressed either in KWh<sup>4</sup> 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 improvement 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**

William P. Short III  
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**Secondary Contact**

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<sup>4</sup> 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. Shotland III

enclosures

cc: Lori D. Barg (e-mail only)  
Barbara Bernstein (e-mail only)  
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