

Hand-Delivered

July 17, 2015

Chairman Martin P. Honigberg
Commissioner Robert R. Scott
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

Re: DE 14-128, Public Service Company of New Hampshire Determination Regarding PSNH's Generation Assets

Dear Chairman Honigberg and Commissioner Scott:

While Conservation Law Foundation (CLF) will not be providing testimony, we appreciate the opportunity to briefly comment on the 2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement (June 10, 2015) ("Settlement Agreement"), which is now the focus of the above-captioned docket. As an intervenor in this docket, as well as in Docket No. DE 11-250 (relative to Merrimack Station scrubber cost recovery) and multiple other dockets over the years involving Public Service Company of New Hampshire's (PSNH) electric generating assets, CLF has a strong interest in this matter and is pleased to be a signatory to the Settlement Agreement.

CLF strongly supports completing the restructuring of New Hampshire's electric power market, ushering in a fully competitive market structure that will shield ratepayers from further financial risks associated with rate-based generation. For example, PSNH's fossil-fired plants may face future environmental compliance costs. Such costs could result from requirements under the Clean Air Act, including but not limited to the proposed federal Clean Power Plan, as well as the Clean Water Act. With respect to the latter, for example, the Merrimack Station plant is likely to face major capital costs associated with its next National Pollutant Discharge Elimination System (NPDES) permit under the Clean Water Act. Contrary to the existing scenario, in which facility upgrade costs – such as the costs of constructing a modern cooling water system at Merrimack Station, for purposes of NPDES compliance – would simply be passed on to ratepayers (if found to be prudently incurred), in a fully competitive, post-divestiture market, the facility owner will decide, based on market conditions, whether to incur such costs; and it – and not ratepayers – will bear any associated financial risk. A fully competitive market will reward efficiency and better serve the interests of ratepayers.

In addition to the significant benefits of finally completing the restructuring of New Hampshire's electric power market, the Settlement Agreement contains an important commitment by PSNH – not at the cost of ratepayers – to provide \$5 million to capitalize a Clean Energy Fund. We support the general principles governing the uses of the Clean Energy Fund, as enumerated in the Settlement Agreement (lines 652 – 657), and we look forward to working with Commission Staff, the Office of Energy and Planning, and other stakeholders on the details of the fund, with a goal of maximizing and leveraging its

impact to the fullest extent practicable. The Settlement Agreement includes the similarly important commitment by PSNH "to work with interested parties to establish and implement increased energy efficiency saving and distributed energy investment targets." (Settlement Agreement, lines 660-661). As a complement to the state's existing clean energy initiatives, the above commitments will help advance local renewable energy and energy efficiency, both of which are proven strategies to lower energy costs, to reduce harmful air pollution, and to create and sustain jobs in New Hampshire's growing clean energy sector.

As other parties have pointed out,¹ the current timing of divestiture could not be better in light of historically low interest rates. Approving the Settlement Agreement and allowing PSNH to expeditiously proceed to divestiture will avoid the costs, uncertainties, and delays associated with protracted litigation regarding the Merrimack Station scrubber and the recovery of stranded costs. In addition to resolving the three dockets pending before the Commission, it also could help lead to resolution of Clean Air Act litigation currently pending in the U.S. District Court, *Conservation Law Foundation v. Public Service Company of New Hampshire*, No. 11-353-JL.

Again, CLF is pleased to be a signatory to the Settlement Agreement, which we believe to be in the public interest, and to see New Hampshire transitioning to a fully competitive electric power market. We urge the Commission to expeditiously review and approve the Settlement Agreement, to enable PSNH to promptly proceed with the process of divestiture. And consistent with the recommendations of Senators Bradley and Feltes,² we, too, respectfully recommend that the advancement of necessary planning for divestiture process implementation take place now, and not sequentially following the Commission's review and final determination relative to the Settlement Agreement.

Respectfully submitted,



Tom Irwin
V.P. and CLF New Hampshire Director

¹ See Direct Testimony of William J. Quinlan (July 6, 2015) at 11 (lines 1-14); Testimony of Senators Bradley and Feltes (July 10, 2015) at 4 (lines 9-15).

² See Testimony of Senators Bradley and Feltes at 16.