I R 14-338

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Ms. Debra A. Howland
Executive Director and Secretary
State of New Hampshire
Public Utilities Commission
21 S. Fruit St, Suite 10
Concord, NH 03301-2429

Re: IR 14-338

Dear Ms. Howland,

Briar Hydro Associates ("Briar") is pleased to submit the following suggestion on an alternative procurement method New Hampshire utilities could employ to improve the Default Service Procurement process.

Background

Briar owns and operates the 4.6 MW Penacook Lower Falls ("PLF") hydroelectric facility located in Unitil's service territory in Penacook, New Hampshire. The PLF facility is a qualifying facility ("QF") under the federal Public Utilities Regulatory Policy Act and state Limited Electrical Producers Act, RSA 362-A.

Currently the output for the PLF facility is sold to Unitil under its "Rates Applicable To Qualifying Facilities Schedule QF". Unitil passes this power into the ISO-NE market and does not use it to serve load. The PLF facility is paid at rates equal to payments received by Unitil from ISO-NE, net of all charges imposed by the ISO-NE for such output. In practice this has resulted in the PLF facility being paid the ISO-NE real time locational marginal price (the "LMP"). In 2014, the average LMP paid to the PLF facility was $.0591/kWh.

Briar approached Unitil representatives twice in 2014 to discuss the possibility of selling PLF's power to Unitil at a rate discounted off of Unitil's default service rate. Unitil declined to enter into an agreement with Briar based on the fact that its power was supplied under a contract that ensures 100 percent of its load, sometimes referred to as an "all requirements" contract, would be provided by the contract's supplier.

Proposal

Briar proposes that utilities structure their all requirements contracts to allow for the reduction of a utility's load by any QF power offered to the utility within its franchise area.

Briar has examined Unitil's process for purchasing power, but believes the following suggestion could apply to all of New Hampshire's utilities in future procurement processes. With respect to Unitil's recent procurement process for the winter of 2014/2015, Briar understands that the Unitil Request for Proposal ("RFP") solicited, and the power supply agreement ("PSA") provided for, supply equal to 100 percent of Unitil's customer service requirements on a load-following basis for a six month term beginning December 1, 2014 and ending May 31, 2015. Because of that process, Briar further understands that Unitil will not obtain power supply from the ISO-NE "spot market" during the term.[1]

Under Unitil's PSA, load-following power supply is not limited to just load-following in the sense of increases and decreases due to fluctuations in any particular customer's usage. PSA Sections 3.2 and 3.3 state the supplier's obligation to accept supply increases due to the addition of new customer load and supply decreases due to customer termination of default service. PSA section 3.6 states that the supplier acknowledges that customers' needs will fluctuate during the term and "may equal zero." The section also states that Unitil is not liable to the supplier for any changes in customer usage.

Given PSA sections 3.2, 3.3, and 3.6, Unitil can avoid purchasing an amount of KWhs under the PSA and obtain a cost savings for its customers by contracting with QF's such as PLF by using the power provided to reduce Unitil's overall load. In effect, PLF's facility supply, located within the Unitil service territory, can be viewed as a reduction of load no different in effect from customer load decreases under PSA section 3.3. Further, by purchasing power generated within its franchise area, a utility can also save on reduced line losses because of the power having to travel shorter distances to the load.

While the scenario described above may not be possible based on a utility's interpretation of its current PSA, Briar encourages future PSA's to be written so the above scenario is allowed. As a point in fact, PLF's average annual output of 20,080 MWhs represents approximately four percent of Unitil's residential load (based on Unitil's residential load of 495,189 MWh as reported in its 2012 Annual report filed with the NH PUC). Given that Unitil's PSA allows for load migration, Briar believes the possibility of a four percent reduction in overall load will not dissuade a bidder competing for Unitil's default residential service contract as the risk of load migration is already born by the winning bidder.

[1] While not a part of this docket, the Commission may wish to consider what a utility's avoided cost is under an all requirements contract. If a utility is prohibited from purchasing power on the ISO-NE spot market under an all requirements contract, its avoided cost, in effect, is the price set by the PSA.

In summary, Briar believes utilities could improve their procurement process by clearly structuring PSAs to allow QF power within a utility's franchise area that is offered to the utility to be used as a load reducer, both from the generation produced by the QF and the savings from reduced line losses. Utilities or the winning bidder could then negotiate with the QF to determine a discounted price from the winning bid that would benefit rate payers.

Briar appreciates the opportunity to contribute its thoughts on how to improve the utility Default Service Procurement process and thanks the Commission Staff for consideration of its proposal.

Sincerely,

BRIAR HYDRO ASSOCIATES
By: Essex Hydro Associates, L.L.C.
A General Partner

Andrew Locke
President