

Stein, Mark

From: Stein, Mark
Sent: Wednesday, June 12, 2013 9:35 AM
To: Dierker, Carl; DeMeo, Sharon M.; Hoang, Yen; King, John Paul; Nelson, Eric; Gaito, Danielle
Subject: FW: Public Utilities Commission report suggests PSNH dump power plants

From: Groskin & Perkins [mailto:14baker@gmail.com]
Sent: Wednesday, June 12, 2013 6:59 AM
To: Webster, David; Houlihan, Damien; Stein, Mark
Subject: Re: Public Utilities Commission report suggests PSNH dump power plants

Here is a second piece on the topic

June 10, 2013 7:11PM

Most support PSNH selling its plants



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By DAVE SOLOMON
 New Hampshire Union Leader

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[Public Utilities Commission report suggests PSNH dump power plants](#)

The investigation by state regulators into the Public Service of New Hampshire electric supply rates brought together a strong alliance in support of change, with environmental groups, consumer groups, wholesale electricity providers and competitive retail suppliers urging the PUC to find a way for PSNH to sell its power plants.

The cost of operating power plants is built into the PSNH energy supply rate, which has gone up in the past two years as the regulated utility begins to recoup costs associated with pollution controls at Merrimack Station in Bow.

Those higher prices have given competitors an opportunity to come into the market and take away PSNH customers for energy supply, even though PSNH still delivers the electricity.

Rather than endorse a system that has made their entry into the market possible, the competitive suppliers, by and large, support the kind of changes the PUC is recommending.

"We found competitive retail suppliers far less interested in the 'headroom' created by the significant gap between market and PSNH's default prices, as compared with supporting a market that is conducive to competition over the longer term," the PUC staff wrote.

The Retail Energy Supply Association, representing companies that sell energy to large users, urged PSNH to embrace the recommendations.

"The report got it right," said Dan Allegretti, RESA's New England chair. "It points out that on the one hand the

current situation provides an opportunity for retail suppliers to offer substantial savings to customers, as compared to the default price from PSNH, but it also points out, and we would agree, that longer term a much more stable and durable restructuring is needed in which PSNH is out of the electric commodity business, and becomes a delivery company."

The two companies that have succeeded in attracting the largest number of customers away from PSNH endorsed the PUC report, even though it may lead to changes that make their pricing less competitive.

"ENH Power believes the forced divestiture of PSNH generation assets is long overdue," said Kevin Dean, a co-owner of the company that has signed up 58,000 former PSNH customers. "We believe that this is consistent with the intent of the deregulation in New Hampshire and is in the best interest of the consumers."

Taff Tschamler, senior vice president of business development at North American Power, which has 35,000 electric supply customers in the state, echoed that sentiment.

"We support changing the current policy of guaranteeing profits and cost recovery for PSNH power plants, regardless of whether the plants operate or not," he said. "There are a range of better alternatives to the current policy, one of which is divestiture."

The New England Power Generators Association, representing power plant owners, called on PSNH to take up the challenge, and create an unregulated subsidiary to take over the power plants and compete on an equal footing with NEPGA members.

"We agree with the PUC staff report that if PSNH feels so strongly that the assets represent a value, that they should put their money where their mouth is and place them in a non-utility subsidiary," said NEPGA President Dan Dolan.

Bart Fromuth, managing director of Resident Power, with 8,000 customers, said the retail suppliers are not of one mind on the subject.

"We're going to be spending a lot of money here in New Hampshire to solve a problem the competitive market could solve on its own," he said. "I find it somewhat dubious for the report to claim that it's got the support of all competitive suppliers. If you look at the suppliers supporting (forced divestiture), it's those who have wholesale assets that would be able to compete for PSNH business as default provider." dsolomon@unionleader.com

On Tue, Jun 11, 2013 at 7:24 PM, Groskin & Perkins <14baker@gmail.com> wrote:

News Headline: Public Utilities Commission report suggests PSNH dump power plants |  

Outlet Full Name: Union Leader - Online

News Text: CONCORD — The power plants owned by Public Service of New Hampshire aren't worth nearly as much as the company thinks, according to staff investigators at the Public Utilities Commission, who suggest the regulated utility should get out of the power-generating business and focus exclusively on energy delivery.

"We recommend that PSNH be asked to bring forth immediately proposals that would address a transfer of energy supply assets to an affiliate in accord with the optimistic views that the company has expressed with regard to the value of those assets," the staff wrote in a 55-page report likely to change the face of competitive electricity sales in the state.

The report, issued late Friday afternoon, is the result of a five-month study into the current state of deregulation, triggered by the steady migration of PSNH energy supply customers to competitors. It claims the status quo, in which PSNH serves as the default provider of electricity, is unsustainable.

Since late last year, nearly 100,000 of the company's 400,000 customers have switched to competitors for energy supply, leaving a shrinking customer base to pay higher rates in support of PSNH operating costs, which include aging coal-fired plants.

"The situation looks to worsen, as continuing migration from PSNH's default service by customers causes an upward rate trend," the report states. "We find no supportable basis for optimism that future market conditions will reverse this unsustainable trend, especially in the near term. To the contrary, the PSNH fossil units face uncertainties that combine to create a risk of further, potentially substantial increases in costs."

The report describes the situation as urgent and demanding immediate attention from the PUC, the state Legislature and the governor, warning that, "taking no action threatens to leave a dwindling yet still substantial number of the state's residents and small businesses facing ever higher costs for service relative to market alternatives and could eventually threaten the financial health of PSNH."

The staff urges the commission to open hearings to determine whether PSNH should unload the power plants and how they should be unloaded. The hearings would also determine how PSNH would be compensated for losses incurred in such a transaction, also known as "stranded costs."

Little market value

The company invested more than \$400 million in pollution-control systems that went online in 2011 at the PSNH coal-fired plant in Bow, and would likely be facing substantial losses if it had to sell the plant. In addition to the 440-megawatt Bow plant, called Merrimack Station, the other power plants at issue are Schiller Station in Portsmouth, 150 megawatts with two coal boilers and one wood boiler; and Newington Station, 400 megawatts, which was built to burn oil and retrofitted in the early 1990s to burn a combination of oil and natural gas.

In addition, the company owns nine hydro plants scattered around the state generating about 68 megawatts.

PSNH believes it can still demonstrate their economic value. "We will respond to this report in the manner directed by our regulators, and look forward to demonstrating the significant benefits PSNH's generation fleet provides to customers," said PSNH spokesman Martin Murray in a statement issued after the report was released.

The PUC staff is not likely to be swayed.

"We do not share the view of PSNH, nor has the company in response to our requests provided any analysis confirming its view of fossil fleet value," they wrote. "Our analysis shows that the fossil units have very little market value."

Susan Chamberlin, consumer advocate at the PUC, agrees with the report's conclusion that something has to change.

"Right now, residential ratepayers are paying the majority of the cost for PSNH power plants, and the plants just are not economical," she said. "There are too many other lower-cost options in the market."

When lawmakers initially approved deregulation of energy sales in New Hampshire, they anticipated that PSNH would get out of power generating and focus exclusively on delivering electricity. The company sold its interest in the Seabrook Station nuclear power plant, but the law was later revised to allow PSNH to retain its remaining power plants, in the wake of the California electricity crisis.

Options to consider

If PSNH is going to be forced to sell the power plants, the Legislature will likely have to become involved, Chamberlin said.

"The commissioners are trying to bring all the parties together," she said. "If they issued something on their own, and the Legislature didn't like it, the Legislature would just overturn it."

There are many options for divestiture and for recovering stranded costs, which according to the report will require consideration by regulators, and legislative and executive leadership.

After that, the whole matter could end up in the courts anyway.

According to the report, everyone involved needs to proceed with a sense of urgency: "There is not a great deal of time for

the state to act to address what will become an increasingly onerous burden for what now comprises a majority of the state's residents and many of its smaller businesses."

The Liberty Consulting Group of Lebanon, Pa., assisted in developing the report. The company specializes in advising utility managers, executives and regulators.

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