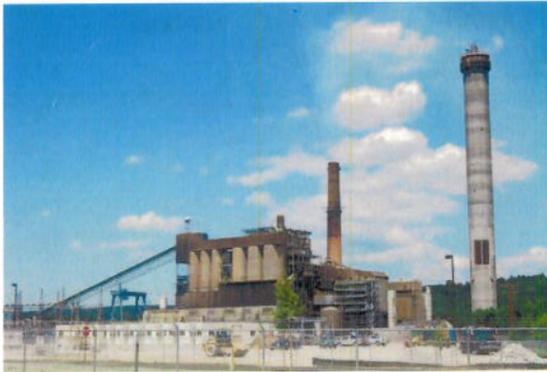


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# PSNH's Aging Plants Prompt Concerns From State Regulators

By Jon Greenberg on Thursday, July 28, 2011



PSNH

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State regulators have given Public Service of New Hampshire some bad news. They rejected PSNH's plan to charge businesses that are on the PSNH grid but are buying cheaper power elsewhere.

This could mean higher bills for PSNH's current customers and more pressure on the company as it wrestles with old, less efficient generating plants.

Here's the problem for PSNH. Cheap natural gas makes their older plants less competitive. The customers that can, basically the bigger users, ditch PSNH. That leaves a shrinking group of PSNH customers to shoulder the ongoing costs of keeping those plants up and running.

"Absent some game changer," said Doug Patch, "what you have is sort of a classic death spiral situation."

Patch is a former chair of the PUC but right now, he represents one of PSNH's competitors, TransCanada. He says PSNH increasingly will price themselves out of the market.

PSNH spokesman Martin Murray says reports of the utility's demise are exaggerated but agrees that the underlying dynamic is completely real.

"There are costs that we are allowed to recover, that we have to recover" Murray said. "But the pool of people from which we recover those costs is smaller."

From PSNH's point of view, the issue is a matter of fairness. If state law requires the company to be ready to provide electricity for everyone, no matter what, but only a relative few, lucky customers can come and go according to where the price is cheapest, they argue that's a raw deal for the little guy.

State regulators said that might be true, but in their ruling, they noted that the law aims to promote competitive markets and the PSNH proposal would undermine that goal.

They gave utility the option to tinker with rates but they signaled that much bigger, fundamental changes are in play. Namely, whether PSNH could be ordered to sell all of its power plants.

Current law leaves the state part way between a regulated and an open market for electricity. The chair of the House committee on science, technology and energy, Jim Garrity, says he wants to resolve that question in the next session.

"The state's been stuck in pause or neutral maybe long enough," said Garrity, "and it's time to decide whether we want to put the car back in drive or put it in reverse."

If the future of PSNH as a power producer were not enough to chew on, the PUC staff findings in this and related dockets have implications for the controversial Northern Pass project.

There's a growing body of evidence on the costs of running PSNH's facilities. The electricity they produce comes at a higher price and that drives away more customers. Doug Patch, the TransCanada representative, says that's not a situation where you would want to see cheap hydro-electric power from Canada come pouring over the border.

"Any scenarios that would create a significant amount of power in the New England market in addition to what's there



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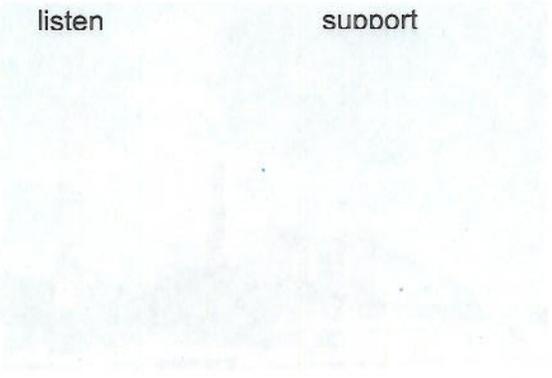
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commission expressed in its order."

One environmental group, the Conservation Law Foundation, says the average customer ought to pay attention to this. The group's Director of Clean Energy , Jonathan Peress, brings things back around to what happens when a smaller number of people have to cover the same fixed costs of those older plants.

"The Northern Pass project will result in increases in energy costs to New Hampshire rate payers," Patch said.

That sounds pretty scary but PSNH spokesman Martin Murray says *that* Canadian hydro-power won't dictate the future market price.

"We expect that we will still be economic. And we don't expect necessarily that our plants will be those that are displaced by the introduction of a new source of power, be it Northern Pass or another source."

There's a lot at stake and some big decisions will hinge on informed guesses. As one lawmaker put it, there will be plenty of work for lawyers, economist and lobbyists.



[Jon Greenberg](#) is NHPR's Executive Editor.

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