

THE STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

**APPLICATION FOR A PUBLIC INTEREST FINDING
TO MODIFY SCHILLER STATION GENERATING FACILITY
AND
REQUEST FOR COST RECOVERY OF SUCH MODIFICATION**

Docket No. DE 03-XXX

Pursuant to RSA 369-B:3-a, Public Service Company of New Hampshire (hereinafter “PSNH” or “the Company”) hereby requests a finding that it is in the public interest to modify Schiller Station Unit 5 to burn wood fuel and further requests the Commission to provide for the cost recovery of such modification under the existing Stranded Cost Recovery Charge mechanism. In support of its Application and Request, PSNH says the following:

1. PSNH is the sole owner of three dual-fuel-fired generating units (Nos. 4, 5 and 6) located at Schiller Station in Portsmouth, New Hampshire. Units 4 and 5 were originally designed to burn coal, but within six months of the units’ construction completion date they were converted to burn oil. Unit 6 was originally designed to burn oil. In 1979 the Commission on its own motion initiated Docket No. DR 79-141 to investigate the feasibility of returning the plants to coal-fired capability. This investigation resulted in a Commission order to convert the three units to dual-fuel burning capability. Order No. 14,131, March 17, 1980, 65 NH PUC 127. Since 1984 the three Schiller Station units have been capable of burning either low sulfur coal or #6 residual oil.

2. Before it can modify or retire any of its existing fossil-fired or hydroelectric generating assets, PSNH must obtain a finding from the Commission that it is in the public interest to do so:

369-B:3-a. Divestiture of PSNH Generation Assets. The sale of PSNH fossil and hydro generation assets shall not take place before April 30, 2006. Notwithstanding RSA 374:30, subsequent to April 30, 2006, PSNH may divest its generation assets if the commission finds that it is in the economic interest of retail customers of PSNH to do so, and provides for the cost recovery of such divestiture. ***Prior to any divestiture of its generation assets, PSNH may modify or retire such generation assets if the commission finds that it is in the public interest of retail customers of PSNH to do so, and provides for the cost recovery of such modification or retirement.*** RSA 369-B:3-a; 2003 Laws 21:4 (Effective: April 23, 2004) (emphasis added).

3. Conversion of Schiller Station Unit 5 to burn wood fuel is in the public interest of PSNH's retail customers. The General Court recently expressed its desire to encourage the generation of electricity from renewable energy by passage of Chapter 268 of the 2002 Session Laws, "AN ACT relative to renewable-energy-source electricity generation and transition service":

268:1 Purpose. The purpose of this act is to promote the generation of electricity from renewable energy in recognition of the environmental, public health, economic, energy security, and energy diversity benefits associated with such production.

PSNH's generating plants will be used to produce a renewable energy product that will become part of the supply of Transition Service and/or Default Service to retail customers. RSA 369-B:3, IV(b)(1)(A). The conversion of Schiller Station Unit 5 to allow use of wood as a fuel will provide New Hampshire with increased energy diversity and a source of electricity fired by a renewable, indigenous fuel. State policy encouraging diversified, renewable and indigenous sources of energy has also been expressed by the Legislature in several other enactments:

Limited Electrical Energy Producers Act, Declaration of Purpose. It is found to be in the public interest to provide for small scale and diversified sources of supplemental electrical power to lessen the state's dependence upon other sources which may, from time to time, be uncertain. ***It is also found to be in the public interest to encourage and support diversified electrical production that uses indigenous and renewable fuels and has beneficial impacts on the environment and public health.*** RSA 362-A:1 (emphasis added).

Electric Utility Restructuring Law, Renewable Energy Resources. Increased future commitments to renewable energy resources should be consistent with the New Hampshire energy policy as set forth in RSA 378:37 and should be balanced against the impact on generation prices. ***Over the long term, increased use of cost-effective renewable energy technologies can have significant environmental, economic, and security benefits.*** To encourage emerging technologies, restructuring should allow customers the possibility of choosing to pay a premium for electricity from renewable resources and reasonable opportunities to directly invest in and interconnect decentralized renewable electricity generating resources. RSA 374-F:3, IX (emphasis added).

New Hampshire Energy Policy. The general court declares that it shall be the energy policy of this state to meet the energy needs of the citizens and businesses of the state at the lowest reasonable cost while providing for the reliability and diversity of energy sources; the protection of the safety and health of the citizens, the physical environment of the state, and the future supplies of nonrenewable resources; and consideration of the financial stability of the state's utilities. RSA 378:37.

4. Conversion of the Schiller Station Unit 5 boiler will result in demonstrable environmental improvements over burning coal, enabling PSNH to reduce emissions and to attain compliance with the emissions standards set in the Multiple Pollutant Reduction Program in a timely manner. RSA 125-O.

5. PSNH seeks recovery of the expense of this conversion by treating the prudently incurred costs as costs of generation, to be amortized via the Stranded Cost Recovery Charge along with the other existing Part 3 and Part 2 costs. PSNH seeks to credit the sales of Renewable Energy Credits generated by the converted plant and sold to other utilities and load-holding entities in the ISO New England market against the prudently incurred costs.

6. Pursuant to Rule Puc 204.01(a)(3), the Applicant's address and representative is:

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7. The environmental, public health, economic, energy security, and energy diversity benefits of this project, including a description of the conversion process, the estimated reduction in pollutants, the details of the proposed cost recovery mechanism, and the potential additional funding sources, may be found in the Testimony of Gary A. Long, William H. Smagula, Elizabeth H. Tillotson and Rhonda J. Bisson filed herewith.

WHEREFORE, PSNH respectfully requests the Commission (1) open a proceeding regarding the fuel conversion of Schiller Unit 5; (2) find that the proposed modification of PSNH's Schiller Unit 5 to burn wood fuel is in the public interest of PSNH's retail customers; (3) approve the proposed cost recovery mechanism; and (4) order such further relief as may be just and equitable.

Respectfully submitted,

Public Service Company of New Hampshire

Date

By:

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