

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DE 11- 184

DIRECT TESTIMONY OF
RICHARD C. LABRECQUE

Joint Petition
for
Approval of Power Purchase and Sale Agreements
and
Settlement Agreement

August 22, 2011

1 **Q. Please state your name, position and business address.**

2 **A. My name is Richard C. Labrecque. I am Supplemental Energy Sources Manager for**
3 **Public Service Company of New Hampshire ("PSNH"). My business address is PSNH**
4 **Energy Park, 780 North Commercial Street, Manchester, New Hampshire.**

5

6 **Q. Have you previously testified before the Commission?**

7 **A. Yes. I have testified on several occasions before the Commission.**

8

9 **Q. Would you provide a brief summary of your educational background and work**
10 **experience?**

11

12 **A. I graduated from Rensselaer Polytechnic Institute in 1988 with a Bachelor of Science**
13 **degree in Nuclear Engineering. In 1992, I received a Masters of Nuclear Engineering**
14 **Degree from North Carolina State University. In 2001, I received a Master of Science**
15 **degree in Management from Rensselaer at Hartford. I have worked at Northeast Utilities**
16 **since 1992. From 1992 to 1998, I was employed in the Safety Analysis Branch of the**
17 **Nuclear Engineering Department.**

18

19 **In 1998, I joined the Wholesale Power Contracts department. My responsibilities**
20 **included providing the analytical support required to fulfill the power supply obligations**
21 **of PSNH, The Connecticut Light and Power Company ("CL&P") and Western**
22 **Massachusetts Electric Company ("WMECO"). For CL&P and WMECO, I assisted in**
23 **the design and execution of the power supply sourcing contracts associated with those**
24 **companies' versions of generation service. For PSNH, I assisted in the development of**

1 the Energy Service rates and the strategy used to procure energy and capacity needed to
2 supplement PSNH's resources.

3
4 In 2009, I became manager of PSNH's Supplemental Energy Sources Department
5 ("SESD"). SESD is responsible for PSNH's relations with all generators seeking to
6 interconnect with the PSNH electric system and includes the interconnection,
7 administration, and payment activities relating to such projects. My duties include the
8 administration of interconnection agreements and purchase contracts with non-utility
9 generators

10
11 **Q. What is the purpose of your testimony?**

12 **A.** The purpose of my testimony is to outline the Power Purchase Agreements ("PPAs")
13 entered into between PSNH and five existing biomass-fired generating plants operated by
14 Bridgewater Power Company, L.P., Pinetree Power, Inc., Pinetree Power-Tamworth,
15 Inc., Springfield Power LLC, and Indeck-Alexandria, LLC (collectively, the "Sellers")
16 and to describe the ratemaking treatment upon which the effectiveness of the PPAs is
17 conditioned.

18
19 **Q. Please provide a general description of the PPAs.**

20 **A.** PSNH (the "Buyer") and the Sellers have entered into PPAs which call for PSNH to buy
21 the entire energy output of the Sellers on a unit-contingent basis for the terms and/or
22 quantities set forth in each of the individual PPAs.

23

1 Each of the facilities providing the energy is a biomass-fired generating plant located
2 within the state of New Hampshire. Each one of these facilities previously held rate
3 orders issued by this Commission pursuant to the Public Utility Regulatory Policies Act
4 (“PURPA”). Although those rate orders have now expired, each of the facilities still
5 qualifies as a “Qualifying Facility” or “QF” under PURPA, and must continue to be so-
6 qualified throughout the duration of each PPA. Pursuant to PURPA, certain QFs (i.e.,
7 those with net generating capacity less than or equal to 20 MW) continue to have the
8 entitlement under federal statute (16 U.S. Code § 824a-3) and FERC regulations (18
9 CFR Part 292) to require PSNH to purchase electric energy from their facilities.

10
11 **Q. Are all of the PPAs structured similarly?**

12 **A.** The underlying structure of each of the PPAs is similar; however, each PPA may vary
13 from another with respect to pricing, quantities, or duration.

14
15 **Q. What are the specific energy pricing terms of the PPAs?**

16 **A.** PSNH will purchase the energy from the facilities at fixed prices that are set forth in the
17 PPAs, subject to variations in the cost of wood fuel. The PPAs include a fuel price
18 adjustment that takes effect if delivered wood prices for each project vary from an Initial
19 Wood Price. The Initial Wood Price in each PPA is subject to the Commission’s
20 verification, review and approval, and as part of this Joint Petition, we are seeking such
21 action from the Commission. Mr. Frantz describes the basis for the pricing of the PPAs
22 in his testimony.

23

1 **Q. What are the legal standards for approval of these agreements?**

2 A. Under PURPA, the rates paid by an electric utility for the energy from a QF shall, "(i) Be
3 just and reasonable to the electric consumer of the electric utility and in the public
4 interest;" (18 CFR § 292.304 (a)(i)). Moreover, the FERC regulations implementing
5 PURPA expressly allow "any electric utility or any qualifying facility to agree to a rate
6 for any purchase, or terms or conditions relating to any purchase, which differ[s] from the
7 rate or terms or conditions which would otherwise be required by this subpart;...." (18
8 CFR § 292.301 (b)). Similarly, New Hampshire statutes RSA 374:57 and RSA 369-
9 B:3,IV(b)(1)(A) require that a utility's energy purchases be reasonable and in the public
10 interest . The accompanying testimony submitted by Commissioner George Bald and
11 Public Utilities Commission Staff Member Thomas Frantz discuss the adherence of the
12 rates in the PPAs to these statutory and regulatory requirements.

13

14 **Q. Do the PPAs require PSNH to purchase capacity or Renewable Energy Certificates**
15 **from any of the facilities?**

16

17 A. No. The PPAs are only for the purchase and sale of energy on a unit contingent basis.

18

19 **Q. How will PSNH recover the cost of the energy procured under these agreements?**

20 A. The energy procured under these PPAs will be used as part of PSNH's Energy Service
21 portfolio. Each of the PPAs is conditioned upon the Commission's approval of a
22 ratemaking methodology which provides for full recovery of all costs of these agreements
23 by PSNH without increasing the Company's Energy Service rate.

24 The Joint Petitioners have agreed upon seeking the following cost recovery methodology
25 to satisfy this condition. The costs of the PPAs would be recovered as part of PSNH's

1 Energy Service rate. To avoid any increase in the Energy Service rate that may result
2 from these PPAs, the Joint Petitioners request that the Commission authorize PSNH to
3 transfer a liquidated amount of \$8.5 million of costs associated with uncollectible and
4 certain administrative expenses from its Energy Service rate to its distribution rate. By
5 doing so, up to \$8.5 million of above-market power costs from the PPAs can be included
6 in PSNH's Energy Service rate annually without adversely impacting that rate.

7
8 To the extent that the above-market costs of these PPAs exceed \$8.5 million during any
9 year, the Joint Petitioners request that the Commission authorize PSNH to defer for future
10 recovery any such excess. Any deferral created under this mechanism would accrue
11 interest at the Company's weighted cost of capital for its generation segment, and would
12 continue to be recovered through the Energy Service rate annually until fully recovered,
13 with annual recovery limited to the extent that above-market costs attributable to the
14 PPAs and the deferral recovery do not in total exceed the \$8.5 million annual limit.

15
16 Finally, the Joint Petitioners request that the Commission authorize PSNH to begin
17 recovery of the \$8.5 million transferred to its distribution rates effective as of the first day
18 of the month following the earliest start date of any of the PPAs in a manner that results
19 in full recovery thereof.

20

1 **Q. Have you made an estimate of the total above-market costs of the PPAs?**

2 A. Yes, I have. My calculation assumes 100% delivery of the maximum quantities of
3 energy set forth in each of the PPAs and is based upon recent futures market prices for
4 energy in New England. Also, I have assumed an average fuel price adjustment of
5 \$2/ton over the terms of the PPAs. Using these assumptions, the total above-market costs
6 of the PPAs would be approximately \$24 million. The fuel price adjustment contributes
7 \$3.3 million to that total.

8

9 Obviously, if market energy prices, wood prices, or the quantity of energy delivered
10 under the PPAs varied, the total above market impact of the PPAs would change.

11

12 **Q. Are there any other agreements for which Commission approval is being sought?**

13 A. Yes. The Joint Petitioners also seek approval of a "Settlement, Release and Support
14 Agreement" which was appended to the Joint Petition as Attachment 1. As noted in the
15 Joint Petition, PSNH entered into the PPAs as part of a series of transactions to resolve
16 Supreme Court appeals of the Commission's decisions in Docket No DE 10-195 related
17 to the Amended PPA and to support the continued operation of the Wood IPPs'
18 generating facilities and related economic benefits. The Settlement, Release and Support
19 Agreement was intended as part of the comprehensive settlement of all claims.

20

1 **Q. What actions are the Joint Petitioners requesting from the Commission?**

2 **A. The Joint Petitioners are requesting that the Commission issue an order approving this**
3 **Joint Petition with the following provisions:**

4 a. Finding the PPAs and the Settlement, Release and Support Agreement in
5 the public interest and approving same;

6 b. Verifying, reviewing and approving an "Initial Wood Price" for each of
7 the individual PPAs;

8 c. Authorizing PSNH to transfer the liquidated amount of \$8.5 million
9 attributable to uncollectible and certain administrative expenses from its
10 Energy Service rate to its distribution rate;

11 d. Authorizing PSNH to increase its distribution rates upon the first day of
12 the month following the earliest effective date of any of the PPAs to
13 recover the \$8.5 million in costs transferred thereto, in a manner that
14 results in full recovery thereof;

15 e. Authorizing PSNH to recover through its Energy Service rate the market
16 value of purchases under the PPAs and additionally up to \$8.5 million
17 annually of any above-market costs associated with purchases under the
18 PPAs;

19 f. Authorizing PSNH to defer with a return at the Company's weighted cost
20 of capital for its generation segment for future recovery through its Energy
21 Service rate any above-market costs associated with the purchases under
22 the PPAs which exceed the \$8.5 million annual cap; and further
23 authorizing PSNH to recover all such deferred amounts through its Energy

1 Service rate annually until fully recovered, with annual recovery limited to
2 the extent that above-market costs attributable to the PPAs and the
3 deferral recovery do not in total exceed the \$8.5 million annual limit; and,

4 g. Ordering such further relief as may be just and equitable.

5

6 **Q. Does this complete your testimony?**

7 **A. Yes.**