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September 17, 2008

VIA ELECTRONIC AND FIRST CLASS MAIL

Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite Ten
Concord, New Hampshire 03301-7319
debra.howland@puc.nh.gov

RE: DE 08-103 – Merrimack Station Scrubber Project

Dear Director Howland

I write on behalf of the New England Power Generators Association, Inc. (“NEPGA”) in response to the New Hampshire Public Utilities Commission’s (“Commission”) letter of August 22, 2008, pertaining to Public Service Company of New Hampshire’s (“PSNH”) planned installation of a wet flue gas desulphurization system at Merrimack Station.¹ NEPGA respectfully requests that the Commission provide stakeholders with a full and transparent opportunity to review the details of PSNH’s proposal and provide comments on whether this initiative is in the best interest of New Hampshire’s consumers.

NEPGA is the largest trade association representing competitive electric generating companies in New England. NEPGA’s member companies represent approximately 25,000 megawatts of generating capacity in all six states of the region, and 2,310 megawatts in New Hampshire. NEPGA’s mission is to promote sound energy policies which will further economic development, jobs, and balanced environmental policy. NEPGA requests that all further correspondence, communications and other documents relating to this matter be served upon the following:

Christopher P. Sherman, General Counsel

¹ The views expressed in this letter do not necessarily represent the positions of each of NEPGA’s members. In addition, nothing in this letter should be deemed to waive any rights that NEPGA or any of its members may have to otherwise challenge the administrative, procedural or substantive validity of this proceeding in any forum.

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Northeast Utilities, PSNH's parent company, disclosed on August 7, 2008, that the scrubber project has increased in cost from \$250 million to \$457 million – an increase of approximately 80 percent. This situation is a harsh reminder of the lack of economic competition for electricity that led to unavoidable cost overruns and stranded costs by utilities that experienced no competitive market pressures in the vertically integrated marketplace. While NEPGA always favors a public stakeholder process, this situation particularly highlights the need for a publicly noticed docket to determine if these expenditures are a prudent use of ratepayer money or, alternatively, whether the goals of this initiative can be better accomplished by the competitive marketplace.

From a practical perspective, the competitive wholesale market for power in New England has delivered benefits to customers and the region that would have been impossible under the regulated structure that had been in place for many years. The marketplace has delivered new resources that are cleaner and more efficient, so emissions of key pollutants have gone down even as electricity consumption has increased. The most notable feature of the competitive market regime is that these new generation investments have been made by private generators, not regulated utilities or their customers. Unlike the previous regulated system where customers could be shouldered with millions of dollars of costs from uneconomic “stranded” investments, merchant energy companies recover their costs only from the market value of the products they provide. The proposal that is being put forth by PSNH through the retrofit of an aging facility provides an eerie reminder of the economic damage that can be done by a lack of accountability.

NEPGA encourages a comprehensive, formal process for energy related facilities within New Hampshire. Consistency of review and reliance on specialized state agencies is essential in any process so as to ensure a reliable and cost effective energy supply. While the time and resources that would be dedicated to this proceeding would be considerable, the process is abundantly necessary to satisfy New Hampshire's obligation to protect consumer interests. For the foregoing reasons, NEPGA respectfully requests that the Commission provide stakeholders with a full and transparent opportunity to review the details of PSNH's proposal and provide comments on whether this initiative is in the best interest of New Hampshire's consumers. If you have any questions, please don't hesitate to contact me.

Sincerely,



Christopher P. Sherman