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The Northeast Utilities System

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**DEPARTMENT OF
ENVIRONMENTAL SERVICES**

Michael P. Nolin, Chairman
Site Evaluation Committee
Department of Environmental Services
6 Hazen Drive
P.O. Box 95
Concord, NH 03302-0095

Re: PSNH/Schiller Station Wood Conversion Project

Dear Chairman Nolin:

The purpose of this letter is (1) to inform the Site Evaluation Committee ("SEC") of the project plans of Public Service Company of New Hampshire ("PSNH") to convert one of the three existing units at PSNH's Schiller Generating Station in Portsmouth, New Hampshire, from a coal-burning unit to a wood-burning unit, and (2) to respectfully request the SEC's written concurrence that the fuel conversion project at Schiller is not subject to the SEC's jurisdiction. As is more fully explained below, the proposed project does not qualify for jurisdictional consideration by the SEC. Confirmation that the project does not fall under the SEC's jurisdiction is needed to assure certainty so that project engineering, and the environmental and other permitting aspects of the project, may move forward without delay.

Background of Schiller Station

PSNH's Schiller Generating Station ("Schiller") is located along the Piscataqua River, in Portsmouth, New Hampshire. Completed in 1949, Schiller is PSNH's third largest fossil fuel-burning generating plant. The station was initially comprised of three generating units: two mercury units and one steam. Additional units were added in 1952 (Unit 4), 1955 (Unit 5) and 1957 (Unit 6). Units 4 & 5 were originally designed to burn coal, but within six months were converted to burn oil, while Unit 6 was designed to burn oil originally. In 1968, the two mercury units (Units 1 & 2) were retired, and the steam unit (Unit 3) was converted to an oil-fired generator. Unit 3 was subsequently retired in 1991. In 1984, Units 4, 5 & 6 were converted from burning oil to burning coal as their primary fossil fuel source, while retaining the capability to burn oil as a secondary fuel option.

Today, each of Schiller's three steam units operates with dual capability to burn coal and/or oil, with each having a rated generating capacity of 45 net

Megawatts (MW) (50 MW gross output). The coal and oil supply for Schiller is received from ocean-going vessels at Schiller's main dock on the Piscataqua River, and stored on site. Schiller's combined total output is currently rated at 153 net MW (170 MW gross output).¹

Description of Schiller Wood Conversion Project

For a number of reasons associated with the economic and environmental benefits of the project, PSNH is planning to convert Schiller's existing Unit 5 to burn wood as its primary fuel, while retaining the capability to burn coal as a secondary fuel. The conversion will involve the retirement of the existing Unit 5 coal and oil fired boiler, and its replacement with a similarly-sized, new Fluidized Bed (FB) boiler capable of burning wood or coal. FB boiler technology has been chosen because of its high efficiency at lower air emissions, and ability to accommodate a wider range of fuels. The FB boiler will be installed and housed in a new structure adjacent to the existing Schiller units. This will allow the existing Unit 5 boiler to remain in operation until the new FB boiler is ready to provide steam to the Unit 5 turbine generator, and will minimize the time Unit 5 will need to be taken out of service. An explanation of FB boiler technology, along with a schematic diagram showing a typical application of an FB boiler for steam generation, is enclosed for your information

Low-grade wood chips supplied in part by New Hampshire's wood industry will be the primary wood fuel source. Storage of the wood fuel supply will be on site at Schiller. Wood storage facilities and associated wood fuel handling and conveying equipment will be newly installed within and adjacent to Schiller's existing coal storage facilities.

The conversion project will be completed entirely within the confines of the existing Schiller property site. No new site acquisition or expansion will be required.

Unit 5's existing steam turbine generator and associated power generating equipment will be coupled to the new FB boiler, and will not be changed. The conversion will not result in any change in Unit 5's existing rated capacity of 45 net MW or its electrical output. After the conversion, Schiller will have the same rated power generating capacity of 153 net MW as existed before the conversion.

The projected in-service date for the fuel conversion of Unit 5 is December, 2005. PSNH has publicly termed the project the "Northern Wood Power Project". The enclosed PSNH Northern Wood Power Project Fact Sheet provides a project overview, a summary of the reasons for the project, and a summary of the project's

¹ In addition to the three steam units totaling 135 net MW, Schiller also maintains a combustion turbine capable of burning jet fuel or natural gas, currently rated at 18 net MW (20 MW gross output).

economic and environmental benefits. A conceptual image of the planned project layout at Schiller is also included.

Absence of SEC Jurisdiction Over the Project

In our view, the Schiller wood conversion project does not come under the SEC's jurisdiction for the following reasons:

1. New Hampshire's siting statute (RSA Chapter 162-H) has as its fundamental purpose the selection and utilization of appropriate sites within the State for new bulk power and energy facilities. The conversion project at Schiller does not implicate a siting decision, as the entire project will take place on the existing Schiller site, at a location where there has been a bulk power generating facility in continuous operation since 1949. There will be no new or expanded use or development of any areas beyond the confines of PSNH's existing Schiller property.

2. Schiller and its existing generating units was sited, constructed and placed in operation well prior to 1971, when the State's first siting law (former RSA Chapter 162-F, Chapter 357 of the Laws of 1971) was enacted and the SEC first came into existence as an administrative body. Former RSA 162-F:6, I, specified that no certificate was required for bulk power facilities "already . . . in operation" on the effective date of the statute. Schiller is thus a "grandfathered" electric power generating facility not previously certificated, or required to be certificated, by the SEC. As such, it is clearly not subject to the SEC's jurisdiction over "sizeable changes or additions" to facilities previously certified under prior chapters of the siting law.²

3. RSA 162-H:5, I, prohibits the commencement of construction of any bulk power or energy facility within the State without a certificate of site and facility, and further specifies that such certificates are "required for sizeable additions to existing facilities." Neither the siting law nor the SEC's rules define what is, or is not, considered a "sizeable addition" to an existing bulk power facility. Regardless, PSNH's wood conversion project will not involve any addition to Schiller Station. No new generating capacity will be added. Unit 5's existing boiler will simply be replaced with another similarly sized boiler capable of burning an alternative fuel source. The existing turbine generator and related electric generating equipment associated with Unit 5 will not be changed or significantly altered, but will remain in place. There will be no net increase in or expansion of the power generating capacity of Unit 5 or Schiller as a result of the conversion project.

4. The proposed conversion of Unit 5 to wood-burning capability is no different, conceptually, than the 1984 conversions of Units 4, 5 & 6 at Schiller to coal-burning capability, or the 1992 conversion of PSNH's Newington Station 415 net MW rated unit to the capability to burn natural gas in addition to oil. None of

² See RSA 162-H:5, II, which declares that sizeable changes or additions to facilities certified pursuant to RSA 162-F or RSA 162-H prior to January 1, 1992, shall be certified under the current RSA 162-H.

these prior fuel conversions at existing PSNH generating stations were the subject of SEC review or approval.³

Project Permitting Plan

The fuel conversion project at Schiller will entail PSNH's compliance with multiple environmental and other permitting requirements, even without SEC review. PSNH would like to assure the SEC that PSNH intends to fully comply with all applicable permitting requirements as it moves forward with the project. Preliminarily, PSNH has determined that one or more of the following State and local permitting or approval requirements may be applicable to this project: Air emissions permitting (new source review/prevention of significant deterioration, hazardous air pollutants/MACT standards, new source performance standards, air pollution dispersion modeling); NPDES permit amendments (process/cooling water, storm water discharges, construction activity); Wetlands; Site Specific/Alteration of Terrain permitting; Industrial Discharge permitting; Coastal Zone Consistency Review; Shoreland Protection; and, City of Portsmouth local land use compliance (zoning, site plan, demolition and building permit requirements). In addition, the entire project will be subject to review and consideration in filings PSNH has recently made with the New Hampshire Public Utilities Commission, pertaining to approval of the Schiller Unit 5 wood fuel conversion and the regulatory treatment of cost recovery.

Conclusion

PSNH's Schiller Station is a "grandfathered" facility under the State's siting law, hence, the SEC's jurisdiction over sizeable changes or additions to previously certified facilities does not apply to the fuel conversion project. Moreover, as the proposed project involves principally a boiler replacement to enable the burning of an alternative fuel source with no net increase or expansion of generating capacity, there is not a sizeable addition to an existing facility which requires a certificate. Finally, the purposes of the siting statute and the absence of SEC review or approval of similar PSNH projects in the past combine to support the conclusion that the wood conversion project presently planned by PSNH does not fall under the SEC's jurisdiction. PSNH intends to proceed with the project and file the necessary applications for all required State and local regulatory and environmental permits and approvals.

Given the scope of the project, and to provide a degree of certainty on this subject, PSNH respectfully requests that the SEC confirm in writing to PSNH its concurrence that the fuel conversion project at Schiller is not subject to the SEC's jurisdiction.

³ Each of these conversion projects was subjected to regulatory review by the New Hampshire Public Utilities Commission under filings made by PSNH.

Should there be any questions regarding this letter or the project itself, please do not hesitate to contact me at my direct dial extension, 634-2459. Thank you for your time and attention to this matter.

Respectfully,



Christopher J. Affwarden
Senior Counsel, Legal Department

Encs.

cc: Timothy W. Drew/NHDES, Committee Staff
Michael J. Iacopino, Esq., Committee Counsel
Michael J. Walls, Esq./NHDES, Assistant Commissioner
Debra Howland, Executive Director & Secretary, NHPUC