

# NORTH COUNTRY TRANSMISSION COMMISSION

November 20, 2009

## Public Utilities Commission Hearing Room A

### MINUTES

#### Attendees:

Senator Martha Fuller Clark	NH Senate
Senator Jacalyn L. Cilley	NH Senate
Representative William J. Remick	NH House of Representatives
Representative Naida Kaen	NH House of Representatives
Amy Ignatius	Commissioner, NH Public Utilities Commission
Michael Harrington	Senior Policy Advisor, NH Public Utilities Commission
Hon. Frederick W. King	for US Senator Judd Gregg
Kate Peters	Special Assistant for Policy, Office of Governor Lynch
James Robb	Dept of Resources and Economic Development
Richard Ober	Chair, Energy Efficiency and Sustainable Energy Board
Joanne O. Morin	Director, Office of Energy and Planning
Jeffrey Rose	for Business and Industry Association of NH
Michael Licata	Business and Industry Association of NH
Michael Giaimo	ISO-NE
Joseph Staszowski	Public Service of New Hampshire
Deb Hale	National Grid
Bill Gabler	Clean Power Development
Max Makaitis	Androscoggin Valley Economic Development
Pip Decker	Noble Environmental Power/Granite Reliable Power
Douglas Patch	Orr & Reno P.A., for Wagner Forest Management
Farrel Seiler	Carbon Action
Rachel Stuart	Tillotson Fund

#### Agenda Item 1: Welcome and Introductions

Senator Martha Fuller Clark opened the meeting of the Transmission Commission (Commission) at 2:32 P.M. She noted that under item 4 there will be 4(a) and 4(b), to include a report from PSNH. See link to the meeting agenda: [North Country Transmission Meeting Agenda](#).

Senator Fuller Clark recognized and congratulated Amy Ignatius, who moved from the Office of Energy and Planning (OEP) to an appointment as Commissioner with the NH Public Utilities Commission (NH PUC). Senator Fuller Clark also recognized and welcomed Joanne Morin, new Director of OEP.

Senator Martha Fuller Clark discussed the history of the Commission, which by law expired at the end of 2008. Upon vote of the Commission in December 2008, she submitted [SB 85](#), to extend the life of the Commission by another two years. The bill was passed and became effective in June 2009. The legislation added two new members – the Chair of the Energy Efficiency and Sustainable Energy Board and a representative of the Business and Industry

Association. The bill also authorized the Commission to retain a consultant to develop a solution to the issue of transmission expansion, which could be similar to the “California model” studied during the first two years of the Commission’s work. The funding for the consultant would be from monies set aside at OEP, from an American Recovery and Reinvestment Act (ARRA) grant for studies such as this. OEP has undertaken the first draft of an RFP, for review during the meeting, after updating attendees on developments since the last Commission meeting.

## Agenda Item 2: Updates on North Country Renewable Energy Projects

Granite Reliable Power Windpark: Pip Decker, project manager for the Noble Environmental Power, reported that the 99 MW windpark (33 turbines) had received approval from the Site Evaluation Committee. (See link for the text of his prepared remarks.) Mr. Decker stated that Noble had held a second ISO-NE interconnection queue position for another 146 MW, which is let go. He suggested that if the Commission can make progress on building towards a solution of the transmission problem, more companies will be willing to enter the queue to connect new renewable generation to the Coos Loop. Responding to a question from Michael Harrington regarding the status of the Army Corp of Engineers and a possible environmental impact statement, Mr. Decker stated that the company is working with three agencies to address the concerns of the Army Corp of Engineers and hope to bring that to resolution before the end of 2009 and start construction the first part of 2010.

Clean Power Development Biomass: Bill Gabler, project manager for the 29 MW biomass plant to be developed by Clean Power Development (CPD) in Berlin, stated that CPD had obtained all necessary local permits from the City of Berlin and all necessary state permits with the exception of a wetlands permit. The only issue with that permit is mitigation – CPD must find a suitable mitigation project or pay the state a wetlands mitigation fee of \$70,536. The project is otherwise ready to move towards construction and has two offers of financial support from an equity position and in discussions with a third company offering a different financing model; all three are dependant upon acquisition of a purchase power agreement (PPA) for the output of the plant. CPD is currently negotiating with two out-of-state utilities regarding a PPA and have a petition before the NHPUC, Docket No. 09-067, regarding PPA negotiations with PSNH. There is a two-year construction cycle; CPD hopes to begin construction in the spring 2010 and be operational in 2012. The ISO-NE feasibility study is complete, with no issues identified, and CPD does not anticipate problems with the ISO-NE system impact study that is now underway. During the 24-month construction period, employment should exceed 400, once complete there will be 24 full-time jobs in the plant and 100 to 150 foresters, loggers, and truckers to deliver the wood fuel. CPD anticipates a \$12M annual expenditure to New Hampshire providers for fuel procurement. It is currently working with other companies for a “system of synergies” to establish and implement green and conservation efforts using their projects, which will add additional jobs.

Laidlaw Energy Project: Ms. Ignatius read into the record a letter from Laidlaw Energy, which was not able to attend, regarding its 65 MW biomass plant to be developed in Berlin (see link for full text of the letter). Max Makaitis, Chair of a community based site evaluation committee and Director of the Androscoggin Valley Economic Recovery Foundation stated that the Laidlaw

plant will purchase \$25M of biomass annually, will have about 40 people working in the plant, and will create approximately 150 jobs in the woods delivering 700,000 tons of biomass. On behalf of the [Androscoggin Valley Economic Recovery Foundation](#) (AVER), he submitted a letter regarding economic development and job creation in the Androscoggin Valley in Coos County (see link for full text of the letter). AVER supports the upgrade of the Northern Loop in terms of developing and sustaining a growth alternative energy industry in Coos County which will provide hundreds of jobs. AVER believes that the cost of the upgrade should be socialized throughout New England to benefit people in creating alternative energy and reducing greenhouse gas emissions and pollution by creating a carbon-neutral energy source.

Senator Fuller Clark or noted that the Committee has had numerous discussions concerning the feasibility of regionalizing the costs within the state of New Hampshire as well as across all of New England. Moving forward, the Committee should continue to look at both solutions.

Michael Giaimo of ISO-NE reported that the six New England states agree on the importance of more renewable generation, but differ significantly over the allocation of costs to upgrade transmission to bring that power to the load centers. He noted that other parts of the country appear to be more collaborative regarding recovery of transmission costs to enable new renewable generation.

Hon. Frederick King asked Mr. Giaimo to comment on an October 2009 article in [The Wall Street Journal](#), regarding financial incentives at the Federal Energy Regulatory Commission (FERC) for new transmission investment. (See link for text of article.) Mr. Giaimo responded that although he could not speak for FERC, the article sounded consistent with [FERC](#) policies (see link to FERC homepage).

Ms. Ignatius confirmed that federal policy has been in support of enhanced returns on equity for transmission assets, as a way to incent new transmission investment. Mr. Harrington reminded everyone that although the enhanced returns may be good for transmission owners, they are a two edged sword, as ratepayers are assessed the cost of transmission that are used in the delivery of power. For that reason, the NH PUC and the New England Conference of Public Utilities Commissioners have opposed these high returns on equity.

Joe Staszowski of PSNH added that transmission companies can only recover costs based on a FERC determination, and that the methodology FERC applies to New England transmission owners imposes on ratepayers the costs of investments that enhance the reliability of the grid, but does not allow recovery for so-called “economic upgrades” that bring new renewables on the grid. These costs are to be borne by the project developers.

Mr. Harrington commented that New Hampshire’s dilemma is not significantly different from the rest of the country. In any place where there are deregulated markets, the costs to interconnect a new plant to the transmission system are paid by the generator. Someone looking to operate a plant must ask how much it is going to cost to run the feeder line from the plant to the existing transmission line and what upgrades will be required in the existing transmission to support the new generation. This is a cost factor that has always been charged back to the generator, so the plant would be built close to the supplier and a transmission plant that could

handle it. The new twist is what is called the “location constrained generation” common with wind, solar, and to some extent biomass, in which you cannot move the plant to the transmission; so you have to bring the transmission to the plant because you have to build the wind plant where the wind is blowing, or the hydro plant where there is water, etc. The country, or New England, has not come up with a good method of addressing that issue. California has begun looking at it.

Mr. Staszowski reiterated that pursuant to FERC Schedule 22, if a transmission line is operating reliability before the additional of new generation, then the generator must bear all of the costs of upgrading the line to accommodate the new generation. There are no fee-based transmission costs in New England.

Senator Fuller Clark stated that one of the issues is that transmission upgrades are considered on a project-by-project basis, which is more expensive than if you designed a system to move a significant amount of power and make the necessary upgrades at once. Ideally you want to predict a reasonable amount that you expect to be developed over five or ten years and figure out how those costs will be borne because not all the projects are going to come on-line at the same time, and some of them may not come on line at all, raising the potential for stranded costs. That is why this Commission is looking at a way to share the risk for those costs so we could make the economic investment to upgrade the Loop in a way that no one entity would have to carry the full burden and keep it economically efficient.

Hon. King wanted to include in the record that years ago, another project was developed on the Androscoggin River. The developer paid to upgrade the transmission line, which was the same transmission line we are talking about today. It is his understanding that the developer also agreed to pay so much a unit of power to ship the power out.

North Country Wind Project: Douglas Patch or Orr & Reno P.A., updated the Commission on the Wagner Forest Management project, a 180 MW wind facility in Dixville. The developer has leases to cover the entire project area. It has had two meteorological towers collecting wind data on-site for over a year and may add more test towers next year. Further work, however, is predicated on resolving the transmission issue in the North Country. ([Adobe link.](#)) Mr. Patch added that Wagner is involved in two projects in Maine which may prove easier to develop. For the time being, however, it is pursuing this project, at an anticipated cost of \$470M. It would add significant tax revenue in Coos County; with hundreds of jobs in the construction phase; 10 to 15 jobs once operational, and could well be an “anchor tenant” for a new transmission upgrade.

### Agenda Item 3: Updates on Federal Energy Legislation and Transmission Provisions

Ms. Ignatius highlighted Congressional actions in Washington. There are two bills that are moving forward in the Senate: an energy bill in the Energy Committee and a climate change and environmental protection bill in the Environmental Committee. They have both made it out of committee and the expectation is that on the Senate floor they will be merged into one mega-bill. During the negotiations over the ARRA, there had been grants for costs associated with bringing new renewable development to load centers, but those provisions were stripped out at the last minute, possibly because they would be picked up instead in the energy legislation

that was in the development stage. It remains to be seen whether such funding makes it to the final language of the energy bill, but the current draft includes some provisions that may be useful for the Coos Loop. There is a section on FERC and federal regulators looking at ways to bring renewable projects on line, including how costs are allocated; how those transmission costs should be shared; and a provision to give FERC authority to site a project if a developer hits a roadblock at the local level. There is a provision for funding for various transmission issues, including: grants to transmission providers for improvements, such as smart grid investments to benefit consumers; grants to developers for projects such as energy storage and reliability or distributed renewable energy. There is a section on funding ways to integrate new renewable energy resources into the grid.

In addition to the federal legislation, it should be noted that the NH PUC has continued to urge ISO-NE to change the tariffs to allow for sharing of costs for upgrades that bring remote renewables into load centers, as well as for those upgrades that are for reliability purposes.

#### Agenda Item 4: Reports on Minimum Interconnection Standards for Coos Loop Projects

Mr. Harrington described the “minimum interconnection standard” used by ISO-NE. It means that if there is a line that is capable of handling a 100 MW transmission line, then anything up to 100 MW can connect on that line under the minimum interconnection standard. There could be multiple plants all connected under the same line because they could all produce up to their full amount of electricity, assuming that none of the other plants were running. The problem comes when you have multiple plants because they are all going to want to run to the maximum extent possible. ISO-NE will dispatch the lowest bid resource because that is what is economical. When new plants are added, there is not a pecking order or hierarchy to existing plants, so if a new plant comes on and bids lower, the older plant could be displaced as to which gets dispatched. It is whichever bids the lowest, with no seniority rights; there are not even any rights if you spent the money to upgrade the transmission when you came in. If a new company can bid their electricity lower, they will get dispatched even over the facility that paid for the upgrade to the line, under the minimal interconnection standard.

Joe Staszowski added that a purchase power agreement has no impact on whether the plant is dispatched. The plant will bid into the ISO-NE market, and ISO-NE will dispatch generators from the lowest to the highest cost. Whether a plant is dispatched is dependant on the bid price, not on any contractual price under a PPA. If there are three units and all three bid the same amount, ISO-NE prorates them and they are each allowed a third of the available MW.

Ms. Ignatius noted that under the minimal interconnection standard, ISO-NE sees the potential for Granite Reliable (wind), CPD (biomass) and Laidlaw (biomass) to come on the line, without significant upgrade. As clarified by Mr. Staszowski, the real change from a year ago is that the queue position held by Noble for 180 MW in a second phase of the Granite Reliable project has been given up, which frees up significant space on the line for other developers. For Wagner or another developer to go forward will require the large scale upgrade that was being discussed a year ago, in the range of \$150 M to enable another 400 MW to use the Coos Loop.

#### Agenda Item 5: Coos County Commission Request for Economic Study

Senator Fuller Clark distributed a letter from the [Coos County Commissioners' Office](#) in support of upgrading the Coos Loop and resolving the Coos County transmission deficits so that renewable energy projects can be build in the economically depressed North Country. (See link for full text of the letter.) The letter also requested that the Commission seek proposals from qualified consultants to advance the project of updating the transmission loop.

Senator Fuller Clark discussed the framework of identifying the appropriate level of upgrade (that is, how many MW to plan for). She suggested that the Commission develop a proposal for FERC's consideration, that would require a waiver from the standard recovery mechanisms for an economic upgrade to the transmission line. Efforts among the merchant developers, PSNH, and NH PUC have not led to a workable proposal; a qualified consultant is needed to develop the framework.

A discussion ensued regarding various models for cost recovery. Senator Fuller Clark suggested that the best model she knew was the California model. Mr. Patch noted that Michigan has a very different model from the California model that is also worth considering. Ms. Ignatius suggested that Commission members review the 2008 [Progress Report](#) to the Legislature (see link for full report) which explores these models in detail. Senator Fuller Clark recommended that the Commission move forward in a reasonable time so as not to loose the opportunity, and to develop a strategy and present it in the best possible light. Kate Peters from Governor Lynch's Office asked if we are requesting the consultant to develop a single framework, or several frameworks, upon which the Commission will vote, and what would the scope and options of the consultant's directive might be. Mr. Patch expressed hope that the consultant would be interactive with the Commission and not simply prepare a research document.

Joanne Morin of OEP suggested that the Commission assign a few members to a committee to oversee the technical issues and draft a set of guiding principles that would be made a part of the RFP. Joe Staszowski, Michael Harrington, and Rachel Stuart volunteered to be on the technical advisory committee.

#### Agenda Item 6: December Meeting and Agenda

The next meeting of the North Country Transmission Commission will be December 21, 2009, 10:00a.m. to 1:00p.m. at the Legislative Office Building, Concord, in a room to be determined. Issues to be addressed include updates on the Miracle Mountain and Balsams renewable projects, report from ISO-NE on relevant developments, review of the consultant RFP and an update on the Northeast Utilities and National Grid transmission projects under development.

#### Agenda Item 7: Further Business

None.

#### Agenda Item 8: Adjourn

There being no further business, the meeting of the North Country Transmission Commission adjourned at 4:33 P.M.