



October 31, 2008

VIA E-MAIL

Thomas B. Getz, Chairman
New Hampshire Public Utilities Commission
21 S. Fruit St, Suite 10
Concord, N.H. 03301-2429

RE: Comments Concerning North Country Transmission Infrastructure Report

Dear Chairman Getz:

We are writing in response to the Public Utilities Commission's request for input from developers interested in the future of the North Country transmission loop. As background, we have attached the letter we submitted to Michael Harrington on January 8, 2008, re: Comments Concerning North Country Transmission Infrastructure Report.

In that letter we outlined the following points:

- Renewable energy can and will play an important part in revitalizing the economic vitality of the North Country, but if the associated costs of transmission upgrades needed are disproportionately placed on the generators, then projects will not move forward and as a consequence the state and region will suffer;
- Laidlaw would be willing to assume some of the burden of the necessary transmission upgrades, but cautions that too large a financial burden would hinder the financing of projects;
- Laidlaw believes that the PUC should consider and aggressively pursue ways to socialize the costs of the transmission upgrades beyond just the generators;
- Laidlaw also encourages the PUC to explore ways to finance the upgrades using alternative compliance payments and RGGI funds.

Since the time we submitted our January letter, the prospects for new renewable energy project development have changed significantly. Across the country, many projects have been stopped or delayed, with unfortunate consequences for economic growth and renewable energy supply. Fortunately for us, our financing remains in place and we continue to move forward. We are, however, under greater scrutiny and pressure to

mitigate risk, especially the risk associated with uncertainties of transmission cost allocations. This risk of uncertainty is also present for ratepayers, who under most proposals, would pay for upgrades until the corresponding generation is built. This “build it and they will come” mentality is fine if the generation materializes, but becomes a stranded cost if it does not.

In addition to the foregoing, we strongly encourage the PUC to consider the following:

Step I – Supporting projects currently under development:

With respect to the possible transmission upgrades to the Coos loop required to support projects that are currently under development, three main questions remain: What is needed? How much will it cost? How should costs be allocated? We feel strongly that the current system can accommodate additional generation with a minimal amount of upgrades. Depending on generation location and type, we have been advised that between 100-160 megawatts of capacity is available. A fundamental flaw in the ISO-NE queue process is that projects that will never be built, or that may take many, many years to build, can clog up the interconnection study process and delay development of projects that are ready to move forward to construction. Under current rules, ISO-NE is not required to assess project viability or timetable in conducting its study efforts, and has no mechanisms to reshuffle the deck or prioritize projects that are ready and able to move forward expeditiously.

We strongly recommend that the PUC sponsor a qualification process to determine which of the projects currently in the ISO queue are capable of being built within a relatively short time period. To qualify, prospective generators should be required to provide a deposit significant enough to discourage speculators, and should formally agree to submit to the jurisdiction of the Environmental Facilities Site Evaluation Committee and submit an EFSEC application within an established time period. Alternatively, if this is not procedurally viable for smaller projects, then such projects that fall outside the EFSEC jurisdiction should be required to apply for all major permits and operating licenses. Once this is accomplished, a “joint interconnection study request” should be submitted to ISO-NE to determine the technical and financial impacts on the grid with respect to these qualified projects. This process will identify what is needed and what it will cost to get projects that are feasible up and running. In addition, this might break the current logjam at the ISO with respect to completing the current requests for interconnection studies.

Once the qualified projects are identified and have submitted their respective EFSEC applications, we feel that a directive to PSNH should be made that allows them to construct the necessary upgrades to support the qualified projects plus whatever surplus capacity is deemed appropriate. Upgrade related costs should be shared between ratepayers, generators, and funds generated through the RGGI and alternative compliance payments. In addition, the PUC should use all possible efforts to further streamline the EFSEC process for renewable generators.

Step II – Creating an environment that encourages new renewable generation to locate in the North Country:

The history of the North Country is that of creating wealth from its abundant natural resources. Over the past few years, the demise of the paper industry has had a significant adverse economic impact on the region, with a realization that even rural New Hampshire is not immune from the impacts of globalization. The opportunity to once again generate wealth from the region's natural resources, in an environmentally beneficial manner, is now presented by the renewable energy industry. From the construction of wind farms to operating and supplying biomass plants, the region can generate a significant amount of energy from safe, reliable and stable renewable sources. We recommend that the PUC sponsor a commission to research and make recommendations on what will be required to encourage developers of renewable generation to site their projects in the North Country. Whether it's an upgrade to existing transmission systems or construction of new systems, there needs to be a plan that compares the available resources and potential generation with respect to the New Hampshire RPS, RGGI requirements and the ever-increasing demand for electricity in New England.

We feel that this two step approach has the advantage of getting current planned renewable energy projects up and running quickly, while simultaneously creating a framework that attracts new generation to the North Country with reduced risk to developers and ratepayers.

Very truly yours,



Michael B. Bartoszek
President & CEO

Attachment (1)



January 8, 2008

VIA E-MAIL

Mr. Michael Harrington
Senior Regional Policy Adviser
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, N.H. 03301-2429

RE: Comments Concerning North Country Transmission Infrastructure Report.

Dear Michael:

I am writing to comment on Section 3.2 of the Public Utilities Commission's Report on New Hampshire's Transmission Infrastructure, which outlines a possible scenario for upgrading the North Country loop. I appreciate the opportunity to share with you Laidlaw Energy Group's views on this important matter.

By enacting an aggressive renewable energy standard, the State of New Hampshire has intentionally or otherwise made the North Country loop an important component of the state's energy and economic future. Unlike fossil fueled generation, renewable projects are forced to locate where the resources are, and, as you most accurately described in your report, this is typically in rural areas with inadequate transmission capacity. Furthermore, while these natural resources may exist in other parts of the state, the North County, with its skilled workforce and need for economic development, offers the best environment to build the renewable generation needed to meet New Hampshire's stated goals. In fact, I would contend that the only way New Hampshire can achieve 20/25 is by tapping the abundant resources of the North Country.

However, as we all know, none of this will become a reality without adequate capacity to export that power to the ever increasing demand of New Hampshire's southern tier. It's no secret that the loop is very old and has suffered decades of undercapitalization, therefore the process of bringing it up to 21st century standards will need to be structured in a manner that encourages, not discourages, the "build out" of new plants.

Mr. Michael Harrington
New Hampshire Public Utilities Commission
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Laidlaw believes that evaluation of any transmission plan must be informed by the decision already made by the State to drastically increase its reliance on renewable generation. Failure to attain the State's self-imposed goals will result in severe penalties that will ultimately be borne by New Hampshire's ratepayers. In this context, the State needs to think not in terms of merely accommodating possible new generation, but actively encouraging it. In addition, the North Country is in dire need of economic development due to the demise of the paper making industry that was the driving force in the region for over 100 years. The building, fueling and operating of renewable generating facilities, especially biomass, offers tremendous promise for the economic renewal of the region. Any plan that places an excessive capital burden on potential projects to the point of unacceptable risk to investors will not achieve the ultimate goal of the PUC or provide much needed economic opportunities to the citizens of the North Country. Indeed, if the PUC's plan stifles development of new generation, North Country ratepayers may ultimately find themselves subsidizing renewable projects outside the state or even in Canada.

Renewable energy projects are capital intensive and entail significant risk under the best of circumstances. The scenario outlined in the report, whereby new generators would shoulder the entire cost of upgrading the loop, would significantly impact Laidlaw's capital budget. To be fair, we would be willing to assume some of the burden of the necessary transmission upgrades, but not at the expense of developing a project that is ineligible for financing. Although the economics of renewable energy generators vary from project to project, and Laidlaw certainly cannot speak authoritatively on other projects, we feel that if this approach represents an impediment to our project than it might well inhibit others as well. Should that be the case, than New Hampshire will miss out on an opportunity to develop much needed new sources of renewable energy generation while at the same time providing economic development to the region.

Laidlaw believes that the PUC should consider ways to socialize the costs of the transmission beyond just the generators, which would recognize the fact that the benefits of renewable energy projects extend beyond just the builders and operators. Indeed, a strong case can be made that such benefits extend beyond even New Hampshire's borders, which would support an argument for socializing the costs across New England. Laidlaw recognizes that such a decision is not the PUC's to make, but would encourage the PUC to pursue such socialization aggressively.

Additionally, Laidlaw believes that the PUC should examine the feasibility of offsetting some of the upgrade costs with funds the State will generate from alternative compliance payments and REGGI penalties. Philosophically, this approach has a lot of merit as it would use the funds generated by non-compliance to help encourage compliance.

Laidlaw looks forward to becoming an important part of New Hampshire's efforts to move toward renewable energy generation. However, as with any project, we are constrained by basic economic principles of risk and reward. If the State decides to

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impose the entire burden of upgrading the North Country loop on new projects, proceeding with our plans to provide New Hampshire with additional renewable energy could well prove impossible.

Again, thank you for the opportunity to comment on the PUC's transmission report, and we look forward to continuing the dialogue at your convenience. Please do not hesitate to contact me if you have any questions.

Very truly yours,
LAIDLAW BERLIN, LLC.



Michael B. Bartoszek
President & CEO

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