

NORTH COUNTRY TRANSMISSION COMMISSION

FINAL REPORT TO THE GENERAL COURT

December 1, 2010

I. SUMMARY OF THE FINAL REPORT

The North Country Transmission Commission (NCTC) continued in its mission to study the “Coos Loop” capacity limitations and options to expand its ability to dispatch renewable power to the electric grid. It managed a competitive process to select and direct a consultant, KEMA, Inc., to develop a framework for a plan to upgrade the Coos Loop and oversaw outreach sessions for all interested stakeholders to understand the consultant’s proposals. The NCTC recommends continued work on the issues presented, through an extension of the NCTC with some change in its mandate and structure.

II. HISTORY AND DUTIES OF THE NCTC

The North Country Transmission Commission (NCTC) was created by the General Court in 2008 (SB 383) and extended by SB 85. The NCTC membership comprises State and federal officials, the Office of the Governor, state agencies and the Energy Efficiency and Sustainable Energy Board, business and charitable interests, renewable energy developers and public utilities. The NCTC’s initial charge was to “develop a plan for the expansion of the capacity in the North Country”.

The NCTC’s initial focus was understanding the issues of transmission capacity, the workings of the regional transmission system and how the Coos Loop facilities fit within the regional system, the options and associated costs to increase transmission capacity, and potential renewable developers who might bring wind, biomass and new hydropower onto the grid using North Country resources. The NCTC filed an interim report of its activities in December 2008 to the General Court, which recounted the issues studied and recommendations for legislative action, including extension of the NCTC for another two years.

NCTC Chair Senator Martha Fuller Clark, introduced SB 85 which extended the NCTC with some change to its membership and duties, which was passed in June of 2009. The bill added two new members: the Chair of the Energy Efficiency and Sustainable Energy Board as a voting member and a representative of the Business and Industry Association of New Hampshire as a non-voting member. SB 85 further authorized the Commission to retain a consultant to assist in “developing the framework for a plan to upgrade the Coos County transmission loop”, expending up to \$200,000 as well as other grant funds that might be available. The Office of Energy and Planning (OEP) supported the study with State Energy Program funds from the American Recovery and Reinvestment Act (ARRA).

After passage of SB 85, the Chair consulted with OEP to explore the mechanism to retain a consultant, and OEP set to drafting a competitive RFP for the effort. Over coming months, the NCTC finalized and issued an RFP and a subcommittee designated by the NCTC undertook to

evaluate the bids, interview the highest scoring bidders, and make a recommendation to the NCTC for selection of the consultant which was approved by the Governor and Executive Council on April 28, 2010. The NCTC awarded the bid to KEMA, Inc. of Burlington, Massachusetts. The KEMA Report was submitted October 1, 2010.

III. STATUTORY MEMBERSHIP AND CURRENT PARTICIPANTS

| 12 Voting Members (statutory quorum is 6 voting members) | | Appointing Authority |
|--|---------------------------------|---------------------------|
| For the Senate | Senator Fuller Clark | Senate President |
| | Senator Cilley | Senate President |
| For the House | Rep. Kaen | Speaker of the House |
| | Rep. Remick | Speaker of the House |
| Governor Lynch | Kate Peters as designee | Governor Lynch |
| North Country | Donald Tase | Governor Lynch |
| | vacant ¹ | Governor Lynch |
| | vacant ² | Governor Lynch |
| Office of Energy & Planning | Joanne Morin/Laura Richardson | OEP |
| DRED | vacant ³ | DRED |
| PUC | Amy Ignatius/Michael Harrington | PUC |
| EESE Board | Richard Ober, Chair | EESE Board Chair required |

| Non-Voting Participants | representing: |
|--|--|
| Renewable projects (unlimited number) | Wagner Forest Management Granite Reliable Power Clean Power Development Laidlaw Berlin BioPower |
| Senator Gregg | vacant ⁴ |
| Senator Sununu | Steve Barba |
| Senator Shaheen | Chuck Henderson |
| Rep. Hodes | Stephen Huntington/MaryLou Krambeer |
| Rep. Shea Porter | Teri Beyer |
| Unregulated Energy Sources | vacant ⁵ |
| FERC expertise | vacant ⁶ |
| PSNH | Joe Staszowski |
| National Grid | Terron Hill/Deb Hale |
| NE Power Generator Assoc. | Chris Sherman/Sandi Hennequin/Steve Zuretti |
| BIA | Jeffrey Rose/Mike Licata |

¹ Palmer Lewis served but had to resign due to other commitments.

² Michael Brunetti served but had to resign due to other commitments.

³ Michael Vlacich and James Robb served but moved to new jobs, the position is now vacant.

⁴ Frederick King served but resigned his position though continued to be an active attendee.

⁵ Sandi Hennequin served in this capacity but moved to another job, and continues to participate on behalf of her new employer; William Gabler also served in this capacity but resigned due to a job change.

⁶ FERC never designated a person to fill the position.

IV. NORTH COUNTRY TRANSMISSION COMMISSION MEETINGS

Since submission of the Interim Report December 1, 2009, the NCTC met on the dates below. Detailed minutes from all meetings are posted on the NCTC portion of the PUC webpage. In addition to the dates on renewable projects in the North Country and developments at FERC or ISO-NE⁷ at each meeting, the NCTC focused on the following:

| | | |
|-------------------|-----------|--|
| December 21, 2009 | Concord | review consultant RFP, NU high voltage line report |
| January 22, 2010 | Concord | finalization of consultant RFP |
| March 26, 2010 | Concord | review of best bids, selection of consultant |
| June 17, 2010 | Littleton | KEMA plans, input from members, observers |
| October 4, 2010 | Berlin | Draft KEMA report, discussion |
| November 9, 2010 | Concord | Review KEMA report, recommendations re: NCTC |

V. KEMA STUDY

A. KEMA Outreach

KEMA reached out to legislative and community leaders, as well as interested developers and affected utilities. In addition to numerous face-to-face meetings and phone conferences, KEMA conducted a public input session in Berlin, New Hampshire. The RFP required a rapid assessment of the issues and short turnaround to final recommendations by October 1, 2010, deadlines which KEMA met.

B. Conclusions and Recommendations of the KEMA study

KEMA proposed ways in which the State of New Hampshire could help to remove existing barriers to transmission development. Its recommendations included supporting renewable developers through a direct subsidy or other incentives, such as state funded loans or loan guarantees and an agreement to purchase a facility's output, at a discount, to meet the State's electricity needs. This would make financing of a project more attractive and the state would meet its renewable energy goals. Developers, assured their output had been sold, would be confident in financing the transmission upgrade. As a benefit the North Country, the State could offer reduced electricity to the North Country municipalities. The KEMA Report, which sets forth the outreach and feedback received from North Country stakeholders, the current capacity situation, methods of cost allocation used elsewhere, and detailed recommendations, is available on the NCTC portion of the PUC website.

⁷ ISO-NE is required by statute to advise the NCTC on issues affecting the regional electricity grid; ISO-NE regularly participated in NCTC meetings.

VI. RECOMMENDATIONS OF THE NORTH COUNTRY TRANSMISSION COMMISSION

A. Legislative Action re: KEMA Proposal

After discussion, NCTC participants and other attendees felt that the KEMA recommendations could not be implemented at this time, for a number of reasons. Some felt the State would not undertake the risk of development that might never come to pass, others felt that the legislature was not likely to impose costs on all ratepayers for an effort that primarily benefits the North Country, particularly in a difficult economy. Developers argued that even with beneficial terms such as low interest loans or loan guarantees and a percentage of costs picked up by ratepayers, the cost to upgrade was still too high for a private developer to undertake. Developers also were concerned with the recommendation that the State might purchase power at a discount, which they felt would undermine the project's economic viability. Others expressed concern that with additional transmission being envisioned by Northeast Utilities, which could bring significant new generation into New England, the market for new power might be depressed such that developers may no longer be interested in building in Northern New Hampshire. Finally, an unregulated transmission provider argued that the safest way to enable new generation was to support new transmission outright, rather than through incentives to renewable generators and that once the transmission capacity is certain, developers will follow.

B. Legislative Action re: Continued Work of the NCTC

In addition to the KEMA recommendations, there was discussion of the future of the NCTC itself. It was generally agreed that the issues should not be dropped and that the complexity of the problem was not a reason to cease looking for a solution. At the same time, everyone recognized that the transmission situation in the North Country is subject to significant changes, with proposals from NStar/Northeast Utilities bringing power from Hydro Quebec, possible expansion through a consortium of transmission owners and interest from New England Independent Transmission Company, a merchant developer of transmission. Everyone agreed that an extended NCTC or new entity would also benefit from some organizational changes.

Members agreed that the *scope* of the NCTC going forward should be redefined, though exact terms were left to legislative sponsors. Among the possible changes:

- consideration of the Northeast Utilities/NStar project that would bring Hydro Quebec hydropower into the state for ultimate use in southern New England;
- consideration of concepts being developed by a consortium of transmission owners looking at expanded transmission lines to allow renewable power from Vermont, New Hampshire and Maine to be transmitted to the load centers of southern New England;
- a broader discussion of renewable power generation in the state as a whole (though other members believed the focus should remain strictly on the North Country); and

- a broader discussion of the benefits that accrue to New Hampshire from renewable developers, in particular questioning whether a developer owned by a foreign corporation was truly bringing benefits to the community (though other members believed jobs in the state were more important than where the profits ended up).

Members agreed that the *organization* of the NCTC needed some refinement, including the following suggestions:

- expand the role for North Country representatives in decisions regarding the Coos Loop;
- revise the voting/non-voting structure to address the difficulty of many participants but not enough voting members being present;
- revise the list of participants to make clear it is an office or organization, as opposed to a specific individual, that selects a participant (for example, the current statute gives appointing authority to Senator John E. Sununu and Senator Judd Gregg rather than to each of New Hampshire's United States Senators);
- change the Public Utilities Commission from voting to non-voting status, given the possibility that specific projects that may require PUC approval would be discussed in detail during future NCTC meetings; and
- remove the requirement of a designee from the Federal Energy Regulatory Commission as no designation has ever been made.

Though the NCTC ceases operation with the filing of this Report, participants are available to respond to questions of legislators who may consider a bill to extend the life of the NCTC for further work on these issues.

The participation of the Commission members, voting and non-voting, and the support of the Public Utilities Commission and the Office of Energy and Planning, most particularly the work of Director Joanne Morin, Laura Richardson, Commissioner Ignatius and Catherine Marsellos, were invaluable. As Chair of the Commission, I would like to thank everyone for the help they provided in moving us forward on the economically important and difficult issue of expanded transmission capacity in the North Country. It is my hope and that of the current transmission Commission members that further progress can be made over the next two years.

Respectfully submitted,

Senator Martha Fuller Clark
NCTC Chair