

DE 10-195

Exhibit No. #8
Witness Panel 1
DO
FILE

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 10-195

Request for Approval of Power Purchase Agreement
Between
Public Service Company of New Hampshire
and
Laidlaw Berlin BioPower, LLC

January 18, 2011

REBUTTAL TESTIMONY OF

LISA K. SHAPIRO, Ph.D.

INTRODUCTION

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Q. Please state your name, title and business address for the record.

A. My name is Lisa K. Shapiro and my business address is 214 North Main Street, Concord, NH 03301. I am Chief Economist at Gallagher, Callahan & Gartrell, P.C.

Q. Have you previously submitted testimony in this proceeding?

A. Yes, I have submitted prefiled direct testimony on July 26, 2010.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of this testimony is to rebut the prefiled direct testimony of staff witness Thomas C. Frantz.

Q. Please summarize the subject matters you will rebut.

A. Mr. Frantz states (page 1) that his testimony analyzes the economic development benefits factors discussed in RSA 362-F9,II(e), and then concludes (page 8) that he cannot recommend that the Commission approve this PPA as filed. I disagree with Mr. Frantz's conclusion because his analysis rests on 3 critically flawed assumptions.

First, Mr. Frantz relies on Mr. McCluskey's estimate of total above market costs of the PPA. Second, he assumes that the economic harm from the alleged above market costs outweigh the economic benefits. Third, he does not take into account all of the economic benefits of the Laidlaw project.

1 **Q. Do you agree with Mr. Frantz’s assumption that the annual cost of the PPA is \$26**
2 **million in above market costs to PSNH’s customers?**

3 A. PSNH disagrees with this assumption. Please see the rebuttal testimony by PSNH
4 witnesses Gary A. Long, Terrance J. Large and Richard C. Labrecque which provides
5 extensive discussion of Mr. McCluskey’s analyses and conclusions. Mr. Frantz states
6 that his reasoning for rejecting the analysis that the PPA will provide net economic
7 benefits is “not that Dr. Shapiro’s analysis is seriously flawed or that the model is
8 fundamentally flawed . . .but rather that Dr. Shapiro makes no provision for the fact that
9 this contract’s prices are above market.” (page 6). However, if it is Mr. McCluskey’s
10 estimate that is flawed and the net economic impact of the project is positive, then Mr.
11 Frantz’s basis for his conclusion is moot.

12
13 **Q. Does Mr. Frantz provide an estimate of what the economic effect on New**
14 **Hampshire would be if the PPA between PSNH and Laidlaw results in over-market**
15 **costs alleged by Mr. McCluskey?**

16 A. Mr. Frantz cites data provided by me in a data response, Staff Set-06, Q-Staff-009. The
17 estimates, based on Dr. Gittell’s report, are that a \$10 million increase in electric rates
18 would reduce Gross State Product by about \$5 million and reduce employment by about
19 65 jobs.

1 **Q. Does Dr. Gittell's study provide an estimate of the reduction of jobs and Gross State**
2 **Product from an electric rate increase closer in value to Mr. Frantz's assumption of**
3 **\$26 million rate increase?**

4 A. Yes, Dr. Gittell's study reports that an approximate \$25 million rate increase in 2015
5 associated with certain pricing assumptions if New Hampshire does not participate in
6 RGGI would lead to an estimated reduction in Gross State Product by about \$7.3 million
7 and reduction in employment by about 84 jobs.

8

9 **Q. Do you agree with Mr. Frantz's conclusion that the economic harm from a**
10 **hypothetical \$26 million rate increase would outweigh the economic benefit from the**
11 **PPA as filed?**

12 A. No, I do not. The estimate of the increases in Gross State Product and Employment from
13 the PPA are greater than the estimated loss, thus still providing substantial net economic
14 development benefits to the state. The estimates of the positive economic development
15 benefits in my direct testimony for the operating phase of the proposed Project using the
16 RIMS II model are 229-276 jobs (page 11) and \$19-\$24 million in Gross State Product.
17 These are significantly greater than the economic harm estimate of the alleged \$26
18 million rate increase included in Mr. Frantz's testimony. Even if Mr. Frantz were to
19 simply gross up linearly the estimated Gross State Product and Employment reductions
20 from a hypothetical \$10 million rate increase to a hypothetical \$26 million rate increase
21 provided in Staff Set-06, Q-Staff-009, the economic development benefits estimated are
22 still a net positive.

1 **Q. Are there additional benefits associated with the proposed Project that you did not**
2 **include in the RIMS II modeling?**

3 A. Yes, there are. As I indicated in my direct testimony, Laidlaw stated in their SEC
4 application that they expect to pay in excess of \$1 million in local property taxes. I also
5 indicated that they would pay other taxes such as the statewide utility property tax and
6 the business enterprise and profits taxes, and make expenditures on goods and services
7 typically needed to operate and maintain a biomass facility beyond expenditures on
8 biomass fuel. Furthermore, I indicated that the estimated economic benefits resulting
9 from the RIMS II modeling did not reflect indirect and induced benefits that are likely to
10 result from facility expenditures on local goods and services other than biomass fuel and
11 from any new spending by the 40 permanent employees on local goods and services.
12 Inclusion of these additional benefits would increase the RIMS II estimates I reported in
13 my direct testimony.

14
15 **Q. Are there additional economic benefits that should be considered in analyses of the**
16 **RSA 362-F:9, II(e) factor?**

17 A. Yes, there are. I included in my direct testimony letters from the Coös County
18 Commissioner's Office and the Community EFSEC Advisory Commission organized by
19 the Androscoggin Valley Economic Recovery Corporation supporting the substantial
20 economic development benefits of the Laidlaw project. On September 9, 2010, the
21 Androscoggin Valley Economic Recovery Corporation filed comments in SEC Docket
22 No. 2009-02 and in this docket in which it expressed full support of the proposed Project
23 and set forth substantial federal and community benefits from timely approval of the

1 proposed Project. The list of benefits can be seen in AVER`s letter of September 9,
2 2010, a copy of which is attached to this testimony. The specific benefits detailed in the
3 AVER letter include the following:

- 4 1. \$44.5 million in federal New Market Tax Credit Authority
- 5 2. \$2.25 million of the NMTC as a Community Loan Fund
- 6 3. \$2.25 million of matching leveraged funds from the Community Loan Fun
- 7 4. \$250,000 of the NMTC in grants for job, equipment, safety and responsible
8 forestry practices training.
- 9 5. \$20 million in ARRA Recovery Zone Facility Bond Financing Authority
- 10 6. \$500,000 City of Berlin, NH Targeted Economic Development Funding
- 11 7. A “River Walk” along the Androscoggin River for community use
- 12 8. An ATV/Snowmobile trail along Hutchins and Coos Streets
- 13 9. Landscaping and new fencing
- 14 10. Sponsorship of local events and social activities
- 15 11. Plant tours to educate and promote alternative energy
- 16 12. Low cost thermal energy to the Fraser plant and other collocating businesses.
- 17 13. Priority hiring of local workers
- 18 14. Local purchases of biomass
- 19 15. A community parking lot
- 20 16. A student intern program to develop alternative energy

21
22 In addition, Mr. George Sansoucy, on behalf of the City of Berlin, submitted direct
23 testimony on December 17, 2010 outlining the economic development benefits from the
24 Project to the City of Berlin. A number of the benefits identified in Mr. Sansoucy`s
25 testimony are listed above. In addition, Mr. Sansoucy`s testimony identified \$3 million
26 per year in payments to the City for taxes, sewer and water and an additional \$10 million
27 in total operating expenses. Most of these benefits were not included in the RIMS II

1 model estimates reported in my direct testimony. . These additional benefits are directly
2 relevant to assessing the economic development benefits of the PPA.

3

4 **Q. Can you please summarize the key conclusions in your rebuttal testimony?**

5 A. The proposed Laidlaw power plant will provide significant economic benefits to an
6 economically depressed area of the state of New Hampshire by supporting 470 average
7 annual New Hampshire jobs during the construction of the Project, and once operational,
8 40 direct jobs at the plant, and about 200 additional indirect and induced jobs, many of
9 which will be in the logging and related industries. In addition, there are other significant
10 economic development benefits, as discussed above.

11

12 Mr. Frantz’s conclusion relies on a fundamentally flawed assumption that the above
13 market costs of the PPA are \$26 million a year. Even taking into account all of the
14 economic development benefits from the project as compared to the economic impacts
15 from a hypothetical \$26 million rate increase, there are still substantial net economic
16 benefits.

17

18 **Q. Does this conclude your rebuttal testimony?**

19 A. Yes, it does.

ATTACHMENT LKS-1



Coös County Commissioners' Office

P.O. Box 10
West Stewartstown, N.H. 03597
603-246-3321
fax: 603-246-8117

February 10, 2010

NH DEPT. OF
ENVIRONMENTAL SERVICES

FEB 10 2010

RECEIVED

Thomas S. Burack, Chairman
Site Evaluation Committee
NH Department of Environmental Services
29 Hazen Drive
Concord, New Hampshire 03301

Re: Application of Laidlaw BioPower, LLC: Docket No. 2009-02

Dear Chairman Burack:

This letter is written in response to your order dated January 26, 2010 accepting the Laidlaw BioPower, LLC application for Certificate of Site and Facility for a 70 MW Biomass Fueled Energy facility in Berlin.

The Coös County Commissioners wish to notify the Committee that they are in full support of this project. Historically, Coös County's renewable forests served as the engine for a solid economy. That past economic base built on the pulp and paper industry has essentially faded away during the last few years and to put it simply, Coös County is hurting right now.

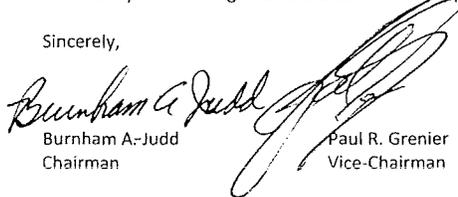
The well paying jobs that the Laidlaw BioMass facility will generate in the woods, at the new facility, and in small businesses that support the timber harvesting industry will go a long way to help revive our North Country economy. The unemployment rate in Coös County today is 9.3%. Certainly re-training of former employees of the mills and the forests is on-going but many of our citizens have worked in timber harvesting and trucking for years; it is a way of life that they long to return to. That opportunity exists for them if the Laidlaw facility is permitted and built.

The project fits well with Governor Lynch's executive order which proclaimed that by 2025, New Hampshire would be providing 25% of its energy requirements from renewable sources. Additionally, Laidlaw's capital investment of millions of dollars in a generating facility will improve the property tax base in Berlin and Coös County resulting in a reduction in the property tax burden on the average home and small business owner. This, with the approval of your committee, will take place without environmental degradation and harm to our growing tourism industry.

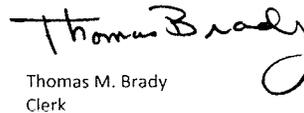
We encourage members of your designated subcommittee to approve the application expeditiously so that construction can begin at the earliest future date possible.

We thank you for taking into consideration our supporting remarks on the Laidlaw project.

Sincerely,


Burnham A. Judd
Chairman

Paul R. Grenier
Vice-Chairman


Thomas M. Brady
Clerk

COMMISSIONERS

BURNHAM A. JUDD, PITTSBURG • PAUL R. GRENIER, Berlin • THOMAS M. BRADY, JEFFERSON

ATTACHMENT LKS-2

Community EFSEC Advisory Committee
961 Main Street
Berlin, NH 03570
603-752-2733

March 10, 2010

Thomas S. Burack, Chairman
New Hampshire Site Evaluation Committee
c/o New Hampshire Department of Environmental Services
29 Hazen Drive, P.O. Box 95
Concord, New Hampshire 03302-0095

Dear Chairman Burack:

The Community EFSEC Advisory Committee ("CEAC") is a local Berlin community committee which was organized by the Androscoggin Valley Economic Recovery Corporation ("AVER") as a non-board community committee. AVER had formed a similar committee to work on the Berlin Federal Prison project and has been engaged in numerous other economic and community development projects. The CEAC is an all volunteer committee and a list of its members is attached as Exhibit A. Once formed, the CEAC developed its Statement of Purpose attached as Exhibit B.

The CEAC held public meetings and worked for approximately nine months to develop a list of recommended stipulations and general recommendations for the Laidlaw biomass project as it relates to the community. Attached as Exhibit C is a list of the recommendations as approved by CEAC. The CEAC negotiated extensively with Laidlaw in developing these recommendations and it is our understanding that we are in general agreement regarding their content. Also, attached are before and after simulated photographs which pertain to Appearance Issue #1. The CEAC approved all recommended stipulations unanimously (16-0) except for Community Benefit Issues recommendations #7 and #10, and County and State Wide Issues #2 and #3 which were approved by all except one committee member (15-1).

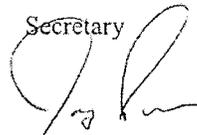
These results will be presented to the Berlin City Council and to the Coos County Commissioners and are available to other interested parties as well. It is our understanding that the Berlin City Council and the Coos County Commissioners will use them as input to their intervener positions. Please contact us if there are any questions. Thank you.

Chairman



Max Makaitis

Secretary



Jay Poulin



961 Main Street
Berlin, NH 03570
(603) 752-2733

September 9, 2010

Thomas S. Burack, Chairman
New Hampshire Site Evaluation Committee
C/o New Hampshire Department of Environmental Services
29 Hazen Drive, P.O. Box 95
Concord, New Hampshire 03302-0095

Re: SEC Docket No. 2009-02

Dear Chairman Burack:



This letter is being provided to express full support for the Laidlaw Berlin BioPower, LLC biomass project in Berlin and request the Site Evaluation Committee's (SEC) and the Public Utilities Commission's (PUC) timely approval of all necessary regulatory requirements. The Androskoggin Valley Economic Recovery Corporation (AVER) is extremely supportive of the effort to bring the Laidlaw project to completion for the substantial economic benefits that it would create for the region. This support is contingent on the "City of Berlin Proposed Certificate Conditions" (stipulations) being made a part of the site certificate. We understand that those conditions have been agreed to by the City of Berlin and Laidlaw.

The timely approval of this project by the SEC and PUC, so that it can commence this year, is critical to the realization of substantial federal benefits and community benefits. These potential benefits could be lost in the event of unnecessary procedural delays. They include:

- \$44.5 million in federal New Market Tax Credit Authority
- \$2.25 million of the NMTC as a Community Loan Fund
- \$2.25 million of matching leveraged funds from the Community Loan Fund
- \$250,000 of the NMTC in grants for job, equipment, safety and responsible forestry practices training.
- \$20 million in ARRA Recovery Zone Facility Bond Financing Authority
- \$500,000 City of Berlin, NH Targeted Economic Development Funding

Additional Community benefits include:

- A "River Walk" along the Androskoggin River for community use
- An ATV/Snowmobile trail along Hutchins and Coos Streets
- Landscaping and new fencing
- Sponsorship of local events and social activities
- Plant tours to educate and promote alternative energy
- Low cost thermal energy to the Fraser plant and other collocating businesses.
- Priority hiring of local workers
- Local purchases of biomass
- A community parking lot
- A student intern program to develop alternative energy.

These benefits are too important to our economy and local jobs to be lost and the project jeopardized due to unnecessary procedural delays.

AVER along with its partners have worked for years to help create economic development and jobs in the region. The retention and creation of jobs in our region and Coos County has been a priority for AVER. One of the primary messages we have heard from our community was the desire to create good paying jobs with benefits and jobs that would not be lost to China or other overseas foreign competition. Biomass energy facilities, including Laidlaw's and Clean Power's, satisfy these requirements. Biomass energy facilities in essence "manufacture" electrons which currently cannot be imported from overseas. This project would displace foreign imported oil and help reduce the region's high level of unemployment especially in the forest products industry. It is estimated that the Laidlaw project would create over 240 jobs without considering multiplier effects. Laidlaw would be purchasing over \$20,000,000 annually of wood product from local and regional wood products suppliers. The construction phase would create up to 470 jobs and infuse tens of millions of dollars into the local and regional economies.

The Androscoggin Valley and all of Coos County have enormous potential for the development of the renewable alternative energy industry. The Laidlaw biomass project contributes significantly to the orderly development of the alternative energy industry in the region. In order to achieve this economic development, approval by the SEC and PUC is required and AVER is advocating for and supporting such approval.

As the Chair of the Community EFSEC Advisory Committee, a community advisory committee formed to address the residents' concerns about the Laidlaw project, we reviewed all of the issues raised. All of the issues had manageable solutions and in addition Laidlaw would provide substantial community benefits. The City of Berlin and Laidlaw have agreed to a final list of proposed certificate conditions.

We believe the long-term success of this project will impact the regional economy favorably and will help to sustain and create jobs and move New Hampshire forward in the renewable energy arena. Thank you for your favorable consideration of this very positive and worthwhile project.

Sincerely yours,



Max Makaitis
Androscoggin Valley Economic Development Director

Cc. Deborah Howland
Executive Director & Secretary
NHPUC
21 South Fruit Street, Suite 10
Concord, NH 03301-2429
RE: Docket Number DE10-195 (Laidlaw Berlin BioPower Project)