

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DE 11-184

In the Matter of :
Joint Petition for Approval of Power Purchase and Sale Agreements
and Settlement Agreement

Direct Testimony

of

George M. Bald
Commissioner of The
New Hampshire Department of Resources
And Economic Development

August 22, 2011

1 **Q. Please state your name, occupation and business address.**

2 A. My name is George M. Bald. I am the Commissioner of the
3 Department of Resources and Economic Development for the State
4 of New Hampshire. My business address is 172 Pembroke Road,
5 Concord, New Hampshire 03301.

6 **Q. Please summarize your education and professional experience.**

7 A. Please see Attachment GMB-1

8 **Q. What is the purpose of your testimony?**

9 A. The purpose of this testimony is to request approval by the
10 Commission of the five Power Purchase Agreements (PPAs) that are
11 more fully explained in the testimony of Thomas C. Frantz,
12 Director of the Electric Division of the New Hampshire Public
13 Utilities Commission and the testimony of Richard C. Labrecque,
14 Manager, Supplemental Energy Sources for Public Service
15 Company of New Hampshire. I also provide context from the
16 perspective of the State on the importance to the State's economy,
17 especially employment in the North Country, of these PPAs and
18 how approval of these PPAs will create construction jobs while
19 retaining jobs in the biomass industry.

20 **Q. What is the state of the economy in the North Country**
21 **compared to the rest of the State which necessitates the**
22 **actions you are recommending?**

23 As a result of plant closings in the Berlin and the fact that the
24 prison is not yet open, employment in the North Country has been
25 severely reduced causing continued economic harm and delaying
26 recovery in Coos County. As of the end of May 2011, based upon
27 data collected by New Hampshire Department of Employment
28 Security, the unemployment rate in Coos County was 7.8% and in
29 the local Berlin area was 8.8%. These unemployment rates

1 compare with a statewide average at the end of May 2011 of 4.9%.
2 These unemployment rates illustrate the severe need for jobs in the
3 North Country and form the basis of my involvement in supporting
4 the Berlin Project and in the negotiation of the PPA's.

5 **Q. Would you please address how you got involved in the process**
6 **that led to the filing of these PPAs?**

7 A. The Department of Resources and Economic Development, along
8 with the Governor's Office, has closely followed developments
9 concerning the Berlin biomass project. It is a project we strongly
10 support. At the same time, we have been aware for some time that
11 today's energy markets have created significant operating
12 challenges to New Hampshire's current biomass projects,
13 especially Bridgewater, Pinetree -Bethlehem, Tamworth and
14 Indeck-Alexandria. As a result of discussions over the last several
15 months with Cate Street, the project developer of the Berlin
16 biomass project, and the Wood IPPs, the State decided to take an
17 active role in trying to resolve the challenges that were facing the
18 biomass energy sector of the State's economy. The appeal of the
19 Commission's decision in DE 10-195 to the New Hampshire
20 Supreme Court by the Wood IPPs has been preventing the Berlin
21 Biomass Project from moving forward and potentially eliminating
22 the economic development benefits of the project that were
23 reflected in the Commission's approval of the PSNH PPA with
24 Berlin Biomass (f/k/a Laidlaw).

25 At the same time, we at the Department of Resources and
26 Economic Development were aware that the four Wood IPPs I
27 mentioned above were facing significant financial pressure to
28 remain running in the near term and that their closure would
29 result in the loss of hundreds of biomass-related jobs. Based on
30 the serious economic impacts facing the state from the potential

1 withdrawal of the construction of the Berlin biomass project and
2 the imminent closure of the Wood IPPs, the Governor convened a
3 meeting in early June to discuss possible solutions to the problem.

4 **Q. Who attended that meeting?**

5 A. Besides Governor Lynch and members of his staff, the meeting was
6 attended by senior representatives of the Wood IPPs, PSNH, Cate
7 Street Capital, myself and Brad Simpkins from DRED, Anne Ross
8 and Tom Frantz from the Commission, and some members of the
9 Legislature and Executive Council.

10 **Q. Would you provide a general overview of the outcome of that**
11 **meeting?**

12 A. Yes. It was clear from discussions at that meeting that each
13 company had its own set of issues, both short-term and long-term,
14 and that it would require a significant effort on everyone's part to
15 reach, at the least, a short-term resolution that met the needs of
16 Cate Street, the Wood IPPs and PSNH. The Governor decided at
17 that meeting that such an effort was warranted and asked Tom
18 Frantz and Anne Ross if they would lead negotiations with the
19 Wood IPPs and PSNH to see if a solution could be reached that
20 would end the legal challenge to the Berlin Biomass Project and
21 allow construction to begin, meet the short-term needs of the Wood
22 IPPs, and satisfy the rate concerns of PSNH. More detail of the
23 goals of that meeting and the negotiation process and outcomes
24 that led to today's petition is contained in the testimony of Mr.
25 Frantz.

26 **Q. Does the Governor support these PPAs and the outcome of the**
27 **negotiations?**

28 A. Yes, he does. I anticipate that the Governor will file a letter
29 separately in this docket that demonstrates his support of the

1 negotiations and the resulting settlement. I believe other
2 legislators and executive counselors will also file separate letters of
3 support for the settlement.

4 **Q. Would you briefly provide an overview of the results of the**
5 **negotiations?**

6 A. Yes. The negotiations resulted in the five PPAs that we are
7 requesting the Commission approve expeditiously. Approval of
8 these PPAs will retain the employment at the Wood IPP facilities as
9 well as keep intact the network of jobs that support the biomass
10 industry in New Hampshire. This will keep hundreds of good
11 paying jobs from being lost during an extremely fragile period in
12 our State's recovery from the worst economic downturn since the
13 Great Depression. These negotiations also resulted in the ability of
14 Cate Street to move to financial closing so that it can begin
15 construction of the Berlin Biomass Project. The benefits of that
16 project were well documented in DE 10-195 so they will not be
17 repeated here though I will stress the importance of those jobs to
18 the City of Berlin and the North Country. Importantly, as Messrs.
19 Frantz and Labrecque discuss, these benefits are obtained without
20 increasing PSNH's Energy Service rate.

21 **Q. Would you summarize the benefits of these negotiated**
22 **settlement agreements?**

23 A. Yes. The settlement allows the State to implement an economic
24 development plan for the North Country. This plan depends on
25 three factors. The first is critical to the Berlin Biomass Project
26 because it allows the financing to proceed before August 30th and
27 thereby retains the Community Benefit Fund which is being
28 created by the New Market Tax Credit funding.

1 The total amount of funds for loans generated by the New Market
2 Tax Credits is \$2,750,000 of which \$500,000 was originally
3 expected to go to the City of Berlin. The second assists in
4 addressing the financial problems faced by Isaacson Structural
5 Steel, one of the major employers in the region. The City of Berlin
6 has pledged its \$500,000 to Isaacson though \$500,000 will remain
7 in the Community Fund. Isaacson also will receive \$1,750,000 of
8 New Market Tax Credit financing to help it get through the difficult
9 financial crisis it now faces. Those funds could be available to
10 Isaacson soon after Cate Street reaches financial closing. The
11 third aspect of the economic development plan requires approval of
12 the PPAs. This will maintain the generation of the Wood IPPs and
13 the many associated jobs in the biomass industry.

14 **Q. Do you believe it is in the public interest of the State of New**
15 **Hampshire that these PPAs be approved as filed?**

16 **A.** Yes, I do. In fact, the results of these lengthy and difficult
17 negotiations will further the policy objectives of Title XIX-A
18 Forestry. RSA 227-G:1 states, under Declaration of Purpose, that

19 [I]t is hereby recognized and declared that the public welfare of
20 this state requires the maintenance, protection, conservation,
21 multiple use, and rehabilitation of forests for the social, economic,
22 and environmental benefits that result from a diverse forest cover.
23 Such benefits include forest products, a viable forest-based
24 economy, recreation opportunities, scenic values, healthful
25 surroundings, climate mitigation, clear water, and biologically
26 diverse populations of plants and animals....

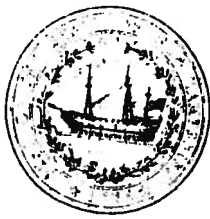
27 RSA 227-J:1 Timber Harvesting under Declaration of Purpose
28 further recognizes and declares that

29 [t]he public welfare of this state requires the care and protection of
30 forest cover adjacent to certain waters of the state and along
31 public highways, and the proper disposal of slash and mill residue
32 resulting from forest operations ...ensure future forest

1 productivity; improve conditions for wildlife; and provide other
2 benefits to the public as the result of perpetuating a proper forest
3 cover, while continuing to meet the timber needs of forest
4 industries and providing income and employment for our citizens
5 without undue infringement on the rights of private forest
6 landowners.

7 **Q. Please provide your recommendation.**

8 A. For the reasons stated above, I believe it is good public policy for
9 the Commission to approve these PPAs as filed as soon as possible.
10 The contracts are short-term, but will provide much needed
11 assistance to these plants and the affected regional economy.
12 These PPAs will provide benefits and some level of certainty as the
13 State works out a more long-term sustainable policy for the parties
14 to these negotiations.



GEORGE M. BALD
Commissioner

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Biography
GEORGE M. BALD

George Bald was elected Mayor of the City of Somersworth, NH in 1978. He served three two year terms, leaving office in 1984. At that time, Somersworth had a strong Mayor form of government, so he served as chief executive of the City. During this period, he was instrumental in the expansion of the Route 16 Industrial Park and the development of the Malley Farm Industrial Park.

After leaving Somersworth, he began the Economic Development department for the City of Rochester, NH. George directed efforts to retain existing companies and set up a program to attract new industries. He managed the development of the City's own Ten Rod Road Industrial Park and helped create a public/private development group to assist with the construction of a new industrial facility at the Granite State Industrial Park. From 1991-93 George served as City Manager. From 1984-95 Rochester gained over one million square feet of new manufacturing space and created 4,000 new manufacturing jobs.

George began his duties as Economic Development Director for the Pease Development Authority in August, 1994. He assisted in the redevelopment of the old Pease Air Force Base into a world class business park. His duties included recommending buildings to be redeveloped, demolished or upgraded, as well as recruitment of new businesses and the retention of existing companies. In 1998, Governor Jeanne Shaheen appointed George as Commissioner of the Department of Resources and Economic Development for the State of New Hampshire. As Commissioner, was responsible for the Division of Forests & Lands, the Division of Parks and Recreation, the Division of Travel & Tourism and the Division of Economic Development. In that capacity, George worked closely with other departments such as Environmental Services, Banking, Safety, Attorney General and others. Governor Jeanne Shaheen reappointed him in 2002. For his work in attracting Fraser Papers to purchase the bankrupt American Tissue mills in 2002, he was awarded Honorary Citizenship by the City of Berlin and the Town Gorham.

He was appointed Executive Director of the Pease Development Authority in May 2004, overseeing the continuing development of the 3,000 acre business park/airport. Governor John Lynch asked George to return as Commissioner of the Department of Resources & Economic Development. He was confirmed in April, 2006, and reappointed for another 4 year term in April 2010.

George is a U.S. Navy veteran. He lives in Somersworth with his wife Candace Small. They have one son Casey Bald.

City of Berlin, NH

Mayor's Office



August 16, 2011

New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

RE: DE 10-195

Dear New Hampshire Public Utilities Commission:

I write this letter as Mayor of the City of Berlin in support of the NH Department of Resources and Economic Development (DRED) efforts to obtain bridge PPA's which are satisfactory to both PSNH and the IPP's.

This approach toward a resolution to the ongoing opposition of the IPP's to the Berlin Station project seems to provide the most benefit for all the parties. It allows the IPP's to continue operating in a reasonable way which thereby continues the badly needed jobs and economic benefits they provide to the North Country areas they are located in.

It also allows for the Berlin Station project which has been held up by the IPP objections to move forward and provide the jobs, tax base and other direct and indirect monetary benefits desperately needed by the Androscoggin Valley area of the North Country.

As the Commission is aware, the Berlin Station Project has been through what is fast becoming a two year process of review. The project has been ready now for some time to begin construction. I urge the Commission to move expeditiously in approving the proposed bridge PPA's for the IPP's.

The PUC's judicious and timely review of this proposal is greatly appreciated.

Sincerely,


Paul Grenier
Mayor

cc: City Council
George Bald

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