Senator Martha Fuller Clark Chair, North Country Transmission Commission State House Room 302 107 N. Main St., Concord, N.H. 03301

January 18, 2010

Dear Senator Clark:

A New England tradition that survives well in the rural communities of our State, as well as in our neighboring States, is the idea of "Commons." Although one aspect of this is the Town Common, providing a central park for many communities, it can be more broadly thought of as those shared community cultural, economic and natural resources, that have no specific owner, but embody the potential to benefit a community or several communities in a region, in their entirety. Our great rivers have long been understood to provide common economic, social and ecological value to the successive towns along their banks. Less well understood is the "common" value of the great forest that still stretches from New York to Maine to Canada. It has been the historical common driver for settlement, employment, tourism and because of its ecology must be thought of in "common" terms, rather than in a piece by piece, State by State or even Country by Country model. An even less understood "Common" is our weather. It also drives economic, social and ecological outcomes for our communities. Weather not only includes snow for our winter economies and rain for our forests, farmers, lakes and rivers, but also includes our wind as an important resource.

The idea of "Commons" has two corollaries. One is that the communities of the "Common" should benefit in the realization of its value. The other is that a single person, entity, community or political agency should not be allowed to prevent or privatize this common benefit. It is the responsibility of government, and its agents to protect this common interest. I believe that is what the New Hampshire legislature has intended, both historically and within the legislation being currently implemented in the form of the Northern NH Transmission Commission. In short, it is to develop transmission facilities that benefit the communities and the region where the resources are found.

There is no doubt that the existing transmission facilities are sufficient for the old energy model:

- Build generation closest to the largest loads, the largest cities,
- Bring in the fuel by large, low cost transportation facilities by water or rail, and
- Build transmission to feed rural areas on successively smaller branch lines, according to demand

There is nothing wrong with this model from a fossil fuel based economic perspective. However, all levels of our society realize that there are glitches in the model:

- the assumption of a continuing supply of low cost fossil fuels
- the absence of those fuels as regional resources
- the possibility of environmental consequences from their overuse

The resolve of the public sector and the citizens of the State have seldom been as unified as they are in our current desire to significantly reduce the risk of these glitches by developing major energy generation

facilities that utilize our "Common" natural resources. However, there is one major glitch in that model as well: There is no way to connect the energy generation facilities that will be tied to our "Common" resources to the cities. This requires use of the "new" energy transmission model:

- Build generation at the resource location [the only model possible with wind and water power]
- Build adequate transmission from each resource to a transmission trunk [like roots of a tree]
- Build trunk corridors to transport the capacity of the sum of the potential resources to the demand centers

There are three possible funding models to provide "Common" benefit to the resource communities and regions, a taxation model, a rate base model or an investment model.

Taxation models are well proven methods to collect revenue for common distribution, but they have three shortcomings:

- A property value basis, which is a disincentive to private investment and reinvestment
- Inefficiency between collection of revenue and distribution of benefit
- Difficulty in maintaining the application of revenues to its intended beneficiaries

Rate Based models for renewable energy development will be inherently difficult to sell politically as they negatively affect a larger population than the one they benefit. This is perhaps somewhat less with the inclusion in commercial demand charges, vs usage charges, but it is still a difficult sell.

My suggestion for consideration is an investment model. For this project, I believe the regional public authority that should be supported in making the required investment in the development of the North Country "Transmission Commons" is the political subdivision of Coos County. Each taxpayer in each community of the county receives a direct tax reduction benefit when the county receives additional income. This not only eliminates inefficiencies in distribution of benefits, but secures public support for the incursion on scenic assets in the region. Additionally, the county's inherent stewardship of the region's "Commons" has long been recognized and is specifically recognized in the authority of the county over unincorporated towns. Finally, there is an established revenue stream embodied in the investment model that is already accepted in the energy transmission systems of the country.

Implementation of the Investment model for transmission development:

- Transmission trunks and upgrades get designed for delivering power to not from demand centers
- Legislature and Public Utility Commission simplify the development and permit process to make private investment attractive to small local entities, as well as to large remote entities that have the financial wherewithal to engage in a long and expensive legal process
- Coos County bonds the cost of transmission trunks and collection substations feeding the trunks
- State of NH guarantees or otherwise financially backs the County Bonds resulting in a lower rate
- The attractive development environment, availability of resources and an existing ability to transmit energy to load centers attracts investment in new facilities
- A mix of intermittent wind, peaking hydro and biomass base load facilities makes the overall trunked resources larger, more reliable and hence, more valuable

 As facilities are connected and energy flows to demand centers, the guaranteed 12% return on equity investment, because of the enhancement of reliability of the transmission network, becomes a significant revenue stream in excess of funds needed to pay off bond issue.

Taxpayers in Coos County will be the direct beneficiaries, rather than the national finance community. These national investors will still have traditional and proper roles in the bond financing side of the arrangement, but not in the equity of the transmission line. Our Commons should not be traded on Wall Street.

As a local company that has long operated hydroelectric generation and biomass cogeneration, Tillotson Corporation has been preparing to develop a significant wind generation facility on a small portion of our property. Such a wind development has the ability to help us with an extremely large financial burden on our property, due to the high cost of thermal and electrical energy. Other landowners look to the use of their renewable energy resources as a significant method to enable sustainable harvest of their forest fiber, which would no longer be the sole resource available to satisfy their financial demands.

We could not have afforded the cost of the existing SEC process that was experienced by the Granite Reliable project including the legal challenges to the outcome of the process. The county cannot afford a similar costly legal process over the establishment of upgraded or new transmission corridors. The State needs to put as much legislative muscle into facilitating the work as it has previously put into protecting the rights of an individual citizen, who can claim or privatize a "Common" for a narrow or personal cause or a non-use that does not benefit our communities.

We have great State agencies that are more than capable of protecting the public, while listening to and answering the concerns of individuals. If we want to develop our natural and renewable energy resources, we have to provide a faster process to attract investment and a lower cost one to enable local investment. If a particular agency attempts to derail a project for a narrow objective, then a broader public process could be called for, under the proper jurisdiction of the public utilities commission according to its legislative mandate.

Requiring a developer to pay for significant transmission upgrades, beyond their own collection lines to the substation, will send the investment elsewhere, and leave our resources unused. This is similar to expecting a new paper mill to move to Berlin, with the expectation that it will have to pay for the rail line or state and national highways over which that the paper must be shipped. On the other hand, allowing Northeast Utilities or other national transmission entities to develop the line, charge energy facilities for access, plus get system benefit and all other re-payments from the energy transmitted over this "common corridor" is not the answer. There should not be a private toll road between our common generation and our Manchester, Concord, Nashua and Portsmouth customers.

With thanks for the continuing leadership you are providing in this critical area of our State's future economy, I remain,

Sincerely, Rick Tillotson, VP, Tillotson Corporation

Cc: Fred King, Colebrook Representative William Remick, Lancaster Meredith Hatfield, Consumer Advocate