

June 1, 2015

Mr. Alexander Speidel
Staff Attorney/Hearings Examiner
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

RE: Investigation into Potential Approaches to Mitigate Wholesale Electricity Prices

Dear Mr. Speidel,

New Hampshire and New England are experiencing high electricity costs because our region's ability to produce reliable, affordable power is diminishing, and efforts to replace it are not keeping up with the need. Without a major focus on bringing more power supply to the grid, the cost of electricity – essentially, the cost of doing business – will continue to increase significantly, while New Hampshire businesses will have continued competitive challenges in the US and Global markets.

BAE Systems is the state's largest manufacturer and a major consumer of energy. In addition to our 4,500 employees in New Hampshire, the company has many locations and thousands of employees across the country. This gives us an informed perspective on the cost of energy nationwide. There are two stark observations this allows us to make. First, the cost of doing business in our state is not competitive with other regions of the country, largely because of our highest-in-the-nation cost of electricity. The second is this cost disadvantage is addressable – if the right steps are taken quickly.

New Hampshire and New England are not in this situation by accident. For more than a decade, policymakers have focused on eliminating traditional sources of electricity generation in New England– oil, coal and nuclear – while promoting renewable sources of energy and energy efficiency. These policies have put downward pressure on the overall supply. While renewables hold significant promise, only hydroelectric power has proven reliable and economical to date. Manufacturers, including our company, have made great strides in energy efficiency, as has the region as a whole. Yet overall energy consumption in the state and region continues to increase. If we place a renewed focus on increasing power supply in our region, the road back to competitiveness becomes clear.

As this Investigation will no doubt show, there is no single solution to the problem of high electricity costs. But the Investigation will also show – as similar studies have in the very recent past – that our inadequate infrastructure is the primary culprit. For the

sake of New Hampshire's economy, the State should take immediate steps to increase our supply by developing the infrastructure needed to access nearby sources of power. There is an abundant natural gas supply available to New England, but no sufficient pipeline to deliver it. There is abundant hydropower north of New England, but not the power lines needed to deliver it. Projects have been proposed to access these resources – namely the Northeast Direct, Algonquin Incremental Market (AIM) Expansion, and Northeast Direct natural gas pipeline projects, and the Northern Pass hydroelectric transmission project. Other project proposals exist as well. When it comes to restoring our supply capacity, an “all of the above strategy” is certainly merited.

These projects would be huge steps in the right direction, although still not enough to replace the generation currently planned for exit from the New England grid, let alone meet future increased demand. Although opposition to infrastructure development is understandable, such opposition must be accompanied by real, reliable, affordable power-producing alternatives. Doing nothing is no longer a valid option.

Policies are about priorities. For too long, our policy choices have eroded our ability to power the state's economy. This must change. BAE Systems hopes the results of this Investigation will bring our elected and non-elected officials closer to finally taking politically courageous positions on infrastructure development needed to secure an increase in the region's energy supply. Failure to do so will only deepen and extend our energy crisis, stifling economic growth.

Sincerely,



Paul Markwardt
Vice President and Deputy General Manager
BAE Systems Electronic Systems

Cc: Interested Stakeholders (via email)