



The Senate of the State of New Hampshire

107 North Main Street, Concord, N.H. 03301-4951

June 24, 2014

Anne Ross, General Counsel
NH Public Utilities Commission
South Fruit Street
Concord, NH 03301

RE: PSNH relationship with the Northern Pass Project

Dear Attorney Ross:

It has been several months since I first contacted the Commission and raised concerns about the relationship between Public Service of New Hampshire (PSNH) and the Northern Pass Transmission (NPT) LLC. The incompleteness of the Commission response to date is concerning, but I remain confident the Commission will fully address my questions.

Fundamentally, many of the questions raised in my letter of August 2, 2013, remain unanswered. Your letter of September 12, 2013 indicated the Commission was offering a "primary response" to some of my questions (numbers 3, 4 and 6) and that more detailed response would follow after the staff report was complete. Can you advise when I will see that detailed response?

With regard to the staff report on this matter, although the limited review of the accounting of PSNH's activities offers a reporting of how some costs are reconciled, it fails to meet the test of transparency and does not offer an opinion about the propriety of PSNH, a regulated distribution company, actively engaged in the advocacy and development of this elective commercial transmission project. In addition, the lack of a process at the Commission to actively and thoroughly monitor PSNH's engagement in Northern Pass is a disservice to ratepayers. It is also concerning that the staff report accepted the representations of PSNH for its activities without any test of whether the utility's responses were adequate relative to Commission rules or state law, nor has a process emerged from the Commission to do so.

Some specific examples of this would include:

- NH law which requires that "any contract or arrangement" of greater value than \$500 be filed with the Public Utilities Commission (PUC). The staff report accepts PSNH's representation that no contract exists, but then ignores the letter and spirit of the law that address any arrangement. Clearly, such arrangements have been and continue to exist; yet the Commission has failed to require that this

filing requirement be met. This lack of enforcement is troublesome, and the impact is that the law's design to ensure transparency seems to have been ignored by the PUC. While my question asks narrowly about contracts, I would have expected the PUC to take a broader approach, particularly given the legal requirements.

The report accepts PSNH's representation that then-President Gary Long's time spent on NPT matters is of no value to NPT, and was exclusively undertaken for the benefit of PSNH ratepayers. This assertion is at the heart of my initial inquiry. The claim of PSNH that Mr. Long was only dealing with the potential of a Purchase Power Agreement (PPA) is misleading, given Mr. Long's active advocacy for the NPT project far beyond advocacy for a PPA. In addition, as the Commission is aware, PSNH lacks the legislative authority to enter into a long-term contract for non-Renewable Portfolio Standards (RPS) projects, and thus the claims accepted by staff are questionable.

The report offers the assurance of one staff member that the costs associated with NPT work and activity is being accounted for properly, but offers no documentation to back up this conclusion. Rather, a more detailed and public accounting for this shared services work is needed in order for the public to be assured that ratepayer dollars are not being used to support a merchant project. Thus, a more responsive report needs to be presented, specifying which PSNH personnel, what percentage of time and what dollar amounts are being booked and charged to NPT. Without this level of detail, it is simply not possible to assure ratepayers that they are not subsidizing the development of the NPT project. The Commission should insist on reviewing any contracts between Northeast Utilities, NPT, their agents and Hydro-Quebec and any of their subsidiaries. If Hydro-Quebec is contracting with NU to pay all of the development costs of the NPT project, it would seem reasonable that a copy of that contract be made available for review. And, if NU is reimbursing PSNH for time and resources PSNH invests in development of the NPT project, could you please make available the documentation that such reimbursements are actually being made (or will be made).

The misuse of the PSNH billing service by including advocacy information for NPT was recognized by the staff report, yet no sanction or corrective measure was suggested. Perhaps offering the opportunity for a bill insert for those with a different view of this project should be required to cure this violation.

Overall, the staff report failed to investigate and challenge what is seen by the general public as the benefits of the PSNH monopoly franchise being shared with a merchant transmission project. It seems that PSNH is carelessly or intentionally blurring the lines between the ratepayer funded utility and the NPT. The fact that PSNH spokespersons, community relations staff, government affairs personnel and senior management generally fail to see any difference between their role as ratepayer funded employees and merchant project employees paints

a picture that not only confuses the public, but uses ratepayer funded value to advocate for one generation project to the exclusion of others in the market. The Commission has an obligation to ensure that a level playing field is maintained and that the monopoly distribution company is not abusing its affiliate relationship with a competitive entity.

In my inquiry, the fundamental question at hand is whether PSNH ratepayers are funding or otherwise subsidizing the Northern Pass Transmission project.

Given the limited review and potential for misinterpretations, I ask that the PUC broaden its level of investigation and provide a method for additional comments to be filed on this matter. Also, recognizing that a meaningful amount of time has elapsed since my initial inquiry, I request that the Commission establish a process that is timely and not overburdened with lengthy procedural obstacles which could potentially continue a subsidy by the ratepayers. Certainly, if such a proceeding at the Commission were to last for any length of time, some type of order should be put in place to stop any subsidy or extra procedural affiliate activity during the time of the investigation.

As I said in my letter of September 5, 2013, I remain concerned that the PUC has not provided ratepayers any assurance that they are protected, and I maintain that any PUC review of these issues should be *transparent and prompt*.

Sincerely,



Senator Jeanie Forrester
Chairman, Senate Finance
NH Senate, District 2
107 N. Main St, Room 105
Concord, NH 03301

cc: PUC Commissioners
Attorney General Foster