

Draft Summary Minutes

SB 383 North Country Transmission Meeting

October 27, 2008

Meeting start: 10:07 A.M.; adjournment: 12:20 P.M.

Members in Attendance: Senator Martha Fuller Clark; Representative Naida Kaen; Representative William J. Remick; Hon. Frederick W. King; William Sherry, National Grid; Sandi Hennequin, Constellation Energy; Chris Sherman, New England Power Generators Association; Louis Bravakis, Laidlaw Energy Group; Mark Lyons, Noble Environmental; Mel Liston, Clean Power Development; Amy Ignatius, Office of Energy & Planning; Donald Tase, Jr., Upland Forestry; Tom Colgan, Wagner Forest Management; Stephen P. Barba, Plymouth State University; Joseph Staszowski, PSNH; Michael Vlacich, Director of Economic of Development, DRED; Thomas B. Getz, Chairman, NH PUC; Palmer Lewis.

Other Speakers: Larry Gasteiger, Federal Energy Regulatory Commission; Haijin Shi, LandVest, Inc.; Eric Kingsley, Innovative Natural Resource Solution, Inc. Representative Lyle Bulis.

Link to Meeting Agenda: [Transmission Meeting Agenda](#)

10:07 A.M.

Adoption of Minutes: There were minor edits to the minutes from the previous meeting. **Sandi Hennequin** noted that her company's name was Constellation Energy and not Constellation New Energy as noted in the minutes. **Donald Tase, Jr.** noted that he was present at the previous meeting although it was not noted. **Amy Ignatius** also provided written edits to the minutes to address her presence at the meeting and editorial errors.

Senator Martha Fuller Clark requested a motion for adoption of the minutes. **Thomas B. Getz** moved to adopt the minutes from the previous meeting with the revisions noted. The motion was seconded by **Naida Kaen** and minutes were unanimously adopted.

Larry Gasteiger, Director of Tariffs and Market Development for the Eastern United States at the Federal Energy Regulatory Commission (FERC) gave a presentation in which he described FERC's processes and attitudes towards transmission expansion issues. He noted that the best way of characterizing FERC's attitude towards these issues are that they are open, anxious and supportive of getting new transmission built. After the blackout which occurred a few years ago, there has been a renewed focus both with FERC and

in Congress to get new transmission built. EPACT 2005 included provisions to give FERC backed up authority, as well as Commission authorized incentives for new transmission projects. In addition to reliability, FERC also realizes the need for transmission to meet renewable portfolio standards which have been enacted throughout the State.

Mr. Gasteiger discussed the California model and the steps in which the California ISO took in order to regionalize the transmission costs rather than work under the current FERC interconnection policy which would have ultimately placed the financial burden on the generators and developers, with the possibility of ultimately hindering wind development throughout the state.

Under the California model, as long as (1) the project includes a high voltage facility serving multiple locationally-constrained generation resources, (2) the project is approved through the California ISO planning process, and (3) a threshold number of large generator interconnection agreements are approved, thereby demonstrating project interest, then the California ISO can allocate the costs of the transmission trunkline to load. As generators sign up for interconnection, they pay a prorated share of the cost of the project and the remainder costs would be rolled into the socialized costs. He noted that although this was easier for California, being a single entity, FERC is open to the organized market coming up with solutions for the development of these types of projects and potentially altering FERC policy which may unintentionally impede the development of transmission.

Answers to Questions after the presentation:

- o California ISO along with the project stakeholders developed the criteria for this model.
- o No other filings have come in to FERC of any other locationally constrained area solutions.
- o FERC has held technical conferences on these transmission issues and expresses an interest in them. FERC urges stakeholders within a region to come up with solutions or approaches which have a regional consensus.
- o He doesn't have any advice for us in dealing with multi-state areas such as the New England but they recognize multi state challenges and notice that New England has been very successful with dealing with a

number of challenges and stakeholder issues already. FERC's main priority is getting transmission built and promoting renewables while letting regions come up with a specific solution rather than implementing a "one size fits all" solution.

- FERC has been proactive whenever a region brings its initiatives forward.
- FERC has jurisdiction over rates with respect to interstate transmission.
- There are no legislative changes which California must now make which were contingent on FERC approval.
- Generally, FERC must act on cases within 60 days. Parties are then permitted to file requests for rehearing in which there is no statutory deadline for FERC to act; but FERC tries to get to these requests as well as Petitions for Declaratory Orders within 60-90 days.

Louis Brevakis noted that one of the reasons that things take so long is because ISO conducts studies analyzing all aspects of the proposed projects. Those studies are extremely backlogged and take a very long time to come back.

Tom Getz noted that FERC is very receptive to changes proposed by our region but all 6 states must be in agreement regarding this cost allocation. California had the luxury of being a large single state with more pull. If New England can just come to a general agreement then there is no doubt FERC would be very receptive to that. The problem is getting all 6 New England States and stakeholders into a substantial agreement on how to deal with the cost allocation issue - that is a major challenge. NECPUC is working with the ISO and transmission owners to see if there is some sort of resolve which can be reached that includes a method incorporating less than full regionalization of costs but more than full localization.

One option which has been brought up before is to have at least Laidlaw, Noble and Clean Power Development get together to see what an appropriate allocation might be between rate payers and generators in terms of what a New England approach might look like. This is in the works and a firm date just needs to be determined within the next week to 10 days. This will be just the generators facilitated by the PUC.

Haijin Shi, of Landvest, Inc. presented on the Wood Supply Study for Coos County currently being conducted. Landvest, Inc. was retained by DRED for this timber availability study and the study should be completed and available shortly. This presentation also included information regarding:

- o The current situation in Coos County, NH
- o Other recent wood availability studies and objectives
- o The wood basket area consisting of Coos, Grafton, Carroll and Belknap County, 8 counties in Vermont and 1 county in Maine.
- o Data Sources for Ownership information, forest resources and recent harvest areas
- o Inoperable or inaccessible timberland areas
- o Harvest Intensity, Project models and other base model assumptions
- o Low grade wood availability
- o Results - including model simulations
- o Wood consumption estimates - Wood not currently in use - per year
 - Low Limit - 0.28 million green tons available
 - Base - 0.64 million green tons available
 - High Limit - 1.00 million available

Answers to questions following the presentation:

- o There is approximately an 8% difference between wood availability studies conducted due to the different areas studied.
- o This study does not directly take alternatives such as pellet woods into account.
- o The study reveals approximately 6.3 million acres of wood but there is an automatic deduction of 6% for inoperable or inaccessible wood.
- o This project makes no assumptions for any prices (fuel, diesel, etc.)
- o Study information was obtained using state and other resources which can be found on the acknowledgement page of the presentation.
- o If there was railroad availability in the area then there would potentially be more wood available.
- o There could potentially be more wood available if an owner was willing to pay more - ex. Wood from private owners or from farther away

Eric Kingsley, of Innovative Natural Resource Solutions, Inc. presented on Biomass Fuel Availability in Berlin, NH, a study which he conducted for Clean Power Development in May 2008. This study concluded that there are approximately 13,000 +/- green tons available per installed Megawatt of

electricity and 31 megawatts of wood power available within a 60 minute drive from Berlin - taking into account wood and transportation prices. This presentation also included information regarding:

- o Scope and factors of Clean Power Development Study, Berlin, NH
- o 30, 60, and 90 minute drive time areas from Berlin, NH
- o Product usage from a single tree (Including photos)
- o Annual Timber Harvest Volumes by Product in Coos County from 1998-2005
- o Modeled Whole Tree Chips (WTC) availability
- o Potentially available WTC and its potential Megawatt (MW) capacity
- o Pulpwood Availability and its potential MW capacity
- o Biomass availability in green tons in Coos County from 1998-2005 and total MW production available.

Answers to questions following the presentation:

- o The results of this presentation would be very different if the study had been focused on Groveton, NH rather than Berlin, NH
- o If there was a plant in Berlin and Groveton, there would be competition for approximately 75%-80% of the wood.
- o Nothing which has occurred since May 2008 has been taken into account in terms of prices used for simulations

Fred King asked whether the Commission should determine if the State could even afford to build a transmission line in order to bring these projects online and asked for some concept of the cost of these transmission projects. The cost was estimated to be up to \$150-\$200 million dollars. He also asked if cost of a project could be equated into kilowatts so that the potential cost to consumers could be assessed. **Tom Frantz** used an example of a \$100 million dollar plant which would call for approximately a 1 ½ to 2% increase to consumers.

Charge of the North Country Transmission Commission

The first task at hand for the North Country Transmission Commission will be to draft a report of its findings and recommendations along with any proposed legislation by December 1, 2008. The draft is currently being worked on by PUC staff and a draft should be emailed by November 17th for discussion at the November 24th meeting. **Senator Martha Fuller Clark** reminded members that the scope of the transmission commission is to (1) look at the costs of these projects; (2) who is going to pay for it? (3) really understand what we

would need to build in terms of cost impact. There will not be a resolution available by December 1, 2008 because this issue is a work in progress but that the Commission will work towards possible resolutions.

Legislative Recommendations

Only 2 legislative suggestions have been received. They are:

- 1) To review RSA 162-H, the siting statute, with the intent of streamlining the Site Evaluation Committee process for transmission lines for renewables.
- 2) Authorize Coos County or a regional economic development body to own and operate transmission facilities.

Tom Getz reminded members to submit any legislative recommendations that they may have as soon as possible whereas the report deadline is approaching.

Questions & Answers

Fred King asked why, if 6 companies, for example, plan to build in Coos County, why those 6 companies wouldn't be responsible to pay for the transmission lines. This was a question which needed more discussion by the Commission. This would put a severe financial strain on these companies and perhaps hinder the production of renewables. The duties of this Commission are to analyze all of the options, including this one.

Bill Sherry commented that NH is a power surplus state and Coos County is electrically balanced with approximately 70 mw of load and roughly 80 mw of generation. Any new generation (whether it is 100 mw or 500 mw) would be like connecting 6 inch fire house to a 2 inch garden hose. But we still need to get that power and flow from Northern New Hampshire into central Massachusetts.

All developers, in order for their project to be successful, must sell their power into the New England market - because although NH doesn't need the power, the market needs the power, especially Massachusetts, Rhode Island and Connecticut. The system south of Manchester and towards the border and into Massachusetts is robust enough to handle that kind of infusion of power but unfortunately the system from Coos County down to Manchester is not.

Doug Patch commented that when Noble did their study for their 100 megawatt plant, it found that there was no major impact on the transmission lines solely with its 100 mw of generation. But, when you added additional generation into the loop then there would be issues south of the White Mountains.

Lyle Bulis commented that exporting the power into New England and analyzing the potential 1½ - 2% rate increase to New Hampshire customers brings up many questions. He noted that if wind energy is so cost efficient and economical to produce - shouldn't that power produced in NH, stay in NH and lower rates for NH consumers rather than NH consumers paying for these upgrades and then sending the power out of state? If we are going to ask our citizens to pay for the upgrade, then shouldn't they be getting the benefit from it?

He also pointed out that if the queue was not as restrictive as it is then more projects would be available to come online allowing more jobs for the citizens of NH. We need the renewables but we also need the steady employment and the board should try to move forward as soon as possible to reach a resolution and try to put objectives in motion for the 12/1 report.

Michael Harrington noted that there was supposed to be a FERC filing coming from the ISO in the upcoming days regarding FCM/Queue Amendments to resolve issues related to the relationship between New England's Forward Capacity Market and the generator interconnection procedures set forth in Schedules 22 and 23 of the ISO OATT Tariff. He noted that he would make that filing available to members of the board as well as interested parties via email. (An email was sent out on 11/3/08 - if you did not receive this email - please let Jennifer Ducharme know)

ENDING NOTES

Next Meeting is November 24, 2008. Please note that this meeting has been moved from 11/17 to 11/24 due to scheduling conflicts due to the Thanksgiving Holiday. For questions and additional information, please contact Michael Harrington (Michael.Harrington@puc.nh.gov) or Tom Frantz (Tom.Frantz@puc.nh.gov) at the PUC . For copies of materials discussed at the meeting please visit the PUC website at www.puc.nh.gov/Electric/electric.htm or contact the PUC Legal Assistant, Jennifer Ducharme at Jennifer.Ducharme@puc.nh.gov.

Adjourned at 12:20 P.M.