

Comments of Stephen Conant – Anbaric Power
Tuesday, October 12, 2010

Dear Chairman Fuller-Clark, Commissioner Ignatius, and Members of the North Country Transmission Committee:

NEITC compliments you and the North Country Transmission Committee on an excellent report. KEMA's draft "Feasibility Study – Transmission Action Plan" released on October 1st is a firm step forward. It does an excellent job in summarizing the problem of developing and paying for transmission lines that will reach remote renewable resources and in laying out how other states, independent system operators and regional transmission authorities are working towards solutions. We applaud the report for advancing a specific proposal for how New Hampshire might address the problem by offering state government electricity demand and some form of loan or loan guarantee to the developers of renewable energy generation. We fear, however, that the solution offered may fall short of its intended goal. We offer the following recommendations on how state actions might be modified in order to help achieve its goal of building new transmission that will support 400+ MWs of renewable energy development in the North Country.

Because a given transmission line will enable a number of wind projects, we think state incentives would be better targeted to the actual transmission development itself rather than to the renewable energy developers. Our Neptune and Hudson projects were financed through long term contracts with government authorities (Long Island Power Authority – LIPA – for Neptune and New York Power Authority – NYPA – for Hudson) for the transmission capacity on our lines. Generation was added later, and via competitive procurements that ensured ratepayers would pay the least for the energy and capacity transmitted across the line. To this day, LIPA claims Neptune is saving ratepayers scores of millions of dollars per year.

New Hampshire should think of a similar strategy by first creating a state transmission authority that would have the ability to contract for the full capacity on a new 230kV line what would serve the North Country. Under this approach, the state does assume risk. Examples from other states point to how that risk could be minimized. For example, before proceeding with the funding of a transmission line, the New Hampshire Transmission Authority (NHTA) could seek to pre-subscribe at least 50% with renewable generation developers. This could be in the form of Precedent Transmission Service Agreement (PTSA) as is used by the Bonneville Power Authority, where the developer makes a down-payment for transmission service in order to show firm interest. The down-payment could be in the form of a letter of credit for 10% of the project cost as is done in the Texas CREZ program. With firm interest in place the NHTA would then be in a position to competitively bid the development of the renewable transmission line.

The KEMA report also properly recognizes the importance of long-term contracts with load in order to provide some certainty to the renewable energy developers. Unfortunately, it does not appear that state government itself has enough load to support 400 MWs of renewable energy develop in the North Country. The "2009 Energy Management Annual Report for State-Owned Buildings and Fleets" referenced in the KEMA report indicates that the annual state facilities

electric demand was 315,610 MMbtu in 2009. That converts to an hourly average electric demand of 4.5 megawatts, where peak demand could increase to 10 megawatts. This conceivably may be enough to provide enough load to support a wind farm of 50 MWs at best. To expand the state support for projects with long term contracts beyond state government load, the NHPUC could procure a percentage of the renewable generation, and put that on a % of load basis to each of the load serving entities in the state. The Maine Public Utility Commission has been able to support wind development in Maine in this manner by procuring a portion of the state's standard offer as renewable energy.

Our suggested approach would have the effect of providing transmission certainty to renewable generation developer at a known cost of transmission. Because the state will have realized economies of scale by contracting for a larger capacity line than a single generator would normally build, and would be providing a lower cost of debt service, there would be an incentive for renewable energy developers to locate with Coos County where they would be at a competitive advantage to other renewable projects in the region. This would accelerate the number of projects connecting to the new line and increase the likelihood of there being built, thus reducing the risk of stranded cost to the state.

Thank you for the opportunity to submit initial comments. We would welcome the chance to present it in more detail to the Commission.

Sincerely,

Stephen Conant

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