Date: October, 12, 2010

From: Tom Colgan – Wagner Forest Management, Ltd.

Comments on the KEMA North Country Transmission Line Action Plan

As a renewable energy developer with a proposed 200 MW wind farm to be situated in Dixville and Dix's Grant, Wagner is keenly interested in the deliberations on how to expand transmission capacity in Coos County. Our project along with other proposed projects will only be built if new transmission capacity can be brought to Coos County. Without this new transmission capacity the many benefits of our project such as promoting renewable energy, increased jobs and increased tax base will not come to pass.

Summary of Wagner Comments

The KEMA report does a good job of researching the spectrum of options available to promote the building of new transmission capacity in Coos County, but in the end picks an option that is doomed to fail. Whether it was based on feedback from certain stakeholders who said that "this can't cost the State or taxpayers a nickel" or whether it was based on the consultant's own preference, KEMA's conclusion that developers must pay the full cost of a $150 million upgrade is a non-starter. Moreover, KEMA's suggestion that the state provides low interest loans to renewable energy developers and enters into below market purchase power agreements with the developers to repay the loans offers little incentive to developers and would require a significant and unworkable change in the way NH does business. Unfortunately, the consultant's preferred solution is out of touch with other, more viable solutions that have been utilized around the country and are much more likely to work here in New Hampshire.

Wagner is developing multiple wind projects in Maine and is a minority partner in the Granite Reliable wind farm. The cost of transmission for our various projects is consistently 3% to 5% of the total project cost. Under the KEMA proposal for the Coos upgrade, our project would be allocated 50% of the $150 million upgrade cost (200mw wind versus 400 mw upgrade capacity). The $75 million "share" of transmission costs we would have to pay represents 15% percent of our total wind farm project cost, three times the highest amount that we pay on any other wind project in New England. This is such an expensive burden our project will never get built.

The offer to cushion this expense with low interest loans and a purchase power agreement with the state is a gracious gesture, but the idea of the State purchasing some or all of the electricity at below market rates only seems to add insult to injury; if the project is not viable paying for a full proportional share of the transmission costs how can it be more viable selling the output at below market prices?

Again, we do not know why the consultants decided the renewable energy developers in Coos County must pay for the full cost of a transmission upgrade but realistically this is a fatal flaw in the report.

So what other options do we think should be recommended? Our suggestions focus on two alternatives:

1. Regional initiative of transmission operators

We suggest more emphasis should be placed on promoting this option rather than stating it is not fully formed and too far into the future. Because a significant part of this line would go through New Hampshire, if the Legislative and Executive branches of the State were out front as active supporters of this large scale project they could promote an aggressive timeline. The lukewarm mention of the project in the report does nothing to help further this initiative.

2. Son of SB 164

The original SB 164 bill had a fair and reasonable approach to sharing the cost burden of new transmission; developers paid a share, ratepayers paid a share, throw in a few State bonds and 50% would come from federally-funded programs. It fell apart when federal dollars did not materialize. We don’t think it is out of the question that federal funds may become available. If federal funds are not there, what about asking the developers of the proposed Hydro Quebec DC line to chip in funds to help upgrade the Coos loop? Previously, there were statements made by the utility representatives that there are potential synergies between the HQ project and the Coos Loop upgrade.

We hope you find these suggestions constructive. Given the amount of time, energy and money spent on this issue we would be disappointed if the final report does not offer an option(s) that has a real chance of being successful.

Appendix A – Technical Corrections

Page 3-11 Laidlaw Energy Group

This project is a 70 MW facility.

Page 3-18 Costs bullet point one

The last sentence of this bullet, "Stakeholders commented that no master planning is in place…." is simply not true.

Page 3-18 Costs bullet point three

In the case of a wind farm on privately owned land what "resources could be put to other uses which would have a more direct benefit for local residents."? There is no diminished capacity of these private land holdings to continue to provide the traditional forest products and associated jobs if there is a wind farm built on the ridgelines

Page 6-7 Second paragraph, fourth sentence

The estimated number of construction hires for the Noble Environmental Power wind project is 200, not fifteen.