

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
REBUTTAL TESTIMONY OF LISA K. SHAPIRO, Ph.D.
DOCKET NO. DE 11-250
July 11, 2014

1 **Q. Please state your name, title and business address.**

2 A. My name is Lisa K. Shapiro and my business address is 4 North Main Street, Concord,
3 New Hampshire 03301. I am Chief Economist at Gallagher, Callahan & Gartrell, P.C.

4 **Q. Have you previously provided expert testimony?**

5 A. Yes. I previously provided expert economics testimony before this Commission in
6 Docket No. DE 10-195 regarding the Burgess Biomass Plant in Berlin, New Hampshire.
7 I have testified on the economic and policy impacts of proposed legislation concerning
8 electric industry restructuring, the Renewable Portfolio Standard (RPS), the Regional
9 Greenhouse Gas Initiative (RGGI), pollution control tax exemptions and utility taxes. I
10 have also testified frequently before the New Hampshire legislature on the economic
11 impacts of other business and tax proposals.

12 **Q. Please briefly summarize your relevant background and employment experience.**

13 A. I hold a Ph.D. in Economics from Johns Hopkins University. I have more than 20 years
14 of extensive experience in energy industry economics and policy, providing strategic

1 advice, economic and policy analysis, and legislative and regulatory representation for
2 electric utilities, large energy users, and independent developers and operators. I have
3 often been called upon by policymakers and business groups to present and provide
4 information on energy issues, and have authored a number of economic impact studies,
5 reports, and presentations on the economic impacts of energy policies and projects. A
6 copy of my CV is included as Attachment LKS-1.

7 **Q. What is the purpose of your testimony?**

8 A. I was retained by Public Service Company of New Hampshire in 2009 to investigate and
9 prepare a study on the economic impacts of constructing a scrubber at Merrimack Station.
10 A copy of my March 13, 2009, study entitled, “The Economic Impacts of Constructing a
11 Scrubber at Merrimack Station” (the “Study”) is attached hereto as Attachment LKS-2.
12 This study was previously provided to the parties in this proceeding in response to
13 TransCanada Data Request TC 01-009 dated June 4, 2012.

14 **Q. What was the purpose of your Study?**

15 A. The purpose of the study was to provide an estimate of the economic benefits to New
16 Hampshire – jobs, gross state product, and personal income – from the construction of a
17 wet flue gas desulphurization system, commonly called a scrubber, at Merrimack Station.
18 This report was intended to provide additional information for the legislature on the
19 potential consequences from passing Senate Bill 152 – “AN ACT relative to an
20 investigation by the public utilities commission to determine whether the scrubber
21 installation at the Merrimack station is in the public interest of retail customers.”

1 **Q. Did you conclude that the scrubber project would provide economic benefits to New**
2 **Hampshire?**

3 A. Yes. I found that the PSNH's multi-year investment in the scrubber was estimated to
4 have significant economic benefits for New Hampshire during a time when the State was
5 in a recession and facing many economic uncertainties. During that recession, the
6 construction industry was among the hardest hit in New Hampshire. Employment in the
7 construction industry has declined by as many as 3,700 jobs between January 2008 and
8 January 2009. The scrubber project would put a significant number of construction and
9 other skilled laborers back to work. My Study presents details on the benefits of the
10 scrubber project to the state's economy and in the creation of well-paying union and non-
11 union jobs at a critical time in our state and country's history.

12 **Q. Can you summarize the Study's finding regarding the impact of the scrubber**
13 **project on jobs?**

14 A. Yes. At a time when New Hampshire faced the highest unemployment levels in the last
15 twenty years, I found that the scrubber project would create and sustain approximately
16 300 to 500 jobs directly involved with the project and another 500 to 700 jobs throughout
17 the economy as a result of direct, indirect, and induced spending from the project.

18 **Q. Did you present your study to the Legislature?**

19 A. Yes. My study was presented to the Legislature during an informational hearing held on
20 March 13, 2009, regarding Senate Bill 152. That Bill would have required this
21 Commission to investigate whether installation of the scrubber remained in the public
22 interest in light of the estimated \$457 Million construction cost. I provided testimony
23 before the Senate Committee on Energy, Environment and Economic Development.

1 **Q. Do you know what action the Legislature took on Senate Bill 152?**

2 A. Yes I do. The Legislature killed that bill by determining it was “Inexpedient to
3 Legislate.”

4 **Q. Did the Legislature in 2009 indicate at any time that the economic benefits discussed
5 in your Study of continuing with the scrubber project were important factors in
6 their decision?**

7 A. Yes, in the “Majority Committee Report” of March 19, 2009, concerning House Bill 496.
8 House Bill 496 was a companion bill to Senate Bill 152 entitled “AN ACT establishing a
9 limit on the amount of cost recovery for the emissions reduction equipment installed at
10 the Merrimack Station.” That Bill, if enacted, would have amended RSA 125-O:18, the
11 “Cost Recovery” section of the scrubber law, to set a cap of \$250 Million on the
12 recoverable costs of complying with the mandate of the scrubber law. In the referenced
13 Majority Committee Report, the House Committee on Science, Technology and Energy
14 explained why it found House Bill 496 to be “inexpedient to legislate.” In relevant part,
15 the Majority Committee Report stated:

16 *The majority was also concerned that the passage of this bill would*
17 *lead to a pause in or cancellation of the project. This would not only*
18 *have significant environmental ramifications but also would lead to the*
19 *loss of several hundred short term and long term jobs related to the*
20 *construction and operation of the scrubber.*

21 **Q. In your opinion, was the creation and retention of jobs a significant public interest
22 issue of concern to the Legislature in 2009 when it chose not to alter the statutory
23 mandate to install the scrubber?**

24 A. Yes. The finding by the Science, Technology and Energy Committee clearly
25 demonstrates that even after knowing the \$457 Million estimated price of the scrubber,

1 the Legislature’s mandate to install the scrubber contained in the scrubber law would
2 remain in full force and effect. The Committee expressly noted that “a pause in” or
3 “cancellation of” the project was not desired. The loss of several hundred jobs was
4 highlighted as one of the key reasons why the Committee desired the scrubber project to
5 continue on course

6 **Q. Do the other parties agree that job creation is a significant benefit of a project like**
7 **the scrubber?**

8 A. Each of the parties to this proceeding was asked data request questions concerning this
9 very topic. Each of the parties objected to such questions on a multiplicity of bases. Not
10 one of the parties responded to those questions.

11 **Q. Is there evidence outside of the discovery process indicating that any of the parties**
12 **to this proceeding recognize the public interest benefits of jobs from a project like**
13 **the scrubber?**

14 A. Yes. TransCanada Corporation has gone to great lengths to emphasize the public interest
15 benefits of its proposed Keystone XL pipeline. I am aware that TransCanada has taken
16 out full page advertisements in many national publications, commercials on national
17 television, posted web pages, produced YouTube videos, and the like promoting the
18 public interest benefits of the Keystone XL pipeline. In particular, TransCanada has on
19 myriad occasions cited the jobs that would be created if that pipeline project was
20 approved. In the YouTube video entitled “Straight Talk About KXL — Jobs & Energy
21 Security” produced by TransCanada Corporation, TransCanada notes that “9000
22 American construction workers want this project approved so they can build a pipeline to
23 help modernize America’s energy infrastructure. That’s work for pipefitters, welders,
24 electricians, heavy equipment operators, environmental specialists, and more. And

1 Keystone XL would produce thousands of manufacturing jobs.”¹ I have attached
2 examples of TransCanada’s efforts to publicize the public interest aspect of job creation
3 as a benefit of a large construction project as Attachments LKS-3 and LKS-4.
4 Given the cost of the public relations campaign TransCanada has financed and the
5 notoriety that they wish to achieve for their project, I am somewhat surprised that one of
6 its officers, Mr. Hachey, claimed he “has no knowledge” of his Company’s Keystone XL
7 jobs claims.
8 TransCanada repeatedly emphasizes the jobs its project would create as a significant
9 reason why that project would provide public interest benefits supporting its approval.
10 The jobs produced by the scrubber project had an increased public interest benefit due to
11 their existence during the height of what Governor John Lynch described during his
12 February, 2009 Budget Address as the “deepest recession since the Great Depression;” an
13 address in which the Governor repeatedly stressed the need to “create jobs” just as the
14 scrubber project was creating the very jobs the Governor desired.

15 **Q. Did the scrubber project actually create the jobs that were of such importance to the**
16 **Legislature?**

17 A. Yes it did. PSNH did what the Legislature mandated by law. The installation of the
18 scrubber did in fact create hundreds of good paying union and non-union jobs during the
19 depth of the recession. Those jobs enabled many hundreds, indeed thousands, of state
20 residents to weather the recession, pay their mortgages, heat their homes, and put food on
21 the table. Without the scrubber project, many, if not most, of these workers would have
22 remained unemployed, requiring assistance from the State. And, the ultimate cost of that
23 project was nearly 10% less than the estimate before the Legislature in 2009 when it

¹ <http://www.youtube.com/watch?v=d3WAbtjh7M4&list=PLotbBljalgl18SIUyj0RQ5hCsVi2rG5ZC>

1 rejected Senate Bill 152 and House Bill 496 in order to ensure the availability of these
2 very jobs.

3 **Q. Does this conclude your testimony?**

4 **A. Yes it does.**