

Northern Pass Transmission – Eversource

SEC Docket No. 2015-06

Dear Attorney Roth,

I e-mailed you on March 1, 2016 but you have yet to answer. As a citizen and ratepayer of this state it would seem reasonable to expect a responsive and accountable Counsel for the Public from a transparent Attorney General's office.

What concerns me is the state of New Hampshire's pattern and practice of discrimination against the public interest for residential ratepayers while it favors the interests of utilities and the larger energy using rate classes. (See Attached Op-Ed Black Magic - Graft Fired docx.).

First, let's consider the matter of the FERC investigation into New England transmission rates I addressed in my email.

On January 9, 2016 Dave Solomon reported in the Union Leader that FERC Commissioners issued an order to investigate New England transmission rates that appeared to them "unjust, unreasonable and unduly discriminatory or preferential." His reported rates put New England at the top nationally, running 82 percent higher than the next highest region in the country. (Eversource customers pay 2 cents per kilowatt hour in NH while in the Pennsylvania PJM market customers pay 1.1 cents.) And these rates are of singular importance to the SEC's consideration of Northern Pass, LLC's application since it is for a transmission project.

Though Northern Pass Transmission, LLC may have rights to have its SEC application considered within a year of its submission, with Eversource as party to this company, those rights ended on December 28, 2015 with the FERC investigative order. Our public interest rights to learn what role Eversource has played in this freakish pricing presents the state with an undeniable and compelling reason to petition the SEC to suspend further action on this application now. What could be more relevant to the public interest in the Northern Pass Transmission Project than the character and fitness of the parties to it?

In my view you needed to intervene in this investigation and to make this case about fitness before now. Still it's not too late to attempt. And even if the state of New Hampshire failed to timely intervene in the FERC investigation, the NH Office of Consumer Advocate in its wisdom did not.

Further with regard to Eversource's fitness as party to the NPT project, given the abject failure of Eversource's last project—the \$400 million scrubber on the obsolete Merrimack Station—why hadn't the Counsel for the Public called for a retrospective testing of the economic analysis for that project before having the SEC consider this latest Cost-Benefit and Local Economic Impact Analysis of the Proposed Northern Pass Transmission Project by London Economics International, LLC? After all, in 2014 the PUC-commissioned LaCapra report showed just two and a half years after its completion the scrubber project and the Merrimack Station to be near worthless. How can we have confidence in any analysis going forward without a "back-test" of the failures on the last one?

Moreover, in 2015 the Legislature passed and the Governor signed SB221. From this the State of New Hampshire then moved in PUC dockets DE 14-238, DE11-250 and DE 09-035 for the Public Utilities

Commission's approval of the "2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement," a settlement agreement with regard to the divestiture of the Eversource's generation assets. This included Merrimack Station which presented the greatest overall burden to the proposed Stranded Cost Recovery Charges.

More important, the Governor and Legislature relied on Eversource's estimated net savings of \$380 million to all customer classes in the settlement for its legislative mandate. Yet after a PUC staff accounting of the company's estimated net savings, the settling parties had to agree that they amounted to less than half those claimed.

In light of Eversource's scrubber project outcomes and the missed estimated savings for the settlement agreement, we have every reason to be more than a little skeptical of economic models they commission or execute themselves.

I am otherwise concerned that you have not responded to my email since your charge under section 162-H:9 of the Counsel for the Public statute calls for your "seeking to assure an adequate supply of energy."

You'll recall the link included in my email to an original research article titled "An international comparative assessment of construction costs overruns for electricity infrastructure" by Benjamin K. Sovacool at AU-Herning, Aarhus University, Birk Centerpark 15, DK-7400 Herning, Denmark and his colleagues Alex Gilbert and Daniel Nugent at the Institute for Energy & the Environment, Vermont Law School. In their abstract the authors say "...that hydroelectric dams and nuclear reactors have the greatest amount and frequency of cost overruns even when normalized to overrun per installed MW, and that solar and wind projects seem to present the least construction risk. Consequently investors, electric utilities, public officials and energy analysts need to rethink and reevaluate the methodologies they use to predict construction time tables and calculate budgets."

In their analysis of hydroelectricity projects the authors tell us "Perhaps the single biggest factor contributing to hydroelectric cost overruns is the time need for their construction. The typical dam in our sample, for instance, had a construction period exceeding 118 months; for comparison that is longer than WWII, which lasted 72 months. These long construction lead times expose hydroelectric projects to multiple types of uncertainties during the construction process, including unforeseen changes in demand, interest rates, availability of materials, exchange rates, severe weather, labor strikes, and even war."

I think the author's point about unforeseen changes in demand is particularly important because those changes are now foreseeable. Consider the competition in our restructured electric markets, our states energy strategy as well as the rest of New England's and the ongoing transformation of this strategy toward alternative rates for greater efficiencies, solar, wind and demand response technologies that will reduce peak energy use.

If we do not listen to these authors we risk ending up with a sited and unsightly HVDC project in New Hampshire for transmitting electricity from a hydroelectric project in Quebec into southern New England with energy that is too expensive to sell.

Finally, Attorney Roth, please let me know if you do not intend to use Mr. Sovacool as your expert witness.

Sincerely,
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My Turn: State's public utilities rely on old black magic

By TERRY CRONIN

For the Monitor

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Earlier this month, the Monitor published the Center for Public Integrity's report on transparency and accountability in the State of New Hampshire (Monitor front page, Nov. 10). Not a thing has changed of our state's occult campaign financing since the Center's 2012 report. But for those familiar with the business around public utilities, its corrupting black magic continues to work wonders.

Some say Susan Chamberlin's repudiated bid for another term as consumer advocate for residential ratepayers came at the price of her objecting to the inherent financial risks of the excess capacity from the Kinder Morgan natural gas pipeline.

Others, such as Sen. Andy Sanborn, point to the part she played in the PSNH divestiture settlement agreement "that will actually raise energy costs on most customers." But by "most customers," I think the senator meant customers among the three biggest electricity user classes. The agreement offended them because it imposed a "non-bypassable" stranded cost recovery charge for securitizing the divestiture of PSNH's power plants. Republican gubernatorial candidate Rep. Frank Edelblut later brokered a byway to the charge to address their "special" interests.

Otherwise, ratepayers of these classes continue to thwart efforts that would end transmission rates favoring their greater electricity demand and waste. Unlike anywhere else in New England – or most of the rest of the country – the more these ratepayers use, the less they pay. While this pricing drives forward capacity and residential rates higher, Eversource catches the windfall.

So what about Sanborn's complaint with Chamberlin?

The problem of the settlement costs and campaign financing date to the unprecedented 2006 Scrubber Law that PSNH “helped” the state of New Hampshire draft. The law’s design undermined the 1999 Public Utilities Commission restructuring finance order that would have allocated the charges in equal proportions across the various ratepayer classes for fairness.

Instead, PSNH’s residential ratepayers, including those on Social Security, poverty wages and disability insurance, would bear the burden alone. The state used the law as a magic wand mandating this inequity as “in the public interest.”

It also kept the large energy using ratepayer classes and their lobbyists quiet and free from hundreds of millions in scrubber costs.

But what choice did Chamberlin have except to go along with the settlement agreement? Before she took the job, she knew the political score.

When former consumer advocate Meredith Hatfield’s term ended four years ago, her reappointment got blocked for questioning PSNH’s skyrocketing cost estimates for the scrubber project and for her objecting to the company’s over-market-priced power purchase agreement with a firm in Berlin. One reporter cited these as reasons why Executive Councilors Chris Sununu and Ray Wieczorek opposed her.

And Hatfield wasn’t alone on the power purchase agreement. The PUC staff objected, too.

The settlement now includes both the over-market priced power purchase agreement, estimated at \$140 million or more, and the electrifying \$400 million charge for PSNH’s bridge to nowhere – the failed scrubber project. What Hatfield questioned and opposed in the interests of residential ratepayers then, represents the two greatest costs of the settlement agreement today.

Opaque campaign financing has rendered the role of the New Hampshire consumer advocate to serving our state’s political class while it subverts residential ratepayer interests for their corporate donors benefit. It has left the state with one big insolvent utility project after another and stranded costs on stranded costs.

Even if you support the Northern Pass transmission project, given the company’s failed management of the scrubber, why would you trust Eversource as a party to a billion-dollar plus project? They’ve proved themselves unfit even for the simple public service required of an incumbent utility.

Let’s pause the projects, redress the harm to residential ratepayers from the inequity of the Scrubber Law and put an end to the hidden campaign financing now.

(Terry Cronin lives in Hopkinton.)

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