

**ATTORNEY GENERAL
DEPARTMENT OF JUSTICE**

33 CAPITOL STREET
CONCORD, NEW HAMPSHIRE 03301-6397

JOSEPH A. FOSTER
ATTORNEY GENERAL



ANN M. RICE
DEPUTY ATTORNEY GENERAL

March 20, 2017

Marvin P. Bellis, Esq.
Senior Counsel
Eversource Energy
107 Selden Street
Berlin, Connecticut 06037

Re: Northern Pass Transmission -- Inquiry

Dear Marvin:

This letter addresses recent statements reported in the press by Northern Pass Transmission, LLC ("NPT") and Hydro-Québec ("HQ") related to the payment of the costs of the construction of the Northern Pass transmission project (the "Project"). Of most concern to me are the recent emphatic statements made by HQ indicating that it does not intend to pay for the costs of the Project. Although HQ is not a party in this docket, NPT is a 'partner' in the Project with HQ¹ and should be responsible for clarifying these statements and their implications on this docket. I am concerned that the means for payment and assurance of profitability sought by HQ may have effects on the quantification of the benefits of the Project to the people of New Hampshire. As such, I request that NPT and Public Service Company of New Hampshire d/b/a Eversource Energy (the "Applicants") respond in detail to the questions presented in this letter.

Background

On March 9, 2017, an article in the Union Leader reported that, despite continued support by NPT and HQ for the Project, "[HQ] did verify that it will not pay to bury the line." *Utilities reiterate backing for Northern Pass*, <http://www.unionleader.com/energy/Utilities-reiterate-backing-for-Northern-Pass-03102017>, attached to this letter as Exhibit A.

¹ "NPT has partnered with Hydro-Québec ("HQ") a well-established producer of clean, renewable power that has been reliably supplying energy to New England since the mid-1980s." Application for Certificate of Site and Facility at ES-1.

On the same date, however, HQ issued a press release stating:

Hydro-Québec wishes to reiterate the position we shared with numerous Québec media on Wednesday:

- ☐ Hydro-Québec will not pay for the line in the U.S.
- ☐ Hydro-Québec will make sure this project is profitable for Quebecers.

Press Release, *Northern Pass line: Hydro-Québec has no intention to abandon the project*, <http://news.hydroquebec.com/en/press-releases/1181/northern-pass-line-hydro-quebec-has-no-intention-to-abandon-the-project/?fromSearch=1>. Attached as Exhibit B.

These statements were made after Canadian press sources reported that HQ 'would not pay a penny' for the burial of any of the Project in New Hampshire and that it would abandon the Project if its profitability over and above the Project costs was not manifest after the Massachusetts RFP.

1. Please explain Hydro-Québec's statements that it "will not pay for the line in the U.S."

On numerous occasions, in the Application and accompanying testimony, the Applicants have expressly stated that HQ or one of its subsidiaries would pay for the entire costs of the line, including the decommissioning of the line. *See* Application for Certificate of Site and Facility at ES-13 (referencing the Transmission Services Agreement ("TSA") and stating that an HQ entity would pay for the costs of the project); Prefiled Testimony of James Ausere dated October 15, 2015, at 3, 9 (same and specifically referencing decommissioning costs being guaranteed by HQ).

The recent public statements of HQ seem to contradict the testimony presented by the Applicants in this docket. The Applicants should explain why HQ's statements do not contradict the Applicants' testimony. In providing this explanation, the Applicants should discuss the portions of the TSA that require HQ to pay for all costs associated with the Project, regardless of whether the Project is ever constructed or becomes operational or proves to be unprofitable to HQ.

2. Even if HQ pays for some of the costs of the Project, will HQ pay for the costs associated with undergrounding the Project?

I understand that HQ's remarks about undergrounding in New Hampshire were sparked by efforts in Canada to require it to bury portions of the Project there.² In response to these

² https://linkprotect.cudasvc.com/url?a=http://www.journaldemontreal.com/2017/03/09/hydro-quebec-et-la-vente-a-perde-aux-etats-unis&c=E,1,Qrn3xgVzyQWk5Uv_05Yw4k-lbohRfJu4hOeSJV_3U08F78qyZ8gPg4ylytjrsOYPIiSB8stR5Tla82MI7pj13d9VM4hdseXP0VwEBSgZaiAADwNy4Q..&typo=1

concerns, HQ has specifically stated that it will not pay for any of the undergrounding costs associated with the U.S. portion of the transmission project. Applicants should confirm that HQ will pay for the costs associated with undergrounding the Project and explain why the reported statements of HQ are not inconsistent with this position.

3. Please explain how HQ will recover the costs of transmission service for use of the Project if HQ and the Applicants are not successful in the Massachusetts RFP for clean energy.

In the HQ press release, it states that it intends to "submit this project to the request for proposals the state of Massachusetts will be issuing soon." The implication from this statement is that the revenue from any contracts associated with the Mass RFP, in combination with other revenues such as from the capacity market, will be used to recover transmission service costs that HQ will be paying to NPT.³ In Canadian press reports HQ was quoted as saying it would in fact abandon the Project if the Massachusetts bid was not successful. Please explain whether NPT will still seek to build and commission the Project if HQ and NPT are not successful in the Mass RFP.

4. Will revenue that HQ earns in the New England electricity markets be sufficient to pay HQ's cost of transmission service over the Project in addition to the cost of producing the energy products that will flow over the Project transmission line while proving to be sufficiently profitable to the satisfaction of HQ?

In its press release, HQ states that "Hydro-Québec will make sure this project is profitable for Quebecers." This statement implies that HQ will only pay for the Project if it can earn revenue sufficient to (a) pay for the cost of transmission service under the TSA, (b) pay the cost of providing the electricity products that will be sold via the Project, and (c) earn a satisfactory profit. Please explain how the people of New Hampshire can be confident that HQ's revenues from the New England electricity markets will be sufficient to pay the costs identified in (a) – (c) above.

5. Do the Applicants have any responsibility to pay costs associated with the development of the Project if the Project never commences operation?

In a number of places, the Applicants' filing indicates that HQ's obligations arise once the Project is operational. "Once the Project commences operations, NPT will begin receiving revenue from Hydro Renewable Energy Inc. under the TSA." Application for Certificate of Site and Facility at 52.⁴ HQ stated to the press that it would abandon the Project if its Massachusetts RFP bid is not accepted.

³ Or, in the alternative, the revenue will go directly to NPT to offset HQ's obligations under the TSA.

⁴ See also Ausere pf. at 8, "Once Northern Pass commences operation, NPT will begin receiving monthly revenue from HRE under the formula rate in the TSA."

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Please confirm that rate payers will not be responsible, directly or indirectly for any of the costs associated with the development of the Project if the Project does not "commence operation" or is abandoned by HQ and please provide the support for this statement. If you confirm, then who would be responsible for paying any such costs?

6. Please confirm that the Transmission Services Agreement filed in this docket is still the governing agreement between NPT and HQ for paying costs associated with the Project and that neither NPT nor HQ are seeking to renegotiate the TSA.

Multiple stories in the press have indicated that either NPT or HQ is seeking to renegotiate terms of the TSA and file the amended agreement with the Federal Energy Regulatory Commission ("FERC"). See, e.g., http://www.caledonianrecord.com/news/local/northern-pass-hydro-quebec-now-unwilling-to-pay-for-line/article_e8de4437-54ed-5df4-871b-59f64346eca6.html. NPT's Project Journal post of March 16, 2017 "Setting the Record Straight," states that the TSA's approval deadline was extended by written agreement between NPT and HQ. Please provide copies of any modifications, extension agreements, or FERC filings. Please also confirm that NPT and HQ are not renegotiating the TSA.

Conclusion

NPT's responses to these questions are critical to my understanding of Hydro-Québec's position in regard to the Project, paying for the costs associated with the development and construction of the Project and whether New Hampshire customers will be required to pay any of those costs, all to the end of understanding the benefits and costs of the Project to the people of New Hampshire. Therefore, Counsel for the Public requests that the Applicants provide a response to these questions on or before March 27, 2017. If you have any questions about this I may be reached at 603-271-1270.

Thank you for your kind courtesies and consideration.

Sincerely yours,



Peter C.L. Roth
Senior Assistant Attorney General
Counsel for the Public

Attachments

cc: Pamela G. Monroe, Esq.
Thomas J. Pappas, Esq.
Elijah J. Emerson, Esq.

EXHIBIT A

March 09. 2017 10:19PM

Utilities reiterate backing for Northern Pass

By MARK HAYWARD

New Hampshire Union Leader

Eversource insisted Thursday that all is well with its Northern Pass partner Hydro-Quebec, despite a statement from the hydroelectric giant that it "will not pay a penny to bury the line in the United States."

The statement was released Thursday, a day after Le Journal De Quebec of Quebec City ran articles saying financing of the long-stalled project had changed. The articles prompted both Hydro-Quebec and Eversource to issue statements disputing them.

Both companies reiterated their support for Northern Pass, but Hydro-Quebec did verify that it will not pay to bury the line. Sixty miles of the 192-mile proposed route is to be underground.

A Northern Pass opponent said the articles show that Eversource will force the cost of the transmission project on its customers.

Judy Reardon, senior advisor of the Concord-based Protect the Granite State, said Eversource has repeatedly promised that no one in New Hampshire will pay for the project.

"If that sounds too good to be true, it is," she said in a statement. "Just yesterday, Hydro-Quebec issued a statement, indicating very clearly that it has no intention of paying for any of the cost of the transmission line in New Hampshire. Who pays then? You and me."

Jack Savage, spokesman for the Society of Protection of New Hampshire Forests, said Northern Pass is facing low natural gas prices and the presence of a fully permitted transmission line ready to break ground in Vermont.

"It's no wonder that Hydro-Quebec is having second thoughts," Savage said.

On Wednesday, Le Journal De Quebec ran articles questioning the Northern Pass project. One claimed Hydro-Quebec would pay to bury portions of the line in the United States, but not Quebec. The other said that Hydro-Quebec has assumed the risks in the project and will have to pay the entire cost.

Eversource said nothing has changed, and that Eversource subsidiary Northern Pass Transmission will invest the \$1.6 billion to construct the U.S. portion of the project.

Hydro-Quebec will do the same for the Canadian portion.

Eversource's investment will be recouped through revenue from the use of the line, Eversource spokesman Martin Murray said.

"Both Northern Pass and HQ are totally committed to the success of the Northern Pass project. It's somewhat unfortunate that the Quebec article led to any question of that commitment," Murray wrote in an email.

In a statement, the provincially owned Hydro-Quebec said it has no intentions of abandoning Northern Pass, and it will ensure the project is profitable for all Quebec residents.

"We firmly believe in the strength of our alliance with our American partner, Eversource," the statement reads.

Both HQ and Eversource said they are carefully eyeing the Massachusetts Clean Energy solicitations, scheduled for the spring, for secure, long-term commitments. Murray said Eversource and HQ expect to submit a very competitive bid.

Murray also said New Hampshire customers will not pay any construction costs of Northern Pass, citing a power purchase agreement with HQ for energy that will not include costs associated with Northern Pass.

mhayward@unionleader.com

EXHIBIT B

Montréal, March 9, 2017

Press Release

Northern Pass line: Hydro-Québec has no intention to abandon the project

With a view to openness and transparency, we contacted the journalist Jean-Nicholas Blanchet yesterday to explain once again Hydro-Québec's participation in the Northern Pass line project. Mr. Blanchet's conclusions from our conversation remain erroneous. Hydro-Québec has absolutely no intention to abandon the project.

Hydro-Québec wishes to reiterate the position we shared with numerous Québec media on Wednesday:

- Hydro-Québec will not pay for the line in the U.S.
- Hydro-Québec will make sure this project is profitable for Quebecers.

We firmly believe in the strength of our alliance with our American partner, Eversource. We intend to submit this project to the request for proposals the state of Massachusetts will be issuing soon. This project will benefit both Québec and the New England states.

Year to year, Hydro-Québec seizes business opportunities on export markets, which form a large part of its profits, for the benefit of Quebecers as a whole.