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July 29, 2010

**VIA ELECTRONIC MAIL AND FIRST-CLASS MAIL**

Ms. Luly Massaro  
Commission Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, Rhode Island 02888

Re: Docket 4185 – In Re: Review Of Amended Power Purchase Agreement Between  
Narragansett Electric Company D/B/A/ National Grid And Deepwater Wind Block  
Island, LLC Pursuant To R.I. Gen. Laws § 39-26.1-7

Dear Ms. Massaro:

Enclosed for filing in Public Utilities Commission Docket No. 4185, please find an original  
and twelve (12) copies of TransCanada Power Marketing Ltd.'s Responses to Deepwater  
Wind's First Set of Data Requests.

If you have questions, please contact me. Thank you for your attention to this matter.

Sincerely,



Robert M. Buchanan, Jr.

Enclosures

cc: Service List in Docket 4185 via electronic mail

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

Docket 4185

TransCanada Power Marketing Ltd.

Responses to Deepwater Wind Data Requests – Set 1

Issued July 23, 2010

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Deepwater Wind Data Request 1.1

Request:

Please provide all statements made or filed by TransCanada Power Marketing Ltd. (or its affiliates or subsidiaries) in connection with or response to the “New Actions Under Consideration” set forth by the New Hampshire Climate Change Policy Task Force.

Response:

See Attachment 1.1.



Christopher C. Skoglund  
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November 3, 2008

Dear Mr. Skoglund:

These comments by TransCanada respond to issues associated with the "New Actions Under Consideration" set forth by the New Hampshire Climate Change Policy Task Force. We appreciate the opportunity to comment briefly and for the record, note that we have various concerns and issues with respect to the New Actions.

#### **EGU Action 2.6 – Importation of Canadian Hydro and Wind Generation**

TransCanada supports the Governor's intent and that of many parties to address climate change issues by increasing the supply and availability of renewable energy resources to customers in New Hampshire. We question, however, whether a reliance on Canadian sources of hydro and wind are a "complimentary policy" as stated in the Action 2.6 Summary or are, in fact, harmful to the development of non-carbon generating assets in New Hampshire. As Action 2.6 correctly observes Canada is developing "vast new hydro and wind generation resources, which are greater than their local needs". In fact, those resources are to some extent already in place and would, presumably under the recently adopted RPS standards, be fully capable of swamping the New Hampshire electricity and renewable energy credit market and depressing prices to the extent that indigenous renewable resources or development projects under consideration would be at a distinct disadvantage.

The Action Step correctly identifies that building additional high voltage transmission interconnections with Canada would be a facilitating step for imports. In fact, a clear impediment to development of similar resources within New Hampshire (which among other things would create local jobs, local self-reliance, much-needed additions to local and New Hampshire's Utility Property tax bases and associated economic advantages) is the lack of transmission access within the State of New Hampshire. We would respectfully request that the New Hampshire intrastate issues be addressed and resolved by transmission providers prior to embarking on efforts to create additional interstate and international linkages that

don't facilitate economic development issues and other opportunities within New Hampshire. Governor Lynch's strong endorsement of the North Country Council and Northern Forest Center's Sustainable Economy Initiative (SEI) identifies many of the "economic backbone" issues associated with a concerted effort in the northern part of the State to "harness renewable energy". We believe that indigenous renewable resources are preferable to imports and therefore caution against spending ratepayer funds for transmission upgrades that do not benefit renewable energy generators located within New Hampshire or the region.

Facilitation of the importation of Canadian hydro and wind would potentially undermine renewable energy goals in New Hampshire. While Canada is a valued neighbor, trading partner and friend, part of the benefit of generation diversity and increased access to renewables within New Hampshire is the much needed economic development advantages associated with locating those resources here. We should not be taking steps in the name of "Climate Change" to destroy or hinder the economic development opportunities associated with renewable energy resources that are sited within New Hampshire.

Also, omitted from the Action Step discussion is the tie between the existing RPS rules and the proposed importation of Canadian hydro and wind. The existing RPS rules in every state, as they presently stand, allow qualifying renewable imports to count if the energy is "delivered" to NEPOOL. Essentially the only requirement is "delivery". No term, no firm obligation, no consequences of delivery failure are specified. TransCanada would describe that as a "Seller's convenience" delivery standard. No one buys power on that basis – yet by 2015 NH will potentially have 6% of its power delivered on those terms (MA will be 10%) and 11% by 2020 (MA will be 15%).

In Massachusetts legislation was recently passed as the Green Communities Act (GCA) to, among other things, begin to deal with importers and the utility preferences identified in this draft Action Step. TransCanada believes this "sleeper issue" threatens the further development of renewable energy resources in New England. New Hampshire might be an appropriate place to consider whether the RPS law needs to be modified? Recently in Maine, the chair of the Joint Committee on Utilities and Energy of the State Senate went on record with the NEPOOL Markets Committee with respect to this issue. The letter objects to the proposal to amend the Generator Information System (GIS) to recognize unit-specific attributes of generators located beyond adjacent control areas. Specifically, the letter points out that Maine's enactment of RPS in 2007 considered the status of the GIS rules at the time, which restricted generator imports to adjacent control areas. The letter sent by Maine continues that "...the need to build new renewable generation in Maine not only to satisfy the state's RPS requirement, but also to build provide jobs, economic development, electric infrastructure, etc..." is socially and economically beneficial and the proposed modification of the GIS operating rules is "...inconsistent with the policy objectives of this state." It is TransCanada's view that New Hampshire's Climate Change Policy Task Force, in its "New Actions Under Consideration", should also reconsider and refine their approach to this issue.

#### **EGU Action 2.7 – Allow Regulated Utilities to Build Renewable Generation**

History in New Hampshire and across the United States has demonstrated multiple times that the construction of electric generation is a capital and risk intensive business. Even with substantial regulatory oversight, it is difficult and challenging to accurately forecast future electricity prices and

costs associated with large capital projects in a volatile economy. Everyone of age in New Hampshire remembers well projects that were expected to ultimately be "too cheap to meter". When mistakes have been made in the regulated utility sector ratepayers have been required to pick up regulated utility costs that have been subsequently stranded. We believe that this was an important driving force behind the state policy embodied in RSA 374-F, which put the state on the course toward deregulation of the electric generation sector in New Hampshire. If a regulated utility chooses to build generation in New Hampshire, TransCanada would have no objection to the utility using or establishing an un-regulated subsidiary to accomplish that purpose with shareholder funds. Captive ratepayers should not be forced to take risks associated with new generation investments.

TransCanada Corporation operates both regulated and competitive businesses successfully. Regulated utilities doing business in New Hampshire are investor-owned. TransCanada would have no objection to regulated utilities building generation as long as the associated risks fall to utility investors instead of its ratepayers. The shareholders who invest in competitive energy companies have assumed both the rewards and the risks of their investment decisions. If a competitive market did not exist in New Hampshire and there was no alternative to a cleaner and more renewable asset fleet, the situation might be different. However, given that there are many competitive electricity resources either already operating in New Hampshire or hoping to do business here, it would be extremely unfair to allow new generation be built by utilities with guaranteed revenues through regulated rates. Climate change policy should complement not undermine the competitive electricity market and the policy embodied in RSA 374-F by the NH Legislature.

The reality exists that there are renewable generation development companies that have projects waiting in a queue to build. Those businesses are risky, margins are tight, and access to transmission is frequently poor and costly. With recent turmoil in the financial markets we have seen scale-backs of development projects and a general lack of new renewable development. TransCanada is proud of its recent redevelopment of Vernon Station on the Connecticut River but acknowledges that what began as a \$30 million project ended up costing well over \$50 million. This environment is, we think, relatively typical, of the generation build and refurbish landscape. The risks, challenges and rewards should be shouldered by investors, either utility or competitive, not captive ratepayers going forward.

Although the Action Step 2.7 imagines a history of electric generation restructuring in New Hampshire, we believe that it is "safe" to say that the so-called "safety net" created by the decision to forego full divestiture by PSNH is anything but safe to ratepayers and deserves serious discussion before allowing new construction of utility-owned renewable generation to proceed.

Action 2.7 properly acknowledges that transmission is a major constraint and need associated with new renewable generation. Regulated utilities in New Hampshire operate transmission businesses and are compensated fairly for providing transmission services. Traditional and current scenarios envision competitive power projects paying for the construction of transmission in order to generate when transmission capacity is lacking. This Action states that "customers in New Hampshire and potentially throughout New England would pay for enhanced transmission". If "customers" and "ratepayers" are synonymous then this is an important step in the right direction in creating renewable generation opportunity within New Hampshire. While TransCanada readily acknowledges that transmission infrastructure is also capital intensive and risky, it is not infrastructure that would clearly benefit by competing providers at this time. It will likely remain regulated and therefore ratepayers are presumably

safeguarded by regulatory oversight and resulting prudent investments in transmission upgrades that have public benefit. New Hampshire should support policies that encourage regionalization of the costs of transmission upgrades that will bring benefits to the region, so that New Hampshire ratepayers only pay a fair share of those costs. New Hampshire should also support policies that provide mechanisms for renewable generation developers to share the costs of transmission upgrades with ratepayers.

**EGU Action 2.8 – Identify and Deploy the Next Generation of Electric Grid Technologies**

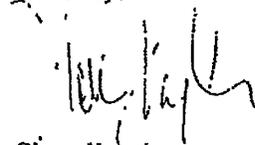
TransCanada supports Action 2.8. Optimizing energy efficiency and conservation of natural resources are goals that should be readily shared by all participants in electric markets.

**EGU Action 2.9 – Promote Low and Non CO2 Emitting Distributed Generation**

TransCanada generally supports Action 2.9 and notes that although SB 451 authorizes utility investment in distributed generation, opportunities for customers to invest in distributed generation already exist in the marketplace without the necessity of guaranteed ratepayer/utility funding. Although there are many elements of actualizing a distributed generation project that fall to the utility side of the meter, for those that benefit customers directly in electricity savings those costs don't need the participation of utility ratepayers to produce the intended result of additional penetration of cost-effective distributed generation.

In closing, TransCanada commends the hard work of the Task Force and notes that climate change is a real issue deserving the attention that this Task Force has provided. We note, however, the membership of the Governor's Climate Change Policy Task Force has not included all stakeholders. There has been no representation from the competitive and unregulated generation sector, whose members own clean, renewable generating assets in New Hampshire, provide local jobs, pay taxes to municipalities and the State and do it all without receiving guaranteed cost recovery from ratepayers. To the extent that electric generation is a contributor to climate issues, we feel that all options and all stakeholders should be included in the discussion to optimize the benefits of collaborative thinking. Accordingly, we are pleased by the opportunity to comment on these Actions.

Sincerely,



Cleve Kapala  
Director, Government Affairs and Relicensing

Cc: Thomas S. Burack, Commissioner, NH Department of Environmental Services  
Michael Hachey

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

Docket 4185

TransCanada Power Marketing Ltd.

Responses to Deepwater Wind Data Requests – Set 1

Issued July 23, 2010

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Deepwater Wind Data Request 1.2

Request:

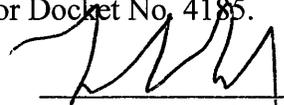
Did TransCanada Power Marketing Ltd. (or its affiliates or subsidiaries) respond to the request for proposals #7067847 issued on behalf of the Rhode Island Office of Energy Resources? If not, why not?

Response:

No. At the time of the request, TransCanada did not believe adequate technology existed for the service required for the project described by the RFP.

Certificate of Service

I hereby certify that I have this day caused the foregoing to be served upon Luly Massaro, Commission Clerk, and all parties set forth on the Service List for Docket No. 4185.



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Robert M. Buchanan, Jr.

July 29, 2010

**National Grid – Review of Proposed Town of New Shoreham Project  
Docket No. 4185 – Service List Updated 7/22/10**

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