

## **Testimony on H.889 - An act relating to the taxation of utility lines in Lake Champlain**

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My name is Josh Bagnato and I am Vice President of Development for TDI-NE. TDI-NE is the developer of the New England Clean Power Link (“NECPL”) a proposed 1,000 MW buried, HVDC transmission line aimed at bringing clean power from Canada into New England. I have managed the development of the NECPL since late 2013, shortly after development activities started for the Project. I have over a decade of experience developing transmission, wind and solar projects throughout New England and grew up and currently reside in Vermont.

The New England Clean Power Link is a fully permitted 1,000 MW buried transmission line proposed to deliver clean energy in the form of hydropower from the Hydro Quebec system, and wind power from Canada into New England. The NECPL transmission line will start at the US/Canadian border in Alburgh, VT and run to Ludlow, VT where it will interconnect into the ISO-NE grid. Approximately 97 miles of the NECPL would be submerged in Lake Champlain and 57 miles would be buried within existing road and railroad rights of way. The project is fully permitted and has received Section 248 and 231 Certificates of Public Good from the VT PUC, multiple environmental permits from VT ANR, Host Town Agreements from several Towns as well as permits from the US DOE and US Army Corps. In addition, TDI-NE has entered into several agreements with VT Agencies that codify various commitments, including a significant benefit package for Vermont that TDI-NE must honor for the project to proceed to construction and operation. The Project enjoys widespread support across Vermont, has full site control and was designed in a manner that significantly decreases impacts to the environment and Vermont communities.

Beyond enabling significant clean power to flow into New England (which will reduce the output of fossil fuel generators and lower carbon emissions) the NECPL offers nearly \$2 Billion in benefits to Vermonters over its expected 40-year life. These benefits include:

- \$509 Million in payments to Vermont Funds and Programs over 40 years. The primary categories of these payments are as follows.
  - \$135.7 Million in benefits for VT Electric Ratepayers
  - \$108.9 Million for VT Renewable Programs
  - \$263 Million for the cleanup of Lake Champlain and its Watershed
- An estimated \$900 Million in Tax and Lease Payments to Vermont over 40 years
- An estimated \$215 Million in direct spending in Vermont during construction
- An estimated \$310 Million in direct spending in Vermont during operation

In considering and ultimately agreeing to this comprehensive benefit package, TDI-NE specifically considered the degree to which the Project would be taxed. It relied on direct and specific discussions and advice from the Vermont Department of Taxes and the Department of Public Service which concluded that portions of the Project located on Vermont land were subject to property tax, whereas the portions of the Project submerged in Lake Champlain were not, due to the Lake being waters of the State not under municipal authority. In fact, the Department of Taxes shared their opinion with all the Towns that border the Lake via a memorandum in August, 2015, which was later affirmed by a separate opinion from the Department in September, 2017. TDI-NE relied on the State's representations (which are included in one of the stipulations) in ultimately entering into binding legal commitments to provide the financial benefits to the State listed above, and those agencies agreed to support TDI-NE should the issue of taxation arise in the future. Nonetheless, the Towns bordering Lake Champlain will benefit more from the \$263 million in funds dedicated to cleaning and conserving Lake Champlain compared to Towns that are not adjacent to the Lake

In order for TDI-NE to construct this approximately \$1.6 Billion Project, it must enter into a contract with a credit worthy counterparty or counterparties. In general terms, an entity (most likely a Utility) would enter into a contract that would pay TDI-NE for capacity on the line, so it could purchase clean energy from energy suppliers in Canada. Several Southern New England States have been and continue to present opportunities for such a contract through competitive RFP processes. These States are seeking to replace fossil fuel generation with clean electricity.

In July, 2017 TDI-NE bid into an RFP released by the three Massachusetts' Utilities. TDI-NE with its wind partners and HQ responded to this RFP with a fixed priced bid that covered the construction, financing, development and operating costs as well as the benefits package described previously. This bid did not include costs for property taxes on the portions of the Project submerged in the Lake. Unfortunately, TDI-NE was not successful in this RFP process as the MA Utilities are now negotiating a contract with another overhead transmission proposal that has lower costs.

My company believes the NECPL is an excellent project for Vermont and the Region and intends to submit further fixed price bids into new RFP opportunities that it expects will emerge later in 2018. My job is to continue to develop the Project, retain its value and look for ways to reduce its costs to make it more competitive in the next RFP. Passing a law that subjects the Lake portion of the NECPL to property taxes is directly at odds with what was agreed to and will unfairly increase the Project's costs and make it less competitive in future RFPs. Even the uncertainty of this proposed bill may force us to include costs in our next RFP response that could make the project less economic. Moreover, passing a law that fundamentally changes the economics of a Project after it has committed to certain economic benefits will discourage businesses like TDI-NE from investing in Vermont. With so much at stake for the State of Vermont, from the generous benefit packages that were negotiated in good faith from all stakeholders, including numerous state agencies, adding new and uncertain costs will only make this opportunity less attractive to the market and runs the risk of derailing a once in a generation opportunity for Vermont.