



PRESS RELEASE

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Hydro-Quebec to New Hampshire Ratepayers: “We Will Not Pay a Penny”

“We will not pay a penny for the Northern Pass project on the US side. These are American consumers who will pay the cost of transport in their territory through their electricity rates.” – Hydro-Quebec statement March 8, 2017

CONCORD, NH — A series of stunning articles in Quebec over the past 24 hours have raised serious questions about the costs associated with the proposed Northern Pass Transmission project (“NPT”) and the plan to have New Hampshire ratepayers pick up the cost of NPT, all while raising questions about the project’s future viability and the potential of Hydro-Quebec abandoning NPT altogether.

Must Reads of the Day

(English translations appended at conclusion of release)

1. **“Hydro is Considering Abandoning the Northern Pass Project”**, *Le Journal de Quebec*, March 8, 2017
<http://www.journaldequebec.com/2017/03/08/hydro-songe-a-abandonner-le-projet-northern-pass>
 - “Eversource had written to us – which it specified on its website – that Hydro-Quebec guaranteed the reimbursement of the costs of the line in the United States”, according to Serge Abergel, Hydro-Quebec’s Director of Media Relations. Mr. Abergel said that he had “fallen down from his chair” on reading this statement. In his view, [Eversource] “should not have said that”, and it should correct itself.
2. **“Nature Quebec Requests Burial of the [Northern Pass] Interconnection Line”**, *Le Presse*, March 8, 2017
<http://www.lapresse.ca/la-tribune/actualites/estrie-et-regions/201703/08/01-5076684-nature-quebec-demande-lenfouissement-de-la-ligne-dinterconnexion.php>
 - “It is the American consumers who will pay the transportation costs on their territory through their electricity rates. The [Northern Pass] project is designed to be profitable for Hydro-Quebec and therefore all Quebecers,” said Lynn St-Laurent, spokesperson for Hydro-Quebec.
3. **“No [Northern Pass] Project in the United States Without Profitability, insists Hydro-Quebec”**, *Le Devoir*, March 9, 2017
<http://www.ledevoir.com/economie/actualites-economiques/493473/perspectives>

- “Hydro-Quebec says it will not pay “a penny” for the burial of the US portion of the Northern Pass power line and that the bill will be returned to US consumers. If it turns out that the project is not profitable, it will be abandoned.”

4. **“Hydro-Quebec is Preparing to Pay \$500 million to Hide a Line – In the United States”**, *Le Journal de Quebec*, March 8, 2017

<http://www.journaldequebec.com/2017/03/08/hydro-paiera-la-ligne-aux-etats-unis>

- “On its website, Eversource indicates that it will recover the amounts invested [in Northern Pass] in full. How? Thanks to the transportation costs Hydro will pay for 20 to 40 years to pass on its electricity. Our Board of Inquiry asked Eversource if Hydro had guaranteed it to repay all development and construction costs. The answer was clear: “Yes, that’s right,” replied Kaitlyn Woods
- “[Hydro-Quebec] has always argued that it would pay the \$618 million for the 80km of the [Northern Pass] line in Quebec, but that Eversource, the US promoter behind the project, would finance the \$2.1 billion needed to build the 308 km in the United States.”
- “Experts doubt [Northern Pass] profitability. Experts believe Hydro-Quebec is ‘jovialist’ about the Northern Pass project, whose profitability they are doubtful of under the current conditions...’Is the project worth it? My answer is no. Electricity prices have never been so low’, says Jean-Thomas Bernard, energy market specialist at the University of Ottawa.”

All of this comes just days after [a new study from the University of New Hampshire Carsey School for Public Policy](#) indicating that new energy projects such as Northern Pass are not necessary to ensure economic growth and a few weeks after [a new UNH survey showed a significant decline in support for the project](#).

In a statement, **Judy Reardon, Senior Advisor to Protect the Granite State** said, “Eversource has promised over and over that no one in New Hampshire will pay a nickel for Northern Pass, even including this promise on its website until very recently. If that sounds too good to be true, it is. 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. Hydro-Quebec’s statement ***‘We will not pay a penny for the Northern Pass project on the US side. These are American consumers who will pay the cost of transport in their territory through their electricity rates’*** leaves no doubt.

Reardon concluded by noting, “Based on past experience it’s impossible to believe Eversource that no one in New Hampshire will pay for the construction of the Northern Pass transmission line. PSNH can change its name to Eversource, but it can’t change its history of shifting the cost of risky investments to New Hampshire families and businesses. There’s no reason to believe them now about who will pay for Northern Pass. We will pay for it – but only if we allow Northern Pass to succeed.”

About Protect the Granite State

Protect the Granite State is a Concord-based non-profit, non-partisan, grassroots organization established to provide New Hampshire residents with information about the Northern Pass Project, the 192-mile long transmission line that is slated to be built from Canada through New England. Its mission is to give greater voice to the thousands of Granite Staters who have grave concerns about the significant negative impact the project would have on New Hampshire's landscape and tourism economy while delivering no benefits to ratepayers.

APPENDIX - English Translations of Cited Articles

1. Hydro is considering abandoning the Northern Pass project

Le Journal de Quebec

JEAN-NICOLAS BLANCHET [Translated]

March 8, 2017

<http://www.journaldequebec.com/2017/03/08/hydro-songe-a-abandonner-le-projet-northern-pass>

Not only does Hydro-Québec finally admit that it could indirectly pay the cost of building a \$ 2.1 billion line in New Hampshire, but it is challenging its participation in the project after "redrafting its plan" on Wednesday.

Our investigation office revealed Wednesday that the US developer Eversource intended to pass the bill to the Crown corporation for the construction of the Northern Pass high-voltage line. It would be buried on nearly 100 km to protect the landscapes of New Hampshire, which would increase the bill by \$ 500 million.

Eversource will first finance the construction, but intended to be reimbursed by Hydro for 20 to 40 years, through "transportation costs" for borrowing the line on the other side of the border. Hydro's director of media relations, Serge Abergel, told us last week that Eversource would "take these transport costs to make [his] investment profitable".

Hydro defends itself

In several forums on Wednesday, the Crown corporation argued instead that it would not pay a cent for work in the United States.

In an interview with our office in the afternoon, Abergel said he was "in agreement" that Hydro could pay transportation costs and indirectly reimburse the investment to Eversource. He argues that "there's a big difference between saying that and saying we're going to pay for landfill in the United States."

Who will pay for the transmission of electricity on the Northern Pass line? Last week, the Crown corporation indicated that they could "possibly" be assumed by US customers and not by Hydro. Wednesday, however, in the press release of Hydro-Québec, it was no longer a possibility, but a certainty. Mr. Abergel made the same speech on 98.5 FM, before specifying in an interview with our office that it was a "wish" and that Hydro did not know who would pay for the transportation costs.

It should be noted that at the time the project was put on the table in 2011, Hydro-Québec guaranteed its partner the total repayment of the investment. But the state corporation said yesterday that it had changed its mind since.

Plans have changed

At the point where if she finds herself to have to pay the transport costs, "it may be that there is no project," he argued.

"We've done the plan today (Wednesday) ... so draw the conclusion that we will not move forward if ever" transportation costs are not borne by US customers.

Eversource had written to us - which it specified on its website - that Hydro-Québec guaranteed the reimbursement of the costs of the line in the United States. Mr Abergel said that he had "fallen down from his chair" on reading this statement. In his view, the American company "should not have said that" and it should correct itself.

The Northern Pass Project

- 388 KM
- Portion in Quebec: 80 km, \$ 618 million
- Portion in the United States: 308 km, \$ 2.1 billion
- Landfill in the United States: 96 km
- Landfill in Quebec: 0 km

"IN THE END, HYDRO PAYS"

Several intervenors in the field of energy questioned Wednesday the version of Hydro-Québec wanting that it does not pay a cent for the project in the United States.

"The line is for them. Indirectly, Hydro pays. I do not see who else would be interested in paying," said Jean-Pierre Finet, an energy management analyst for the Consolidation of Environmental Energy Organizations.

"Of course, American consumers will pay through their electricity tariffs ... What Hydro-Québec does not say, however, is that the higher the transport costs, the lower its revenue at the end Of track. In the end, Hydro-Québec will absorb this increase in transportation costs, particularly due to landfilling.

"Two weights, two measures"

The Nature Québec group also points out that Hydro assumes and guarantees the construction costs: "The American partner does not take any financial risk. All the documents prove it," says Christian Simard, executive director of the organization.

"The same line is buried in the United States, but not at home. Nothing justifies that. It is double standards and totally unacceptable," adds Simard, who asks the Couillard government to intervene so as not to give the green light to the project as long as a scenario of burial and avoidance of the area Has not been determined.

He recalled that the BAPE had made a recommendation to this effect: "These costs will be marginal over the whole project and this is not what will determine whether the project will be profitable or not."

The Mayor of Saint-Adolphe-d'Howard, Lisette Lapointe, has been fighting for nearly four years against the visual pollution that a draft line would entail in her municipality.

"It's a shock," she says. What is extremely troubling is that in a neighboring society, landscapes are considered a wealth, but not here. [...] The beautiful White Mountains in New Hampshire is a jewel. The mountains of our municipality are a gem too. "

2. Nature Québec requests the burial of the interconnection line

Le Presse

CLAUDE PLANTE [Translated]

March 8, 2017

<http://www.lapresse.ca/la-tribune/actualites/estrie-et-regions/201703/08/01-5076684-nature-quebec-demande-lenfouissement-de-la-ligne-dinterconnexion.php>

"The government of Quebec must bring Hydro-Québec to order, not authorize the project as presented and return the crown corporation to its drawing board."

This is how Christian Simard, General Manager of Nature Québec, says about the burial of its power line to New Hampshire on the American side without being on the Quebec side, information widely dealt with by *La Tribune* in recent years .

It should be remembered that the interconnection electric transmission line must be buried in New Hampshire while the Quebec portion will remain aerial, especially on the territory of the East.

The commissioning of this \$ 125 million project, also known as Northern Pass, is planned for 2019.

The Crown corporation wants to make it clear that it will not pay "a penny for the transmission line of the project Northern Pass on the American side", contrary to the information conveyed since Wednesday morning.

"It is the American consumers who will pay the transportation costs on their territory through their electricity rates. The project is designed to be profitable for Hydro-Québec and therefore for all Quebecers, "said Lynn St-Laurent, Strategic Advisor.

Nature Québec denounces Hydro-Québec's claim that the landfill solution in the Hereford Mt. area is "technically less reliable and far too costly, but without a thorough study of this scenario. For Nature Quebec, this argument is "fallacious, because the same line will be buried, a few kilometers further south in New Hampshire".

"Hydro-Québec also comes back with the argument that the Americans, by paying more for their electricity, have more financial means than Quebeckers to protect their landscapes and bury their line. The partner of Hydro-Québec in the United States, the company Eversource which acts as subcontractor in the file, has nevertheless repeated and confirmed that the American consumers would not pay a penny more for the construction of this line.

Hydro-Québec replied that "Massachusetts wants a clean, stable energy supply. It passed a law to that effect, commonly known as the Baker Act. This legislation will lead to the launch of a call for proposals in the coming weeks for a significant amount of hydroelectricity, "says the Crown corporation.

"As part of this call for proposals, it is established that the electricity companies will pay the transmission and energy costs to the selected companies. Thus, it is the American customers who, through their tariffs of electricity, will pay for this project. "

"There is a double standard in terms of conservation and protection of landscapes."

Hydro-Québec's arguments do not stand by and try to hide reality, insists Christian Simard. "There is a double standard in terms of conservation and protection of landscapes between Quebec and the United States, in a project in which Hydro-Québec guarantees all risks and all financing in the long term."

In February, it was reported that the Public Environmental Hearing Office (BAPE) asked Hydro-Québec to re-evaluate in more detail the burying of part of the Quebec-New Hampshire interconnection line before To get the go-ahead from the government.

This was one of the key recommendations contained in the BAPE report released by Quebec's Environment Minister David Heurtel.

For Nature Québec, the BAPE asked Hydro-Québec to redo its assignments and to present detailed scenarios for landfill.

3. No project in the United States without profitability, insists Hydro-Québec

Le Devoir

Karl Rettino-Parazelli [Translated]

March 9, 2017

<http://www.ledevoir.com/economie/actualites-economiques/493473/perspectives>

Hydro-Québec says it will not pay " a penny " for the burial of the US portion of the Northern Passline power line and that the bill will be returned to US consumers. If it turns out that the project is not profitable, it will be abandoned, she insists.

The Crown corporation strongly reacted Wednesday to an article in the *Journal de Montréal* stating that it would pay \$ 500 million to bury the high voltage line in US territory, while it refuses to do so for part of the line Québec-New Hampshire, the Quebec portion of the project.

" We will not pay a penny for the Northern Pass project on the US side. These are American consumers who will pay the cost of transport in their territory through their electricity rates , " said Hydro-Québec in a statement.

New model

Hydro-Québec has partnered with an American partner, Eversource, to build a transmission line linking Quebec and New Hampshire. Faced with group criticism for protecting the White Mountains territory, Eversource agreed to bury a new portion of the line for a distance of 83 km, which would increase the project bill by \$ 500 million.

It is the American consumers who will pay the transport costs on their territory through their electricity tariffs

Hydro-Québec

Based on the documentation available on the US promoter's website and an exchange with an Eversource spokesperson, Le Journal de Montréal reported on Wednesday morning that all development and construction costs of the project would be borne by Hydro-Québec. The Crown Corporation replied that this information was no longer valid.

"The model we put forward for this project in 2010 is not the same today. It was indeed a model where Hydro-Québec had a greater financial implication south of the border," said Hydro-Québec spokesperson Lynn St-Laurent.

Cost effectiveness

After receiving a slap last October, when three New England states rejected its bid for a major electricity supply contract, Hydro-Québec is now counting on the call for proposals that should be launched in April in Massachusetts to make the cross-border line profitable.

"As part of the Massachusetts call for proposals, it will be a new model. And as part of this new model, we can say without a shadow of a doubt that we are not going to pay for the construction of the line," argues Mrs. St-Laurent. *"It is expected that the Massachusetts electricity companies will pay for the construction of the line and for the energy that will be distributed. So it is the clientele that will pay for that energy through its tariffs."*

That said, Hydro-Québec will certainly have to pay a fee to deliver its electricity to US customers using the Northern Pass line. *"Once we know all the parameters, [...] if it is not profitable for Hydro-Québec, we will not go forward,"* said the spokesman for the corporation.

"Two weights, two measures"

Nature Québec does not understand why Hydro-Québec refuses to bury a portion of the line that passes through Quebec, while Eversource has agreed to do so for two portions of the American route.

"Hydro-Québec's arguments do not stand up and try to hide reality. There are two weights, two measures for conservation and landscape protection between Quebec and the United States in a project in which Hydro-Québec guarantees forward all the risks and all the funding," said its president, Christian Simard, after reading the article in the *Journal de Montréal*.

In a decision rendered one month ago, the BAPE invited Hydro-Québec to *"re-evaluate"* the option of burying the line for a distance of 18 km to protect a sector Hereford Forest, located in the Eastern Townships. Hydro-Québec has maintained from the beginning that burying the line would be too costly.

Now that the BAPE report is tabled, it will be up to the Couillard government to decide if it wants amendments to the Hydro-Québec project. In the office of Environment Minister David Heurtel, it is indicated that the analysis of the project is continuing, but without specifying when Quebec will vote.

4. Hydro-Québec is preparing to pay \$ 500 million to hide a line ... in the United States

Le Journal de Quebec

JEAN-NICOLAS BLANCHET [Translated]

March 8, 2017

<http://www.journaldequebec.com/2017/03/08/hydro-paiera-la-ligne-aux-etats-unis>

Hydro-Québec is preparing to pay half a billion dollars to bury nearly 100 km of a high-voltage line on American soil, while refusing to pass underground 18 km of the same line in Quebec.

Hydro-Québec partner Eversource told Hydro-Québec that Hydro would bear the entire cost of the Northern Pass line, which is \$ 2.7 billion. This 388-km interconnection is expected to connect the Estrie to Deerfield, near Boston, in 2019. Construction is scheduled to begin next fall.

The underground passage, which adds \$ 500 million to the bill, will protect the magnificent landscapes of the White Mountains in New Hampshire. Many American citizens demanded it. In contrast, Hydro refused to bury a portion of the line in Quebec.

With the Northern Pass, Hydro dreams of increasing its exports to New England. It has always argued that it would pay the \$ 618 million for the 80 km of the line in Quebec, but that Eversource, the US promoter behind the project, would finance the \$ 2.1 billion needed to build The 308 km in the United States.

Convinced

However, on its website, Eversource indicates that it will recover the amounts invested in full. How? Thanks to the transportation costs Hydro will pay for 20 to 40 years to pass on its electricity.

According to a study by the reputed consulting firm Analysis Group we obtained on Tuesday, this transportation fee is 5.5 cents per kilowatt hour. This is what seriously question the profitability of the project, according to experts.

Our Board of Inquiry asked Eversource if Hydro had guaranteed it to repay all development and construction costs. The answer was clear: "Yes, that's right," replied Kaitlyn Woods of the Media Relations Department.

Profitable

Hydro-Québec's director of communications, Serge Abergel, has not denied that Hydro could effectively reimburse Eversource through the transportation costs. However, he emphasized that the Crown corporation would not embark on the project without ensuring that it was profitable.

The spokesman also argued that some of the costs could "possibly" be borne by electricity distributors in New England, which is not confirmed.

Hydro will bid in the coming weeks for a long-term contract to operate the interconnection with Massachusetts. Even if Hydro could not get a long-term deal, it could proceed with the construction of the line anyway, confirmed Mr. Abergel.

Regarding landfill in the United States, Mr. Abergel says Eversource "made a decision regarding its market area". In Quebec, "we have to consider our considerations," he added, pointing out in passing the increase in construction costs, maintenance difficulties and the lifetime of an underground tension line.

WHY NOT IN QUEBEC?

While Hydro is paying to bury its lines in the United States, many Quebecers are unsuccessfully asking that it do the same in Quebec.

This is the case of Lisette Lapointe, the widow of former Prime Minister Jacques Parizeau. Mrs. Lapointe, Mayor of Saint-Adolphe-d'Howard, has been fighting for three years against the visual pollution that, according to her, would lead to a proposed line that passes through her municipality.

"How is it that we continue to build high voltage lines in this way, destroying landscapes, whereas in other societies, in our neighbors, we do not do that any more," he said. "She told the CBC last August.

Elsewhere, as in Lanaudière or Dollard-des-Ormeaux, citizens also demanded that projects go underground.

EXPERTS DOUBT THE PROJECT'S PROFITABILITY

Experts believe Hydro-Québec is "jovialist" about the Northern Pass project, whose profitability they are doubtful under the current conditions.

Electricity sells on average between 3 and 4 cents per kilowatt hour on the New England market, but Hydro Québec may have to pay 5.5 cents per kilowatt-hour for construction costs in the United States. At that price, it would export at a loss. Is the project worth it? "My answer is no (...) Electricity prices have never been so low," says Jean-Thomas Bernard, energy market specialist at the University of Ottawa .

And in ten years, will it be profitable? "Not impossible," said the expert, who emphasizes however that Hydro has held an optimistic discourse for 15 years because of tougher policies against greenhouse gases. However, he notes, the latter are slow to materialize. "And I doubt it will happen with Donald Trump," he said. The new US president expressed interest in the coal and oil industries.

Professor Bernard also recalled the significant production of electricity from natural gas in New England. In addition, he points out that wind and solar sources are growing and production costs are increasingly approaching those of hydro-electricity.

«Beautiful pink glasses»

According to ISO New England, which oversees the energy market in this region, between 2008 and 2016, the value of the energy market fell 275% from \$ 12.1 billion to \$ 4.1 billion. For 17 years, electricity has never been as affordable in this sector.

Hydro therefore bears "beautiful pink glasses", according to the image of Jean-Pierre Finet, energy management analyst for the Regroupement des organisations environnementales en énergie. "The

profitability of exports is essentially based on the prospect of severe winters, which was the last time in the winter of 2013-2014 and which will not necessarily be sustained over the next few years."

For its part, Hydro Quebec spokesman Serge Abergel maintains that New England has a strong interest in renewable energies.

If Hydro seeks to realize this project, "it is because we think it is interesting" and "profitable", he insists.

Of course, prices are less attractive, but even in this market, there are opportunities to seize, he maintains.

Mr. Abergel pointed out that exports outside Quebec in 2015 yielded \$ 900 million in profits to the Crown corporation, half of which came from the New England markets. These profits decreased by \$ 79 million between the first three quarters of 2015 and those of 2016.

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