

FINAL Minutes of the Interagency Review Panel's February 7, 2011 Meeting

The meeting was called to order at 9:05 a.m.

The following members of the Panel, State Agency staff and the public were present:

Panel Members

Tim Agnew

Fen Fowler

Harrison Horning

John Kerry, Governor's Office of Energy Independence and Security (OEIS)

Bruce VanNote, DOT (designee for DOT Commissioner)

Conrad Welzel, Maine Turnpike Authority (MTA)

Staff

Nina Fisher, DOT

Brian Burne, DOT

Toni Kemmerle, DOT

Todd Pelletier, DOT

Members of the Public

Carol Flora, Loring Development Authority

Hayes Gahagan, Loring Holdings

Carol Purinton, Central Maine Power

Gil Paquette, TRC

Joe Rossignol, National Grid

Kathy Billings, Bangor Hydro

Jeremy Payne, Maine Renewable Energy Association

1) Welcome and Introductions

Meeting called to order by Chairman John Kerry. Introductions were made and the minutes from the December 20th, 2010 and November 1st, 2010 meetings were unanimously adopted (moved by H. Horning, second by T. Agnew).

2) Discussion of "Sub-Group's" Work – Barbara Alexander

The panel reviewed the proposed rule guidelines drafted by Panel member Barbara Alexander. It was noted that the Panel has no budget allocation and with conflicting schedules, it is difficult to devote substantial time to crafting the rules. The sub-group formed to address rulemaking has yet to meet.

Bruce Van Note, Panel member and Deputy Commissioner for MaineDOT, questioned whether the Panel should proceed with the rulemaking process, citing an executive order from Governor LePage requesting all agencies to ease off rule making. Chairman Kerry indicated that the Panel needs to proceed with the process, especially now that we have a proposal potentially before the Panel. He indicated that the Panel will move the

rulemaking process forward and the Governor's Office certainly has the purview to adjust appropriately.

Panel member Tim Agnew commented that Barb Alexander's guidelines sets forth a good process and strikes a balance between informing the public and keeping proprietary information confidential. Panel member Fen Fowler stated that the panel does not necessarily have to create rules but must establish boundaries.

Panel member Harrison Horning noted that professional staff assistance is needed in crafting meaningful rules and is looking for assistance from MaineDOT, as is Chairman Kerry. Bruce Van Note shared a concern about needs of the Panel versus expectations. Due to staffing issues, the rulemaking process could take as long as six months, and he questioned whether that would work into Bangor Hydro's (pending proposal before the panel) and other applicant's timeframe. MaineDOT has the skill set and the ability to craft the rules and would like to assist with the process, but is looking for some timeframe parameters to ensure that we can serve the panel in the manner they require and deserve. Chairman Kerry indicated that Governor's Office of Energy Independence and Security (OEIS) has been trying to expedite this process from day one and the sub-group should move forward and directed MaineDOT to convene the rules sub-group.

Conrad Welzel from the Maine Turnpike Authority agreed that Barb Alexander's parameters for a rule was a good start.

Jennifer Puser from OEIS indicated that she would work with Nina Fisher at MaineDOT to convene the sub-group, whose membership includes: Panel members – Tim Agnew, Barb Alexander, and Jonathan Arey from the Maine Turnpike Authority, Jennifer Puser from OEIS, and Nina Fisher from MaineDOT.

Comments from audience members:

Kathy Billings from Bangor Hydro stated that she understood where we were in the process and appreciates being able to sit in the room. Bangor Hydro is okay with the Panel's time frame and doesn't want to push, but in looking forward to moving forward.

Hayes Gahagan from Loring Holdings indicated that they are open to working with Bangor Hydro and others as well as the State of Maine.

Carol Purinton from Central Maine Power shared that they were just there to observe. They support the process.

Joe Rossignol representing National Grid likewise stated that he supports the process. He stated that confidentiality of work papers and proposals will have an impact moving forward. Bruce Van Note agreed that we should look for national models on transparency versus confidentiality. Kathy Billings suggested checking with the Public Utilities Commission's rules on confidentiality. Hayes Gahagan indicated that they have such an agreement with the Loring Development Authority. Carol Purinton offered to share some samples.

Harrison Horning moved adoption of Barb Alexander's outline – second by Fenwick Fowler: unanimous vote of the panel members.

3) Loring Development Authority – Carl Flora, Director

Carl Flora, Executive Director for the Loring Development Authority (LDA) spoke on behalf of the LDA. Their Searsport to Loring corridor is referenced in the law as a statutory corridor, but they feel it is exempt due to projects currently underway.

The corridor is 185 miles long and 50 feet wide. It was built, and land acquired by the United States Air Force to ship jet fuel from the port at Searsport to the former Loring Air Force Base. In 1993, the Loring Development Authority was established, similar to the Finance Authority of Maine – it consists of a 13 member Board of Trustees, appointed by the Governor. In 1994, Loring Air Force Base closed. In 1997, the property was disposed of, with LDA receiving the majority of developed property, including the pipeline. In 2001, LDA signed an economic development conveyance agreement with the US Air Force in which they paid \$1 for the pipeline and corridor with an agreement that any revenue derived from it will be invested into economic development programs.

In 2003, LDA was approached by Loring Holdings (then Loring BioEnergy) and Shaw Group to develop a 50 acre parcel of land located at Loring and a portion of the pipeline. This was to be used for a project that would convert pipeline to natural gas, tying in at Winterport, sending it north to Loring, where a plant would be built.

Tim Agnew questioned whether the Loring Holdings plan would take up the entire right of way. Carl Flora indicated that LDA and Loring Holdings had signed agreements giving them energy exclusivity. Chairman Kerry asked if there had been a legal determination as to the legality of the exclusivity agreement. Hayes Gahagan indicated that the language is quite clear. Loring Holdings ensured exclusivity prior to moving forward to invest private money. The agreement consists of successive long-term leases up to 93 years.

Presentation of Loring Holdings proposal was conducted by Hayes Gahagan – see attached handouts.

Jeremy Payne from Maine Renewable Energy Association asked how they would be structuring negotiations – would it be open access or reservations only. Hayes Gahagan responded that they are assuming it will be 75% open contract. They expect wind will partner with gas and one will contract with them. They indicated that they were not in negotiations with anyone in the biomass industry, but would be happy to work with them.

Tim Agnew questioned whether this agreement was reached through rulemaking or did LDA negotiate directly? Carl Flora indicated that there was no rulemaking involved. A proposal was presented to the LDA board in open session. Some matters have still yet to be established, like royalties. An outside valuation expert will be engaged.

4) Public Comments

Kathy Billings and Joe Rossignol proceeded with a presentation of Bangor Hydro and National Grid's proposal – see attached handouts.

Chairman Kerry expressed pleasure at having Bangor Hydro and National Grid present at the meeting, despite being a bit early in the process. He indicated that they will be on next month's agenda for a more in-depth presentation.

Tim Agnew questioned how their proposal would save \$628 million for Maine rate payers. Joe Rossignol stated that it would be achieved through the market effect over 30 years. It will be a cost based line, not market based.

Carol Purinton asked where they were with the New England Independent System operator (ISO-NE). Joe indicated that they were in the queue. Hayes Gahagan stated that the two projects would be mutually exclusive.

Harrison Horning questioned whether off-takers had paid for a project before in New England. Joe Rossignol cited three examples, two existing and one proposed.

In regards to a question from Fenwick Fowler, he stated that National Grid is not necessarily a power company – primarily a transmission company, pipes, wires, etc. He is comfortable working with the proposed six month span of time for the Panel to craft and adopt rules. He stated that National Grid is comfortable with the Panel process and understands that the corridor has value.

Fenwick Fowler asked how this will influence the market. How urgent is this need and is the panel heading down the right path? Joe Rossignol stated that National Grid needs to move the project forward so southern residents can benefit from northern Maine wind. When questioned by Tim Agnew as to whether National Grid and Loring Holdings would be using different wind sources, Hayes Gihagan replied that it would be same wind source, different capacity. There is plenty of wind to go around – whether working together or separate, they still wouldn't meet the demand. He stated that volume is their friend – more they move, the lower the unit cost.

Harrison Horning asked if there would be value in the Panel talking with ISO-NE. Hays Gahagan stated that you are restrained for resources, it would be very difficult, and would probably not be a cost effective use of the Panel's limited resources. Joe Rossignol stated that ISO-NE is very reluctant to pick winners and losers.

Kathy Billings asked Bruce Van Note if other states used their right-of-way in a similar manner. He explained that other do in fact, but that Federal Highway Administration has been reluctant to embrace the endeavor.

The meeting was adjourned at 5:00 p.m.