

**STATE OF VERMONT
PUBLIC SERVICE BOARD**

Petition of Champlain VT, LLC d/b/a TDI New England)
for a Certificate of Public Good, pursuant to 30 V.S.A. §248,)
authorizing the installation and operation of a high voltage)
direct current (HVDC) underwater and underground electric)
transmission line with a capacity of 1,000 MW, a converter)
station, and other associated facilities, to be located in Lake)
Champlain and in the Counties of Grand Isle, Chittenden,)
Addison, Rutland, and Windsor, Vermont, and to be known)
as the New England Clean Power Link Project (“NECPL”))

Docket No. 8400

**SUPPLEMENTAL PREFILED DIRECT TESTIMONY OF
TODD SINGER**

August 26, 2015

Summary:

Mr. Singer’s supplemental testimony provides an update on several issues covered in his original testimony, including updated figures for public good benefits, taxes and other required state/municipal payments, and economic growth estimates.

Exhibit Number	Superseded Exhibit (if applicable)	Name of Exhibit
TDI-TS-2(Rev.)	TS-2	Summary Breakdown of Construction and Operating Costs
TDI-TS-3(Rev.)	TS-3	Summary of Taxes and Other Required Payments
TDI-TS-4(Rev.)	TS-4	Summary of Vermont Economic Benefits
TDI-TS-5	N/A	VT Dept. of Taxes Memo re NECPL Property Taxes

1 **Q. Please state your name, occupation and business address.**

2 Response: Todd J. Singer, Senior Vice President – Project Development & Finance, TDI-
3 USA Holdings Corp. d/b/a Transmission Developers, Inc. (“TDI”). My business mailing
4 address is 600 Broadway, Albany, NY 12207.

5
6 **Q. Have you previously filed testimony in this proceeding?**

7 Response: Yes, I submitted prefiled direct testimony on behalf of Champlain VT, LLC
8 d/b/a TDI New England (“TDI-NE”) concerning the New England Clean Power Link
9 (“NECPL”) Project on December 8, 2014.

10

11 **Q. What is the purpose of your supplemental testimony?**

12 Response: The purpose of my testimony is to provide an update on the public good and
13 other payments discussed in my earlier testimony, including updates to the following items:

14 1. Public Good Benefits

- 15 • Lake Champlain Pollution Abatement & Restoration Fund (previously known as
16 Lake Champlain Phosphorous Cleanup Fund)
- 17 • Lake Champlain Enhancement/Restoration Trust Fund
- 18 • VT Renewables Programs (through the Clean Energy Development Fund)
- 19 • New benefits in Alburgh and Benson

20 2. Taxes & Other Required State/Municipal Payments

- 21 • Vermont property taxes
- 22 • Vermont corporate income taxes

- 1 • Right of way option and lease payments to the Vermont Agency of
2 Transportation

3 3. Economic Growth from Construction & Operations

- 4 • Direct labor and non-labor spend during construction
5 • Direct labor and non-labor spend during commercial operations
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7 **Q. TDI-NE has entered into a number of agreements with parties to this Docket. Have**
8 **you reviewed these agreements with respect to any financial issues that were within the**
9 **scope of your original prefiled testimony?**

10 Response: Yes. I have reviewed all of the agreements and have assessed the financial
11 implications included in them. The agreements (as included in the Jessome/Martin/Bagnato
12 supplemental testimony or in my supplemental testimony) that impact the figures included in
13 my prefiled testimony are as follows:

- 14 1. Stipulation between TDI-NE and the Vermont Public Service Department, the
15 Vermont Agency of Natural Resources, and the Vermont Division for Historic
16 Preservation (*Exhibit TDI-JMB-19a*) (“State Agency Stipulation”);
17 2. Host Town Agreement between TDI-NE and the Town of Benson, Vermont (*Exhibit*
18 *TDI-JMB-24b*) (“Benson Agreement”);
19 3. Lease Option Agreement between Champlain VT, LLC and the Vermont Agency of
20 Transportation (*Exhibit TDI-JMB-19a*) (“VTrans Lease Option”);
21 4. License Agreement Between TDI-NE and the Vermont Department of Fish and
22 Wildlife (*Exhibit TDI-JMB-26*) (“VTFWD License”); and

1 5. Memorandum from the Vermont Department of Taxes to the Towns of Alburgh,
2 Benson, West Haven, Castleton, Ira, West Rutland, Rutland, Clarendon, Shrewsbury,
3 Wallingford, Mount Holly, Ludlow, and Cavendish regarding guidance on property tax
4 calculations for municipalities impacted by the NECPL (*Exhibit TDI-TS-5*).

5
6 **Q. As a result of these agreements, has your prior testimony regarding estimated public**
7 **good benefits to the State of Vermont as a result of the NECPL changed? If so, how? Please**
8 **explain.**

9 Response: Yes. Based on the final agreements, TDI-NE has adjusted the Public Good
10 Benefits as described below and as shown in *Exhibit TDI-TS-4(Rev.)*:

11 1. Lake Champlain Pollution Abatement and Restoration Fund (“LC Pollution Fund”).

12 TDI-NE has increased its contributions to the LC Pollution Fund for pollution
13 abatement and restoration efforts in Lake Champlain. At the Project’s financial close,
14 TDI-NE will contribute \$1,000,000 to the fund, and upon the Project’s commercial
15 operations date, an additional \$1,000,000. TDI-NE will thereafter contribute \$5,000,000
16 per year (previously \$2,000,000 per year) to the fund during the 40 year life of the
17 Project. The funds attributable to this fund will amount to \$202,000,000 in total
18 (previously \$82,000,000 in total).

19 2. Lake Champlain Enhancement/Restoration Trust Fund (the “LC Trust Fund”). TDI-

20 NE has increased its contributions to the LC Trust Fund. TDI-NE will contribute
21 \$1,500,000 per year (previously \$1,000,000 per year) to the LC Trust Fund during the 40
22 year life of the Project. In addition, TDI-NE will contribute \$1,000,000 to the LC Trust
23 Fund at the Project’s financial close (previously \$0 at financial close). The funds

1 attributable to the LC Trust Fund will amount to \$61,000,000 in total (previously
2 \$40,000,000 in total).

- 3 3. Vermont Renewables Programs. TDI-NE has increased its contributions to Vermont's
4 Clean Energy Development Fund (the "CEDF"). TDI-NE will contribute \$5,000,000
5 per year for the initial twenty years of commercial operations (previously \$1,000,000 per
6 year) and \$443,125 per year for the subsequent twenty years of commercial operations
7 (previously \$1,000,000 per year). The funds attributable to Vermont Renewables
8 Programs will amount to \$108,862,500 in total (previously \$40,000,000 in total).
- 9 4. Town of Benson Agreement. TDI-NE has also agreed to make two payments to the
10 Town of Benson that total \$1,100,000. These payments will be earmarked by Benson to
11 purchase road equipment and infrastructure that will allow for the maintenance of road
12 and provide emergency services. The first payment in the amount of \$550,000 will be
13 made at financial close, and the second payment in the amount of \$550,000 will be made
14 at commercial operations. The payments under the Benson Agreement are new
15 payments, and consequently, were not included in my prefiled direct testimony.
- 16 5. F&W Access Boat Ramp. As part of a license agreement with the Vermont Department
17 of Fish & Wildlife, TDI-NE has agreed to pay for the design, permitting and
18 construction of a boat ramp at the Korean War Veteran's Access Area. TDI-NE has
19 agreed to make this \$350,000 payment one month after the Project's financial close.

20 In summary, the Public Good Benefits have been adjusted as follows:
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Table 1: Summary of Changes in Public Good Benefits

Public Good Benefit	Total Payments as of Direct Testimony (12/8/14)	Total Payments as of Suppl. Testimony (8/26/15)	Increase / (Decrease)
Lake Champlain Pollution Abatement and Restoration Fund	\$82,000,000	\$202,000,000	\$120,000,000
Lake Champlain Enhancement / Restoration Trust Fund	\$40,000,000	\$61,000,000	\$21,000,000
VT Renewables Programs - CEDF	\$40,000,000	\$108,862,500	\$68,862,500
VT Ratepayer Relief - VELCO	\$135,669,735	\$135,669,735	no change
Benson Payments	none	\$1,100,000	\$1,100,000
F&W Access Boat Ramp	none	\$350,000	\$350,000
TOTAL	\$297,669,735	\$508,982,235	\$211,312,500

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Q. Since you submitted your initial testimony and exhibits, has your estimate of the taxes and other payments or fees the NECPL will make to the State of Vermont or Vermont municipalities changed? If so, how? Please explain, including any changes to the methodology used to derive these estimates.

Response: Yes. The total payments to the State of Vermont and Vermont municipalities during the 40 year life of the Project are now estimated by TDI-NE to be \$931,800,000 (previously \$682,700,000). A summary breakdown of this revised figure is incorporated in *Exhibit TDI-TS-3a (Rev.)*.

1. Property Taxes

TDI-NE has modified its property tax methodology based on: (1) the property tax guidance memo distributed by the Vermont Department of Taxes (“VTax”) to the Towns of Alburgh, Benson, West Haven, Castleton, Ira, West Rutland, Rutland, Clarendon, Shrewsbury, Wallingford, Mount Holly, Ludlow, and Cavendish (“VTax Memorandum”)

1 (new *Exhibit TDI-TS-5*); (2) discussions between TDI-NE and VTax that occurred
2 subsequent to the filing of my prefiled testimony; and (3) the exclusion of property taxes on
3 transmission upgrades in the ISO-New England region, due to the fact that the exact
4 upgrades, their cost, and their location in Vermont or elsewhere have not yet been finally
5 determined. Specific adjustments made to the tax methodology included the following:

- 6 • Based on guidance from VTax, the methodology for calculating property taxes on
7 Construction Work in Process (“CWIP”) has been altered. Previously, TDI-NE
8 assumed the CWIP property tax calculation in a given year was based on CWIP in place
9 as of April 1st of that same year. However, because each town’s grand list is set annually
10 on April 1st, the “as of” valuation date needs to be earlier than that date. Consequently,
11 VTax clarified that the CWIP calculation for a given year should be based on CWIP in
12 place as of December 31st of the prior year. TDI-NE now estimates there will be
13 approximately \$10,900,000 (previously \$12,000,000) of property taxes paid on CWIP.
- 14 • Previously, TDI-NE applied a 95% equalization rate to the Replacement Cost New Less
15 Depreciation (“RCNLD”) figures it calculated annually. The product of this calculation
16 was assumed to be the assessed value (“Assessed Value”) in a particular year. However,
17 after discussions with VTax, it was determined that the application of a 95% equalization
18 rate was not necessary given the fair market value of the property is calculated each year
19 as part of the RCNLD calculation. Consequently, the Assessed Value in a given year is
20 equal to the RCNLD value for that year.

21 Based on the above, TDI-NE now estimates that it will pay a total of \$274,200,000
22 (previously \$301,200,000) in property taxes in Vermont during both the construction period

1 and the 40 year life of the Project. See *Exhibit TDI-TS-3b(Rev.)* for the detailed
2 calculation of property taxes during both construction and commercial operations.

3 2. Vermont Corporate Income Taxes

4 Based on the changes to all of the payments described in this supplemental
5 testimony, TDI-NE now estimates \$414,400,000 (previously \$328,300,000) in corporate
6 income taxes will be paid to the State of Vermont during the 40 year life of the Project. The
7 increase in public good benefits payments causes TDI-NE's revenue requirements to
8 increase in order to achieve the required investment returns of its owner. The increased
9 revenue requirement causes TDI-NE's taxable income to increase which results in the higher
10 corporate income tax figure. The Vermont corporate income tax rate of 8.5% is multiplied
11 by taxable income in a given year to calculate the Vermont corporate income taxes.

12 3. Sales Taxes

13 No change. TDI-NE continues to estimate \$31,400,000 in sales taxes will be paid to
14 the State of Vermont during the construction period.

15 4. State Highway Lease Payments

16 Based on the VTrans Lease Option (*Exhibit TDI-JMB-25*), TDI-NE will pay
17 \$211,800,000 in right of way lease payments to VTrans during the 40 year life of the Project
18 (provided it exercises the lease option). TDI-NE had previously assumed it would pay
19 VTrans \$21,900,000.

20 Pursuant to the VTrans Lease Option, the term and structure of the VTrans lease
21 payments have changed relative to TDI-NE's previous assumptions, as follows:

- 22 • TDI-NE will pay VTrans a \$100,000 option payment paid in two installments
23 during the development period (\$25,000 within 30 days of signing the agreement

1 and \$75,000 within 30 days of receiving the last of the three major permits,
2 namely the Vermont Section 248 Certificate of Public Good, the Presidential
3 Permit, and the Army Corps Permit). TDI-NE has already paid VTrans the
4 initial \$25,000 option payment.

- 5 • The 40 years of lease payments to VTrans will commence at financial close and
6 continue through the three year construction period and subsequent 37 years of
7 commercial operations. Previously, TDI-NE had assumed the lease payments
8 would cover the entire 40 year life of the Project and that TDI-NE would not
9 make lease payments during the construction period.
- 10 • TDI-NE has the right to a 9.5 year extension term at the same terms and
11 conditions as the initial 40 year term.
- 12 • During the initial seven years of operations, TDI-NE will pay VTrans \$4,000,000
13 per year. Commencing in year eight of operations, an annual escalator of 1.5%
14 will be applied to the \$4,000,000 payment through year 40 of the lease and will
15 continue through the 9.5 year extension term mentioned above.
- 16 • The complete schedule of payments to VTrans during the initial 40 year term
17 and the 9.5 year extension term can be found in Attachment B of the VTrans
18 Lease Option.

19
20 **Q. Has your estimate of the total direct economic impact that the NECPL will have in**
21 **Vermont changed since your prior testimony/exhibits were filed? If so, how?**

1 Response: Yes. The total direct economic impact of the Project in the State of Vermont
2 during the construction and commercial operations periods for the categories discussed in
3 my testimony is estimated to be approximately \$1,934,700,000 (previously \$1,474,300,000).
4 A summary breakdown of this figure is included in both *Exh. TDI-TS-4(Rev)* and also in
5 *Exh. TDI-JMB-6 (Rev)*. The \$1,934,700,000 figure reflects all of the changes previously
6 outlined in my supplemental testimony.

7

8 **Q. Does this conclude your testimony at this time?**

9 Response: Yes, it does.