

**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  
THOMAS KAVET  
ON BEHALF OF CHAMPLAIN VT, LLC**

August 26, 2015

Summary:

Mr. Kavet’s supplemental testimony provides an update on the Project’s economic impacts on the State and its residents as a result of agreements reached between TDI-NE and several parties in this docket, as well as updated anticipated project construction and operational expenditures and electricity price savings in Vermont.

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

2 Response: My name is Thomas E. Kavet. I am President of the economic and public policy  
3 consulting firm, Kavet, Rockler & Associates, LLC (hereafter, KRA), located in  
4 Williamstown, Vermont.

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 this testimony is to update my testimony of December 8, 2014,  
13 evaluating the Project’s economic impacts on the State and its residents as a result of both  
14 the direct and secondary expenditures associated with new public benefit payments detailed  
15 in agreements recently reached between TDI-NE and several parties in this docket, revised  
16 estimates of ratepayer savings from reduced electricity prices, and updated project  
17 construction and ongoing operational expenditures and timing associated with the NECPL.

18

19 **Q. TDI-NE has entered into a number of agreements with parties to this Docket. Have**  
20 **you reviewed these agreements with respect to any economic issues that were within the**  
21 **scope of your original prefiled testimony?**

22 Response: Yes. The aspects of these agreements that affect our assessment of State  
23 economic impacts include the following (see also the summary of the agreements in the  
24 supplemental prefiled testimony of Jessome/Martin/Bagnato):

- 1       1. Stipulation Between TDI-NE and State Agencies (Sec. 3 of *Exhibit TDI-JMB-19a*)<sup>1</sup>
  - 2           • Payment of approximately \$135.7 million in electric ratepayer benefits through  
3           VELCO over a 40 year operational period planned to start in 2019. Although these  
4           payments were mentioned in other TDI-NE direct testimony in the December 2014  
5           filing, they were not finalized at the time our 2014 economic analysis was performed  
6           and were not included as a part of our prior economic impact assessment.
  - 7           • Payments to the Clean Energy Development Fund (CEDF) of approximately \$108.9  
8           million over the 40 year operational period of the project.
  - 9           • Payments to the Lake Champlain Pollution Abatement and Restoration Fund of  
10          approximately \$202.0 million over the 43 year construction and operational period.
  - 11          • Payments to the Lake Champlain Enhancement and Restoration Trust Fund of  
12          approximately \$61.0 million over the 43 year construction and operational period,  
13          now planned for 2016-2058.
- 14       2. TDI-NE/F&W License (*Exhibit TDI-JMB-26*) -- Payment of \$350,000 planned for  
15       2016 to construct a new public boat ramp in Alburgh, Vermont.
- 16       3. Lease Option Agreement with the Vermont Agency of Transportation (*Exhibit TDI-*  
17       *JMB-25*) -- Payment of \$211.8 million to use public highway rights-of-way over the 43  
18       year construction and operational period of the project. For further details see the  
19       prefiled direct testimony of Todd Singer.
- 20       4. Host Town Agreement with the Town of Benson (*Exhibit TDI-JMB-24b*) -- Payment  
21       of \$1.1 million in two installments, to be used by the Town for road-related construction  
22       and maintenance (one upon project start, planned for 2016 and one upon the start of  
23       commercial operations, planned for 2019).

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<sup>1</sup> Stipulation between Champlain VT, LLC, the Vermont Public Service Department, the Vermont Agency of Natural Resources, and the Vermont Division for Historic Preservation (July 17, 2015).

1 **Q. How do these agreements affect the conclusions in your prior testimony?**

2 Response: The public benefit expenditures stipulated in connection with the above  
3 agreements will result in additional positive economic impacts to the State of Vermont,  
4 relative to our prior analysis. With direct expenditures from these agreements totaling more  
5 than \$500 million above and beyond our prior expenditure assumptions over the 3 year  
6 construction period and 40 year operational PSB approval period, the aggregate economic  
7 benefits are comparably important and long-lived.

8 In addition to the measured direct and secondary impacts from these expenditures,  
9 there are substantial future public benefits not included in our impact analysis that relate to  
10 the value of significantly reduced pollution in Lake Champlain (such as enhanced tourism  
11 spending, property values on and near the Lake, etc.), improved recreational access and  
12 facilities in and around Lake Champlain, and the benefits of Clean Energy Development  
13 Fund activities, including reduced greenhouse gas emissions, greater power production  
14 diversity and compliance with PSD renewable energy production goals. These many  
15 additional benefits, both measurable as a part of our quantitative analysis herein and  
16 otherwise, reinforce and expand our prior conclusion that “the Project will have significant  
17 and positive economic impacts on the State and its residents.”

18

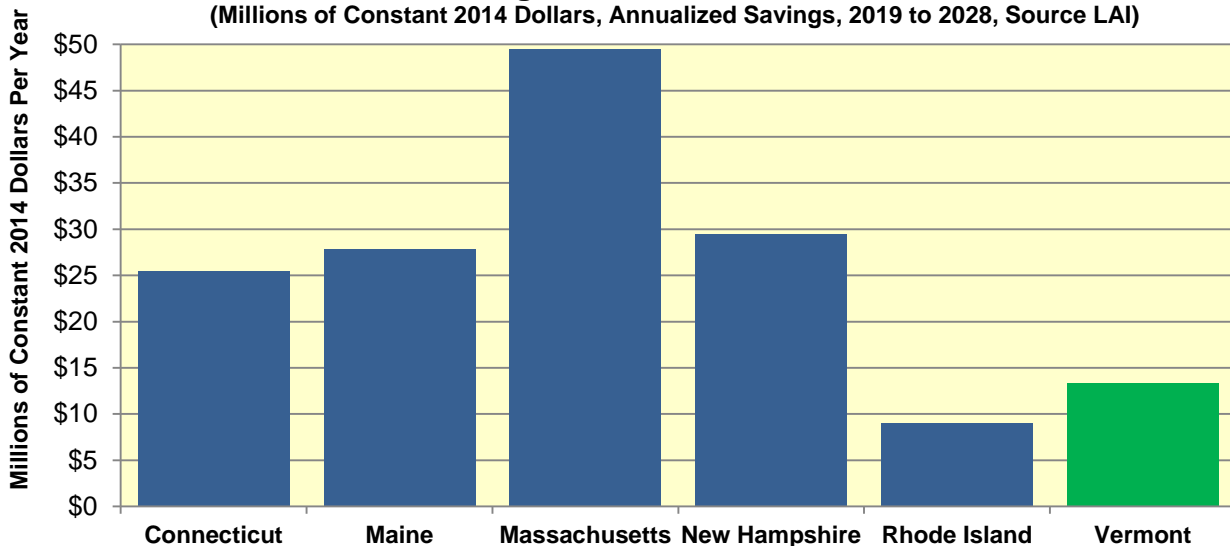
19 **Q. Since the filing of your previous testimony and exhibits, have there been other**  
20 **changes to the Project that affect your estimations of the economic impact that the Project**  
21 **will have on Vermont and its residents? If so, please explain.**

22 Response: Yes. There were reductions in the electricity price savings expected as a result of  
23 the Project as estimated by Levitan & Associates for the State of Vermont, which are inputs  
24 to our economic analysis. See the supplemental prefiled direct testimony of Seth Parker for

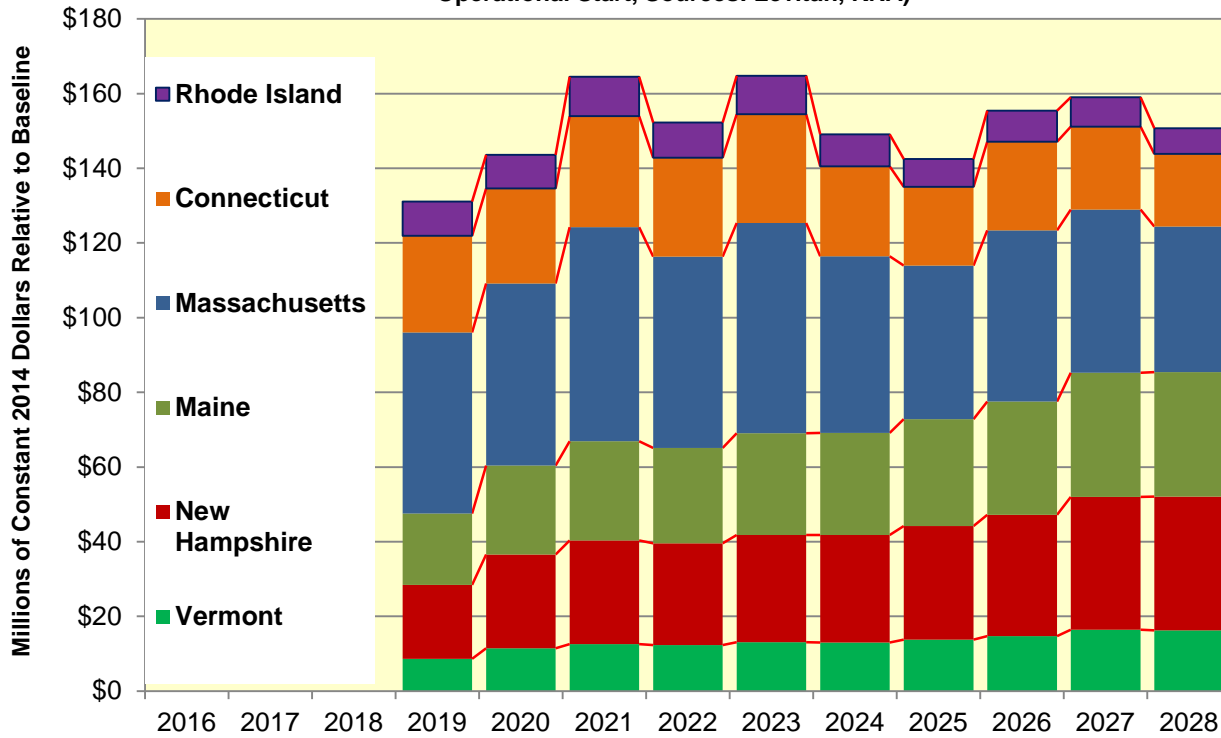
1 an explanation of the correction. Although estimated savings for the entire New England  
2 region did not significantly change, the reductions in savings to Vermont were about 15%  
3 below prior estimates, with average annual constant dollar savings over the first ten year  
4 operational period now estimated at about \$13.4 million, instead of \$15.7 million. As  
5 indicated in the below charts (updated versions of charts from my prior testimony),  
6 electricity price savings are still a highly beneficial aspect of the Project, representing savings  
7 to the six New England states of more than \$1.5 billion in constant 2014 dollars (and nearly  
8 \$1.9 billion in current dollars) during the first 10 years of operation, more than \$130 million  
9 (in constant 2014 dollars, and more than \$160 million in current dollars) of which will  
10 benefit Vermont ratepayers directly.

**UPDATED CHART 1: Average Annual Savings in Electricity Costs  
During First 10 Years Due to Power Delivered Via the New  
England Clean Power Link**

(Millions of Constant 2014 Dollars, Annualized Savings, 2019 to 2028, Source LAI)



**CHART 2: Total Annual Savings in Electricity Costs  
 as a Result of the New England Clean Power Link**  
 (Total Constant 2014 Dollar Savings Relative to Baseline, Assumes April 1, 2019  
 Operational Start, Sources: Levitan, KRA)



1            In addition to these changes, TDI-NE updated its construction and operational  
 2            expenditure estimates, consistent with new and more accurate cost information as the  
 3            planned project start date approaches. These changes were primarily due to a small revision  
 4            in the terrestrial vs. underwater mileage of the transmission line. This resulted in slightly  
 5            higher construction costs (less than \$3 million); refinements in estimated property taxes and  
 6            other state taxes that, excluding the new public benefit payments, result in lower operational  
 7            period expenditures (about \$2 million per year lower between 2019 and 2028 than previously  
 8            estimated).

9

10 **Q. Please summarize the change in economic impacts of the Project to the state**  
 11 **economic and Vermont ratepayers based on your revised estimates.**

1        Response: By including all three sets of changes described herein (new public benefit  
2        expenditures, reduced electricity price savings and adjusted project construction and  
3        operational expenditures), the net economic impacts of the Project to the State remain large  
4        and positive, and are significantly more beneficial than measured in our prior December  
5        2014 analysis and testimony. Utilizing the same six state regional economic impact model  
6        employed in our prior analysis (prefiled direct testimony at pp. 4-7), and organizing the  
7        analysis into the same two relevant impact periods (a three year construction phase from  
8        2016 to 2018 and an initial ten year operational phase from 2019 to 2028), a summary of the  
9        positive economic impacts are detailed in Updated Table 1 on the following page.

**UPDATED TABLE 1**  
**Selected Economic Impact Metrics, Relative to Baseline, for New England Clean Power Link Project**  
**Current August 2015 vs. Prior December 2014 Analysis**  
*(Average Annual Impacts – Construction and Operational Periods)<sup>2</sup>*

Concept	Region	Construction Period 2016-2018			Initial 10 Year Operational Period 2019 to 2028		
		Current	Prior	Difference	Current	Prior	Difference
<b>Total Employment</b> (number of jobs <sup>3</sup> )	<b>Vermont</b>	<b>552</b>	<b>493</b>	<b>59</b>	<b>285</b>	<b>205</b>	<b>80</b>
	New Hampshire	58	56	2	436	417	19
	Maine	23	23	0	294	305	-11
	Massachusetts	107	105	2	780	802	-22
	Connecticut	29	29	0	297	307	-10
	Rhode Island	10	10	0	119	122	-3
	New England	779	716	63	2,212	2,158	54
<b>Gross State Product</b> (millions of current dollars)	<b>Vermont</b>	<b>\$43.40</b>	<b>\$38.80</b>	<b>\$4.6</b>	<b>\$39.00</b>	<b>\$31.60</b>	<b>\$7.4</b>
	New Hampshire	\$5.60	\$5.50	\$0.1	\$61.40	\$58.90	\$2.5
	Maine	\$2.10	\$2.00	\$0.1	\$37.30	\$38.60	-\$1.3
	Massachusetts	\$13.70	\$13.20	\$0.5	\$155.70	\$157.50	-\$1.8
	Connecticut	\$3.70	\$3.60	\$0.1	\$50.10	\$50.40	-\$0.3
	Rhode Island	\$1.10	\$1.10	\$0.0	\$17.90	\$17.40	\$0.5
	Total New England	\$69.50	\$64.30	\$5.2	\$361.60	\$354.30	\$7.3
<b>Electricity Cost Savings<sup>4</sup></b> (millions of current dollars)	<b>Vermont</b>	-	-	-	<b>\$16.30</b>	<b>\$19.20</b>	<b>-\$2.9</b>
	New Hampshire	-	-	-	\$36.00	\$34.20	\$1.8
	Maine	-	-	-	\$33.90	\$35.00	-\$1.1
	Massachusetts	-	-	-	\$59.60	\$58.80	\$0.8
	Connecticut	-	-	-	\$30.70	\$30.50	\$0.2
	Rhode Island	-	-	-	\$10.90	\$10.80	\$0.1
	Total New England	-	-	-	\$187.40	\$188.60	-\$1.2
<b>State and Local Tax Revenues and Other Public Benefit Payments<sup>5</sup></b> (millions of current dollars)	<b>Vermont</b>	<b>\$21.6</b>	<b>\$12.6</b>	<b>\$9.0</b>	<b>\$28.9</b>	<b>\$21.6</b>	<b>\$7.3</b>

<sup>2</sup> Based on project information provided by TDI-NE to KRA as of August 4, 2015. Note: In the current model run, 2019 electricity price impacts are for a partial year only, assuming an operational start date of April 1, 2019. Thus, the current “10 year” averages in the above table for the period 2019-2028 are computed on 9.75 years of electricity price savings, resulting in slightly lower estimates for comparative purposes.

<sup>3</sup> Employment impacts include both direct and secondary effects, as estimated in the economic impact model.

<sup>4</sup> These cost savings exclude capacity market savings, estimated to total more than \$75 million in constant 2014 dollars in Vermont over the initial 10 year operational period and nearly \$2.7 billion in the entire New England region over the same period.

<sup>5</sup> This category includes both direct public benefit payments, known property taxes, construction period sales taxes and all other state taxes estimated via the economic impact model from both direct and secondary economic activity.



1 As outlined in the preceding Updated Table 1, the net economic impacts associated with this  
2 Project in Vermont and throughout New England continue to be substantial.

3  
4 **Q. How do the changes to your estimates affect your previous conclusion that the**  
5 **Project will generate significant economic and fiscal benefits to Vermont, if at all?**

6 Response: Our current analysis reinforces and expands our previous conclusion that the  
7 Project will generate significant economic and fiscal benefits to Vermont. The additional  
8 beneficial economic impacts now associated with this project not only represent added jobs  
9 and economic growth in Vermont and the region, but will also help address some of the  
10 most pressing problems currently facing the State. By focusing public benefit payments in  
11 two key areas, the health of Lake Champlain and renewable energy development, there will  
12 be a wide array of downstream economic and environmental benefits in addition to those  
13 detailed herein. This Project represents a rare combination of extraordinary economic and  
14 fiscal benefits and virtually non-existent negative externalities and public costs.

15  
16 **Q. In making these revised estimates, did you rely on the work of any other experts? If**  
17 **so, please explain, including any sources and inputs used.**

18 Response: Yes. All information on ISO New England wholesale electricity price savings was  
19 provided to us by Seth Parker of Levitan Associates, Inc., and is detailed in his supplemental  
20 testimony and exhibits. All revised and new project construction, operations and public  
21 benefits expenditure data were provided to us by TDI-NE.

22  
23 **Q. Does this conclude your testimony at this time?**

24 Response: Yes.