

**DIRECT TESTIMONY
OF
DONALD G. JESSOME**

**SUBMITTED ON BEHALF OF
CHAMPLAIN HUDSON POWER EXPRESS, INC.
AND CHPE PROPERTIES, INC.**

June 7, 2012

**DIRECT TESTIMONY OF
DONALD G. JESSOME**

Q. Please state your name, title and business address.

A. My name is Donald G. Jessome. I am President and Chief Executive Officer of Transmission Developers, Inc., TDI-USA Holdings Corp. (“TDI”); Champlain Hudson Power Express, Inc. (“CHPEI”) and CHP Properties, Inc. (“CHP Properties” and collectively with CHPEI, the “Applicants”). My business address is 600 Broadway, Albany, New York 12207.

Q. Please describe your educational background and business experience.

A. My educational background and business experience are summarized in Exhibit __ (DGJ-1).

Q. What is the purpose of your direct testimony in this proceeding?

A. My testimony will provide an overview of Applicants’ direct testimony in this case. In addition, I will submit testimony on the cost of the Facility and the additional facilities required to be constructed in Canada to enable the Facility to supply electricity to consumers in New York State and on a memorandum of understanding recently signed by TDI and Luyster Creek, LLC, which has a contract to purchase the Luyster Creek property from the Consolidated Edison Company of New York, Inc. (“Con Edison”).

1. Overview of Applicants’ Direct Testimony

Q. Please describe the direct testimony being submitted by Applicants in this proceeding.

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1 A. In their Ruling on Issues, Administrative Law Judges Michelle Phillips and Kevin J.
2 Casutto identified three issues for hearing in this proceeding: (1) deliverability; (2) the
3 proposed Luyster Creek site; and (3) cost/benefit analyses and facility costs. The issue of
4 deliverability is addressed in the direct testimony of Mr. Larry Eng and Mr. Clement E.
5 Nadeau. The suitability of the Luyster Creek site for use as a location for the Facility's
6 converter station is addressed in the direct testimony of Dr. Sean Murphy. The benefits
7 of the Facility are described in the direct testimony of Ms. Julia Frayer of London
8 Economics. My direct testimony will address the issue of the cost of the Facility. In
9 addition, I will also describe a recently-signed agreement between TDI and Luyster
10 Creek LLC that is expected to provide Applicants with the right to use a portion of the
11 Luyster Creek site as the location for the Facility's converter station.

12
13 **2. Facility Costs**
14

15 **Q. Please summarize Applicants position with respect to project cost information in**
16 **this proceeding.**

17
18 A. Applicants share the concerns recently articulated by the Independent Power Producers of
19 New York, Inc. ("IPPNY") about forcing developers to provide competitively sensitive
20 information concerning their project costs during the siting process. Specifically, in its
21 comments on recently-proposed regulations implementing Article 10 of the Public
22 Service Law, IPPNY stated that:

23 Capital cost information by major category is highly confidential in the
24 competitive generation market. The Commission's trade secret
25 regulations, and adopted by the Board, do not offer unconditional

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1 protection. Protection could be denied outright or the Board or the
2 presiding officer could eventually allow disclosure. Whether the Board's
3 decision is meritorious or not, once out the competitive damage is done to
4 the applicant. The applicant's competitors could use the information to
5 undercut the proposed project. The applicant's suppliers could use the
6 information to artificially inflate bids. Once out in the public domain, the
7 applicant cannot collect damages for the economic injury to its business.
8 Thus, the fear of disclosure could deter developers from siting projects in
9 New York.¹

10
11 IPPNY's understandable concerns with respect to disclosure of competitively-sensitive
12 information concerning project costs apply equally to the Facility, whose customers will
13 compete with generating facilities owned by IPPNY's members in the bid-based
14 wholesale power markets administrated by the New York Independent System Operator,
15 Inc. ("NYISO").

16 In order to address any concerns that the Commission may have with respect to
17 the financial viability of the Facility and the impacts of a failure of the Facility on captive
18 utility customers, Applicants have recently entered into a stipulation with Con Edison
19 (the "Stipulation"). In the Stipulation, Applicants have renewed and strengthened their
20 commitment to develop the Facility on a merchant basis (except with respect to use of the
21 Astoria-Rainey Cable for the delivery of electricity not also delivered over the HVDC
22 Transmission System). In addition, Applicants have also committed in the Stipulation:
23 (1) to obtain a 75 percent throughput commitment for a minimum of 25 years from one or
24 more financially-responsible shippers prior to commencing construction of the Facility;

¹ Case 12-F-0036, Comments of the Independent Power Producers of New York, Inc. on the Proposed Regulations to Implement Article 10 of the Public Service Law at 6 (May 25, 2012).

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1 and (2) to file the Stipulation with the Federal Energy Regulatory Commission (“FERC”)
2 prior to operation of the Facility.

3 These measures will provide the Commission with ample assurance that the
4 Facility will be developed as proposed in the Joint Proposal and that Applicants will not
5 seek recovery of the costs of the HVDC Transmission System or the costs of the Astoria-
6 Rainey Cable attributable to deliveries of electricity also transmitted over the HVDC
7 Transmission System from captive utility customers. Accordingly, Applicants believe
8 that it would be inappropriate for the Commission to conduct a detailed review in this
9 Article VII siting proceeding of the financial viability of the Facility. Nonetheless,
10 Applicants are willing to provide high level estimates of the cost of both the Facility and
11 the transmission upgrades in Canada required to connect to the Facility.

12
13 **Q. What are the estimated costs of the Facility?**

14
15 A. Applicants’ current estimate of the costs of the Facility has not changed since they
16 submitted the Revised Construction Costs of the Project on April 29, 2011.²
17 Accordingly, Applicants continue to estimate the costs of the HVDC Transmission
18 System to be \$1.99 Billion and the costs of the Astoria-Rainey Cable to be \$200 Million.

19
20 **Q. What are the estimated costs of the transmission upgrades in Canada?**

21
22 A. Applicants have not received any information from TransEnergie regarding the facilities
23 it intends to connect the Facility to its transmission system. Applicants have performed

² See JP Exhibit 111 filed on February 24, 2012.

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1 their own estimate of the cost of these facilities, based on the same project cost elements
2 used to provide their estimate of the total costs of the Facility. Applicants estimate the
3 total cost of these upgrades at \$346 Million. The breakdown of these costs (in thousands
4 of dollars) is as follows:

Converter Station

Hertel Converter	\$170.0
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Upland Cable

RR Hertel to Richelieu River

Distance	12.4
Supply cost/mile	1.6
Install Cost/mile	3.5
Engineering cost/mile	0.1

Cable Supply	19.5
Install of Cable	43.9
Engineering	<u>1.8</u>
	\$65.2

Upland Cable

Railroad route to US border

Distance	21.1
Supply cost/mile	1.6
Install Cost/mile	3.5
Engineering cost/mile	0.1

Cable Supply	33.1
Install of Cable	74.6
Engineering	<u>3.1</u>
	\$110.8

Total Costs	\$346.0
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1 **Q. Do you have an estimate of the cost of building the hydroelectric and wind**
2 **generation needed to supply electricity to the Facility?**

3
4 A. We have not developed an estimate of the costs of constructing such facilities for the
5 simple reason that the facilities in question are already under construction. Hydro
6 Quebec states on its website that it currently has 2,468 MW of hydroelectric generating
7 capacity under construction, including the 1,550 MW Romaine Project, and an additional
8 1,200 MW of hydroelectric power in the draft-design phase. The Romaine Project is
9 expected to enter into service in phases, with 640 MW becoming operational in 2014,
10 270 MW becoming operational in 2016, 395 MW becoming operational in 2017 and the
11 remaining 245 MW entering service in 2020.³

12 Because Canadian utilities are already developing these and other generating
13 facilities to take advantage of Canada's abundant resources of hydroelectric and wind
14 power, there is no need to develop detailed estimates of the likely costs of these facilities
15 in order to gauge the financial viability of the Facility. Instead, the question becomes
16 whether the low-cost, low-carbon electricity that will be produced by these new
17 generating facilities will flow over the Facility to consumers in New York, or whether the
18 owners of these generating resources will develop alternative markets for their energy
19 production in other locations. Because of the advanced stage of the Facility when
20 compared to alternative methods of bringing these electricity supplies to market, as well
21 as the support that the Facility has received from state agencies including the Department

³ <http://hydroforthefuture.com/projets/9/developing-quebec-s-hydropower-potential>

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1 of Public Service and the Department of Environmental Conservation, as well as leading
2 enviromental groups such as Scenic Hudson, Riverkeeper and the New York Council of
3 Trout Unlimited, the Facility is uniquely positioned to secure a long-term commitment to
4 deliver electricity from these sources to consumers in New York State. If the
5 Commission hesitates or imposes unreasonable conditions on the Facility, this
6 opportunity may be lost and these electricity supplies may instead flow to consumers in
7 New England, Ontario or Atlantic Canada. As Ms. Julia Frayer makes clear in her
8 testimony on benefit issues, the consequences for New York State residents of a failure to
9 capitalize on this unique opportunity in terms of higher energy costs, increased air
10 pollution and reduced economic activity would be momentous.

11
12 **3. Developments at Luyster Creek**

13
14 **Q. Please describe the recent developments with respect to the Luyster Creek property**
15 **where Applicants propose to locate their converter station.**

16
17 **A.** As Dr. Sean Murphy explains in greater detail in his testimony, the Luyster Creek
18 property is owned by Con Edison. Con Edison has entered into a written contract to sell
19 that land to Luyster Creek, LLC, and the New York Court of Appeals has recently
20 rejected the only reason Con Edison has given to date for refusing to convey that property
21 to Luyster Creek, LLC as required by that agreement. I am pleased to report that TDI has
22 entered into a memorandum of agreement with Luyster Creek, LLC in which the parties
23 identified six acres at the Luyster Creek site to be made available to TDI or its affiliates

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1 for use as a converter station site. A copy of this memorandum of understanding is
2 attached to my testimony as Exhibit __ (DGJ-2).

3
4 **Q. Does this conclude your testimony?**

5
6 **A. Yes.**

EXHIBITS TO TESTIMONY
OF
DONALD G. JESSOME

June 7, 2012

EXHIBIT LIST

EXHIBIT ____ (DGJ-1) Resume of Donald G. Jessome

EXHIBIT ____ (DGJ-2) Memorandum of Understanding with Luyster Creek, LLC
dated 5/14/2012

Donald Jessome
President and CEO

Mr. Jessome is President and CEO of Transmission Developers Inc, and a co-founder of the Company. He earned his undergraduate degree in Electrical Engineering from the Technical University of Nova Scotia (currently referred to as Dalhousie University) in 1987 and his Masters of Business Administration, with Distinction, from Saint Mary's University in 1999.

Mr. Jessome spent his entire career in the energy field starting with 22 years at Emera Inc., a publicly traded company in Canada with \$5.3 Billion in energy infrastructure assets centered on power and natural gas. Mr. Jessome has worked in a broad range of areas while at Emera including Transmission & Distribution Operations and Construction, Integrated System Planning, System Operations, Generation Operations and Fuel Procurement, Marketing and Sales, and most recently Director of Asset Optimization and Power Trading for Emera Energy Inc. a wholly owned non-regulated trading and asset Optimization Company of Emera Inc. During this tenure, Mr. Jessome has sat on numerous advisory boards including his membership as one of the inaugural members of the NBSO Market Advisory Committee and a founding member of the CEA Power Marketing Committee. Mr. Jessome has extensive knowledge of the power markets in the North East including ISO-NE, NYISO, IESO, TransÉnergie, NBSO, and PJM through his extensive marketing and trading experience with both the regulated and non-regulated business at Emera.

Prior to co-founding Transmission Developers Inc, Mr. Jessome joined Riverbank Power in 2008 as the Vice-President of Marketing and Trading to assist Riverbank Power in developing its commercialization strategy for its 1,000 MW underground pump-storage technology referred to as Aquabank™. This commercialization strategy included the development of economic models and programs for the sale of energy, capacity and renewable attributes for both the regulated and market based energy markets that Aquabank™ is currently developing sites. In addition, Mr. Jessome was responsible, along with the CEO, in raising equity financing for Riverbank's development plans. Mr. Jessome is a board member to Riverbank Power.

Mr. Jessome serves as a Director for Transmission Developers.

<p style="text-align: center;">TERM SHEET License to Lease Agreement</p>
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Topic	Considerations
Parties	<ul style="list-style-type: none">▪ Champlain Hudson Power Express, Inc., or its designated affiliate which may be an entity to be formed (collectively referred to as "CHPE"), in which latter case a creditworthy entity acceptable to Owner will guaranty CHPE's obligations in a manner satisfactory to Owner.▪ Luyster Creek LLC ("Owner"). Owner is contract vendee of the Property, as defined below, and therefore this Term Sheet is subject and conditioned to Owner's acquisition of the Property.▪ Parties acknowledge and agree that CHPE may seek IDA or similar public or quasi-public authority participation in this transaction where CHPE shall have the beneficial interest and shall be ultimately responsible to Owner for payment and performance of all obligations. In such event, CHPE shall reimburse Owner for all reasonable and verifiable costs and expenses of Owner and its mortgagee, if any, in connection with any such transaction with IDA or another public or quasi-public authority, up to a maximum of \$10,000.
Transaction	<ul style="list-style-type: none">▪ License effective upon Owner's acquisition of the Property giving CHPE access to Property for "Site Evaluation Activities" for construction of a high voltage DC converter station ("Converter Station") and integration of the Converter Station into an electrical transmission system ("Project").▪ Non-binding agreement to negotiate in good faith to enter into long term ground lease of portion of the Property ("Leased Premises") together with the right of CHPE to construct the Converter Station thereon, connect and use Converter Station as part of the Project.▪ License effective as of the effective date of the ground lease, to use portion of the Property, mutually agreed upon, and subject to availability, adjacent to the Leased Premises for construction laydown crane operation area, subject to the payment of an agreed upon fee to be capped at a price per square foot to be determined, the provision of appropriate insurance, indemnification and other customary provisions.
Property	<ul style="list-style-type: none">▪ [23] +/- acres at Luyster Creek ("Property")▪ Leased Premises consisting of ~6.00 +/- acres at the Property▪ The exact size, location, and configuration of Leased Premises shall be finalized prior to project financing close and ground lease execution ("Financial Close")▪ Non-exclusive Temporary Easement on, over, across or under any of the Property adjacent to the Leased Premises for construction laydown crane

operation area

- Non-exclusive general access/egress to public rights of way
- Non-exclusive general easement for ingress/egress for vehicles/pedestrians
- Exclusive direct access to Hudson River for cabling/transmission lines, including, without limitation, two HVDC cables and six ~345kV A/C cables (as applicable).
- Exclusive easements/rights of way for cabling/transmission lines as necessary to link to grid, together with right of repair, replacement, maintenance and etc., at mutually acceptable locations.
- Non-exclusive rights in or to any portion of the bed of the River, if any
- With respect to the foregoing, CHPE and Owner shall reasonably accommodate the needs of the other with respect to the location of the high voltage underground cables, access to waterways, efficiency of access from offsite for the high voltage cables (minimizing distance and utilizing optimal land for installation of the cables), construction access, and disruption of other tenants at the Astoria energy complex (minimizing any such disruption).

Lease Terms

- All customary commercially reasonable provisions relating to a ground lease will be included which terms will also contain the following:
 - Per square foot "Base Rent" for the Ground Lease: (~261,360 sq. ft.);
 - Upon commencement of commercial operations ("Commercial Operations Date"), a rental rate (with increases) to be agreed upon expressed in terms of price per square foot.
 - For the period from Financial Close through the Commercial Operations Date, rent will be an agreed upon percentage of the Base Rent which shall not be less than the real estate taxes, operating expenses and other carrying charges for the Leased Premises.
 - The parties shall agree on annual increases in the Base Rent for the period beginning on the Commercial Operations Date.
 - The Ground Lease shall contain customary provisions including without limitation:
 - A use clause that shall limit the use of the Leased Premises to CHPE's Project.
 - CHPE shall pay an equitable share of the Property's real estate taxes and operating expenses.
 - The Ground Lease shall be entirely net to Owner.
 - CHPE shall take the Leased Premises in their "as is" condition and Owner shall not be required to perform
-

any work or improvements relating thereto. Owner shall make no representations or warranties whatsoever regarding the leased premises or the Property CHPE agreeing that it shall perform all due diligence as it deems appropriate prior to entry into the Ground Lease.

- Both parties shall represent they have not dealt with any broker in connection with this transaction.
 - Customary provisions on the maintenance of insurance and indemnification, and customary provisions on hazardous materials.
 - Customary consent rights to assignment and subletting, provided that CHPE may freely and without consent other than customary notice provisions, assign or sublet all or any portion of the ground lease to affiliates and successors by merger, sale, or other acquisition of the Project, and may mortgage or otherwise encumber CHPE's rights in the ground lease in connection with any financing of the Project or the Converter Station which shall be subject and subordinate to all of Owner's financing with respect to the Property; provided, however, that any such subordination to Owner's financing shall only be provided pursuant to a binding non-disturbance agreement entered into among Owner, Owner's financing parties with respect to the Property, and CHPE and shall be on terms reasonably acceptable to CHPE in respect of CHPE's financing of the Project and the Converter Station.
 - CHPE's obligations shall not be affected by damage or destruction due to a casualty.
 - Alterations by CHPE shall be permitted provided they are in the ordinary course of CHPE's business.
 - No restrictions on Owner's rights with respect to the portion of the Property other than the Leased Property except as contemplated by this term sheet for the construction and operation of the Project.
- CHPE, or its assign, will own the Project and the Improvements.
- Lease Term:
 - Initial Term – 40 years (commencing on the Commercial Operations Date)
 - Two successive 20 year tenant options to renew. CHPE shall be fully responsible for payment of all transfer taxes arising from execution of the ground lease.
-

Structure of the transaction ■ Signing of this Term Sheet shall be succeeded by a License Agreement and other definitive documents with such other terms as are commercially reasonable, acceptable to the parties and not inconsistent herewith.

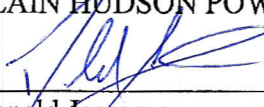
Deliveries and party co-operation Owner to deliver to CHPE, when obtained by Owner or upon execution of definitive documents as noted above, and as created or updated in connection with Owner's acquisition of the property, the following documents: title reports and title policies; surveys; tax bills/invoices/receipts for Property; copies of any lease or ground lease currently encumbering Property; any environmental reports in the possession of Owner or its agents or counsel; any reports on the Property detailing the condition of the property including presence of regulated materials or substances, wetlands, coastal waterfront restrictions/regulations; and any real estate appraisals.

Assistance and Cooperation: Owner will use reasonable efforts to support the issuance of all approvals and permits as are necessary to site the Converter Station at the Property. CHPE shall be solely responsible for applying for any required permits and approvals at CHPE's sole cost and expense. CHPE shall pay any of Owner's verifiable and reasonable out-of-pocket costs, including without limitation reasonable attorneys' fees and expenses, in connection with Owner's cooperation in such efforts. Owner makes no representations or warranties as to whether CHPE is entitled to any permits or approvals needed for the conduct of its business or as to whether the same will be obtained, CHPE agreeing that obtaining same shall be at CHPE's sole risk.

If the foregoing correctly reflects your understanding of the principal terms and provisions to be incorporated in final, binding documentation, please execute the enclosed copy of this term sheet at the place indicated below. After receipt of your countersigned copy of this term sheet, representatives of CHPE and Owner shall meet to discuss the preparation, negotiation and finalization of binding documentation. No party hereto shall have any binding obligation with respect to the transactions contemplated pursuant to this term sheet or otherwise, unless and until documentation in form and content, satisfactory to all parties, has been fully executed and delivered. Without limiting the generality of the foregoing, either party may cease negotiations in its sole discretion at any time and for any reason or no reason. This Term Sheet does not confer or impose any exclusive right or obligation on CHPE to deal with Owner or Owner to deal with CHPE with respect to the Property or any part thereof. Owner and CHPE understand and agree that this Term Sheet is non-binding and merely an expression of interest of Owner in consummating the transaction described herein, does not include all of the material terms which must necessarily be part of such transaction, and is subject, in all events, to the preparation, negotiation, execution and delivery by each of Owner and CHPE of all necessary documents. Each party represents to the other that it has not dealt with any broker or finder in connection with the transaction contemplated hereby.

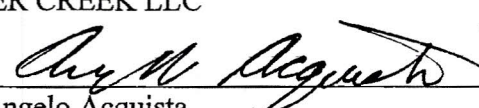
IN WITNESS WHEREOF, the parties hereto have executed this term sheet as of the date below written:

CHAMPLAIN HUDSON POWER EXPRESS, INC.

By: 
Donald Jessome
President

Date: 5/14/12

LUYSTER CREEK LLC

By: 
Angelo Acquista
President

Date: 5/11/12