The State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES

Thomas S. Burack, Commissioner

March 24, 2011

The Honorable Bob Odell, Chairman
Energy and Natural Resources Committee
Legislative Office Building, Room 102
Concord, NH 03301

RE: HB 35-FN, authorizing the acquisition of certain dams in the Connecticut Lakes Headwaters Tract

Dear Senator Odell:

Thank you for the opportunity to comment on HB 35-FN, which authorizes the New Hampshire Fish and Game Department (NHFG) to acquire five dams in the Connecticut Lakes Headwater Tract in Pittsburg and Clarksville. In the House, the bill was amended to state that it does not mandate or authorize the expenditure of any funds or capital relative to the acquisition of the dams. However, there are significant costs associated with dam ownership, and the purpose of this letter is to provide the Committee with information on the potential fiscal impact associated with the acquisition of these dams. The Department of Environmental Services (DES) does not have a position on this bill.

The locations of the dams are shown on the attached map. The dams were built by NHFG over 40 years ago, on land leased from its former owners, to provide recreational opportunities and fish and wildlife habitat in the North Country. The dams have been operated and maintained by the State of New Hampshire since the time they were constructed. The leases expired in 2004 and ownership of the dams reverted to the current land owner, The Forestland Group. The waterbodies impounded by the dams are important recreational resources to the State, and, under the bill, the dams would be reacquired by NHFG.

Two of the five dams to be reacquired under the bill will require major repairs in the near future. The embankment of Mountain Pond Dam in Pittsburg failed in the spring of 2010. Due to this failure, the dam was no longer structurally stable and had to be breached. The DES Dam Bureau estimates that it will cost $375,000 to rebuild the dam. The other dam in need of repair within the next five years is Shehan Pond Dam in Clarksville. The concrete spillway of the dam has deteriorated and needs to be rebuilt, and its earth embankment is overgrown with trees and needs to be reconstructed to current dam safety standards. DES estimates that it will cost $400,000 to do the necessary reconstruction. For the other three dams, major repairs are not anticipated to be necessary over the next five years. The DES Dam Bureau performs repairs and reconstruction on all 274 dams that the State currently owns. In preparing its FY12-13 Capital Budget Request, DES assumed that these dams would be reacquired by the State, and it included the costs for the repair of Mountain Pond and Shehan Pond Dams in its request.

In addition to repair costs, there will be annual operation and maintenance expenses associated with these dams. Since 2002, the DES Dam Bureau has been responsible for performing all operations and maintenance on dams owned by NHFG. The operation of the five dams in the Connecticut Lakes

Headwaters Tract would most likely be performed by the DES employee who is responsible for the state-owned Murphy Dam in Pittsburg and several other dams in the vicinity. DES anticipates that it will incur additional costs of $1,850 per year per dam for routine operation and maintenance.

The cost for the operation, maintenance, repair and reconstruction of state-owned dams is funded from the State Dam Maintenance Fund established under RSA 482:55. The source of revenue to the fund is rent payments that DES receives from leasing eleven of the dams that it owns to private hydropower developers to generate electricity at the sites. Under the terms of the leases, the rent that is paid to DES is a percentage of the revenue from the sale of power at the facilities. Ten of these lessees sell the power to Public Service Company of New Hampshire (PSNH).

Beginning in 2002, PSNH initiated actions to renegotiate its above-market power purchase agreements pursuant to RSA 374-F. This is the Electric Utility Restructuring legislation that directs utilities to take all reasonable measures to mitigate stranded costs, including the renegotiation of power purchase contracts. As part of that initiative, PSNH bought-out or bought-down the above-market power purchase agreements of seven of the lessees of the state-owned dams, resulting in a significant loss of revenue from these leases. In addition, in 2003 the lease for the state-owned Pontook Dam was acquired by the Brascan Corporation, which sells the power it generates at the facility to its energy marketing subsidiary at generally below-market rates. The combination of these events resulted in a 50% to 70% drop in revenue to the State Dam Maintenance Fund.

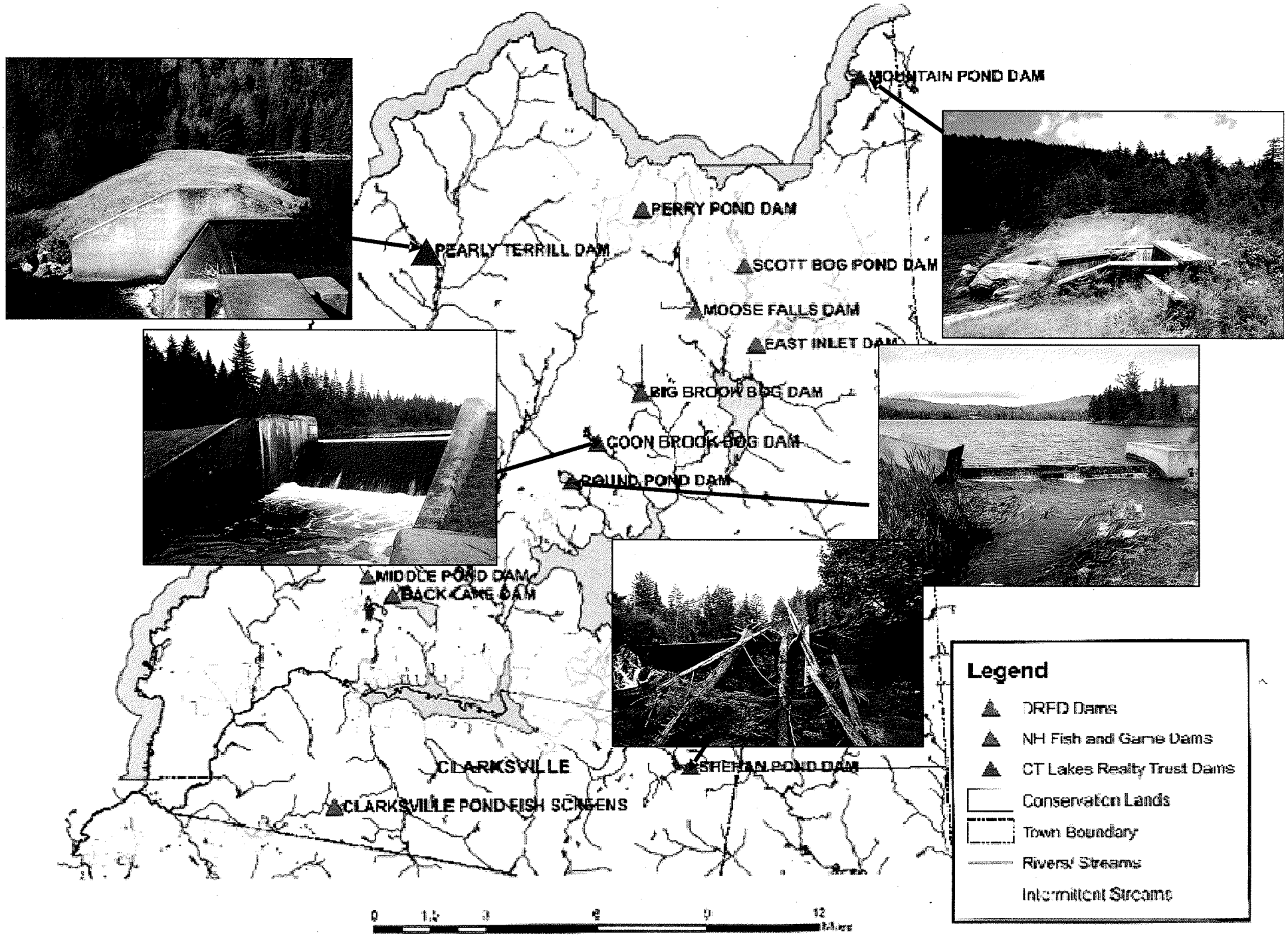
In the eight years since revenues to the State Dam Maintenance Fund were reduced, the fund has been operating at a deficit of several hundred thousand dollars per year. In Fiscal Years 2005 and 2007, the legislature provided Capital Appropriations to fund major reconstruction projects at state-owned dams. However, despite several legislative attempts, no alternative funding source has been identified to fund the operation, maintenance and repairs of state-owned dams. By the end of the current fiscal year, reserve funds will have been exhausted. Accordingly, unless an additional revenue source is identified, DES will be unable in the next biennium to adequately finance the operation, maintenance, repair and reconstruction of state-owned dams, or the repayment of the bonds issued to establish the Dam Maintenance Fund.

Thank you for this opportunity to comment on this bill. Please call either Jim Gallagher at 271-1961, or me at 271-2958, if you have any questions or need additional information.

Very truly yours,

Thomas S. Burack
Commissioner

Attachment
cc: Representative Gene Chandler
Representative Laurence M. Rappaport
Representative Duffy Daugherty
Senator John T. Gallus


MOUNTAIN POND DAM
PERRY POND DAM
PEARLY TERRILL DAM
SCOTT BOG POND DAM
MOOSE FALLS DAM
EAST INLET DAM
BIG BROOK BOG DAM
COON BROOK BOG DAM
ROUND POND DAM
MIDDLE POND DAM
BACK LAKE DAM
CLARKSVILLE
SHEHAN POND DAM
CLARKSVILLE POND FISH SCREENS
Legend
DRFD Dams
NH Fish and Game Dams
CT Lakes Realty Trust Dams
Conservation Lands
Town Boundary
Rivers/ Streams
Intermittent Streams
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