New England Power Generators Association

The Facts on Canadian, Provincially-Owned Hydropower and H.4187

H.4187 contemplates entering into decades-long contracts with Canadian, provincially-owned large-scale hydropower for one-third of Massachusetts' electric demand. This bill would raise costs for consumers harming job creation and economic development while putting real jobs at risk here in Massachusetts. If provincially-owned large-scale hydro were cheaper, it would already be winning in the market and would not need new legislation or a special contract. Don't lock-in consumers to decades-long, expensive contracts with Canadian utilities.

Too Much, Too Costly, Too Risky

- The long-term contracts proposed in H.4187 could cost Massachusetts consumers an extra $660 million *per year*. That is an additional $90 on the electric bills of every residential customer every year for 20-25 years.[1] By any metric, these are exorbitant costs to layer on to consumer bills.

- NEPGA requested an independent analysis of this proposal from Dr. Susan F. Tierney of the Analysis Group whose report[2] underscores that, "the approach outlined in this bill is destined to have negative cost and other unintended consequences for Massachusetts consumers and the state's economy. It is too much, too fast, too costly, and too risky, with far too many troubling implications for Massachusetts."

Real World Examples

- Recent history illustrates that Hydro Quebec (HQ) power is often not cheaper. A 2012 long-term contract between HQ and Green Mountain Power started at 5.80 cents per kWh which ended up ***38% higher*** than the average 4.19 cents per kWh on-peak energy price for Vermont in 2012. For 2012 alone, Vermont overpaid more than $21 Million for its power due to its HQ contract.

- In 1987, nine Vermont utilities entered into a 30-year long-term contract for HQ hydropower. The two largest utilities, Central Vermont Power and Green Mountain Power, nearly went bankrupt due to their exposure to the high-priced HQ power. Only a bail-out by the ratepayers saved Vermont's two largest utilities.

Path Forward

- Instead of picking winners and losers through ill-conceived long-term contracts, Massachusetts should take advantage of market-based principles for clean energy development. As Dr. Tierney states, "The most cost-effective way to meet the state's carbon emissions targets is through non-discriminatory regulations that allow any resource that can qualify to compete. This is the hallmark model that has been used in virtually every successful emissions market in the world, including the Regional Greenhouse Gas Initiative that all New England states participate in today. This particular bill makes a giant step in the other direction. This bill is not the path forward."

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[1] Estimate based on "Electricity Market Impacts of Northern Pass," PA Consulting, June 2012 estimating annual $40/MWh of Northern Pass Transmission Project and $60/MWh of Vermont utility contracts with Hydro Quebec as discussed on Page 4 of Dr. Tierney's report.

[2] "The Proposed 'Clean Energy Resources' Bill: Potential costs and other implications for Massachusetts consumers and the state's and region's electric system," Susan F. Tierney, PhD, Analysis Group, Inc. April 2014