

## **Massachusetts Joint Committee on Telecommunications, Utilities and Energy**

### **Testimony of the New England Power Generators Association on An Act Relative to Clean Energy Resources – H. 3968**

My name is Dan Dolan and I am President of the New England Power Generators Association (NEPGA).<sup>1</sup> Thank you for the opportunity to provide comments on H. 3968, An Act Relative to Clean Energy Resources. NEPGA has significant concerns with this bill and we urge the Committee to reject it.

NEPGA is the trade association representing competitive electric generating companies in New England. NEPGA's member companies represent approximately 26,000 megawatts (MW), or 80% of all generating capacity in the region. In Massachusetts, NEPGA represents nearly 90% or roughly 12,000 MW of generation capacity located in 25 towns and cities from a diverse portfolio of fuels and technologies. NEPGA's members employ 1,600 workers in the Commonwealth and contribute nearly \$100 million in state and local taxes. NEPGA's mission is to promote sound energy policies which will further economic development, jobs, and balanced environmental policy. We believe that sustainable competitive markets are the best means to provide long-term reliable and affordable supplies of electricity for consumers.

NEPGA members have invested tens of billions of dollars here in Massachusetts and New England for the opportunity to compete in the marketplace every day. Competitive power generators provide competitively-priced, reliable and environmentally responsible electricity for consumers without any guaranteed cost recovery, guaranteed returns or special state handouts. NEPGA has appreciated the leadership that Massachusetts has played across the region in supporting a competitive electricity market. Massachusetts should continue to rely on a well-regulated and well-designed marketplace to provide the opportunity for generators to compete and benefit consumers here.

Unfortunately, this bill would mark a historic and dramatic departure from these principles and return to consumers many of the costs and risks of the "bad old days" of monopoly electric utilities. The bill would benefit provincially-owned, crown corporations in Canada – Hydro Quebec and Nalcor – to the detriment of Massachusetts consumers and local power plants that are often the largest taxpayers and employers in their communities. It would create a cornered market in which these Sovereign-owned utilities could receive above-market prices for *a minimum* of one third of Massachusetts' electricity demand. Subsidizing large-scale, provincially-owned hydropower through 20-25 year contracts will increase electricity costs here at home and won't even guarantee lowered carbon emissions – the supposed goal of the legislation.

---

<sup>1</sup> The comments expressed herein represent those of NEPGA as an organization, but not necessarily those of any particular member.

In preparation for this hearing, NEPGA requested an independent review of the consequences of moving Massachusetts to this radical new policy by Dr. Susan F. Tierney of the Analysis Group. Her report has been submitted for the record.<sup>2</sup> Dr. Tierney's report highlights that the cost of the transmission to transport power from provincially-owned Canadian hydropower resources would cost at least \$1 billion alone with the power sold likely to add yet another \$1 billion to the final cost. "When considered in total, the costs of the power and the transmission delivery will not come cheap for Massachusetts consumers."

In fact, when the total transmission and energy costs are included, NEPGA estimates that these long-term contracts will 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.<sup>3</sup> By any metric, these are exorbitant costs to layer on to consumer bills. Dr. Tierney's report further 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."

The bill has been described by proponents as designed to help meet Massachusetts' carbon reduction mandates. In response, Dr. Tierney's report states, "However well-intentioned those goals are, this bill is not the way to reach the state's goals. The bill would introduce many unintended costs and financial risks for Massachusetts consumers and its utilities, and would wreak havoc on the state's and region's electric industry." In fact, competitive power generators have helped drive dramatic reductions in emissions. From 2001 to 2012 total emissions for sulfur dioxide (SO<sub>2</sub>) and nitrogen oxides (NO<sub>x</sub>) declined by 92% and 66%, respectively, while carbon dioxide (CO<sub>2</sub>) emissions decreased by 21% across New England.<sup>4</sup>

Instead, of the ill-conceived contracting regime, the Commonwealth "should take advantage of the clean energy *and* market-based principles that Massachusetts and other New England states have been at the forefront of pursuing, and provide transitional approaches that respect both of those approaches, rather than supporting one at the peril of the other." 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

---

<sup>2</sup> "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

<sup>3</sup> 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.

<sup>4</sup> "2012 ISO New England Electric Generator Air Emissions Report," January 2014

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.”

One of the most troubling consequences of this policy proposal is the very real threat to existing power plants here in Massachusetts and across New England that are economically viable today, but could be forced to shut down prematurely if they are undercut by an artificial subsidy. As noted by Dr. Tierney, “The energy system in Massachusetts, like almost every other part of the U.S., depends heavily on private companies and capital markets to provide the investment and other resources needed to keep electricity as affordable and reliable as possible while also becoming increasingly clean. A healthy and sustainable investment climate is an essential ingredient for achievement of our economic, environmental and other goals for the power system. Enactment and implementation of this bill runs counter to that climate. Despite the appearance that the Clean Energy Resources bill would rely on a market-based solicitation to procure new renewable or hydroelectric resources as one-third of the state’s electricity supply, this bill is not market friendly.”

As was highlighted by the recent reports by the Salem Harbor Power Station Plant Revitalization Task Force incorporated by the General Court,<sup>5</sup> plant closures can have a tremendous impact to host communities. These manufacturing facilities are often the largest employer and tax provider in their communities. Even under the best of circumstances when a closure is driven by fundamental market economics and new investment is proposed to replace it – as is occurring for the Salem Harbor facility – this is an enormously challenging undertaking. H. 3968 would accelerate additional plant closures stressing the financial and economic well-being of other communities in Massachusetts and instead sending consumer dollars to a sovereign-owned Canadian utility. This is a very bad deal for Massachusetts.

Providing a guarantee to provincially-owned large-scale hydropower for an unlimited amount of electricity not only detracts from Massachusetts’s energy initiatives, but also undermines local innovation, investment and jobs. This bill picks winners and losers. The winners are provincially-owned Canadian utilities. The losers are Massachusetts consumers, who will unnecessarily pay higher electricity costs, while local power plants, which would otherwise be able to stay open, are forced to close.

Such actions cost real jobs and tax revenues in communities across the Commonwealth. This is not the path forward for Massachusetts.

---

<sup>5</sup> <http://www.mass.gov/eea/energy-utilities-clean-tech/salem-harbor/>