



Massachusetts Taxpayers Foundation

MASSACHUSETTS
HIGHTECHNOLOGYCOUNCIL

The Chamber[®]
Greater Boston Chamber of Commerce

Springfield Regional Chamber

July 15, 2016

Representative Brian S. Dempsey, Chairman
House Committee on Ways and Means

Senator Benjamin B. Downing, Chairman
Committee on Telecommunications, Utilities
and Energy

Representative Thomas A. Golden, Chairman
Committee on Telecommunications, Utilities
and Energy

Senator Mark R. Pacheco, Chairman
Committee on Global Warming and Climate
Change

Representative Bradley H. Jones
Minority Leader

Senator Bruce E. Tarr
Minority Leader

Dear Members of the Committee of Conference:

We support renewable energy. We support the Commonwealth's efforts to transition our economy to non-carbon fuel sources, utilizing a balanced approach that includes a variety of energy sources, energy efficiency, and new technologies to meet our Global Warming Solutions Acts goals. We support the jobs and economic activity created by the renewable energy industry. We support regional, competitive solicitations that ensure the region has the capacity necessary to enhance reliability. Businesses across the Commonwealth require reliable, uninterrupted access to energy resources to compete locally and in the global economy.

In fact, our members are part of this transformation. Many operate in the clean energy space and thousands have done their part to reduce their carbon footprint by installing energy efficiency measures or innovative on-site generation. In short, we support public policy that provides reliable, sustainable, affordable energy resources for consumers and businesses enabling the state to meet the needs of a growing economy and the goals of the Global Warming Solutions Act in the most *cost-effective* way possible.

As you reconcile the differences between S.2400 and H.4385, we strongly urge you to consider that principle of *cost-effectiveness*. Make no mistake, the legislation before you today will significantly increase the cost of energy to consumers and businesses across the Commonwealth. Replacing relatively inexpensive energy sources with more expensive ones, as these bills propose to do, will result in an increase of billions of dollars to the state's already high cost of energy. We support many goals of the legislation, as articulated above, but not at any cost. We remain deeply concerned about the impact of this legislation on the state's already uncompetitive cost of energy.

According to the United States Department of Energy, in April of this year, Massachusetts had the second highest electricity rate in the continental U.S. in all sectors – residential, commercial and industrial. For employers, this disparity factors into decisions about hiring, location and expansion and is causing job losses in industries where electricity is a significant cost. For residents, particularly low income residents, this presents greater challenges. The high cost of energy in Massachusetts places the state at a competitive disadvantage, and we strongly believe that public policy solutions must prioritize steps that improve the competitiveness of the region's energy costs and must balance costs to ratepayers with environmental goals to promote economic growth and sustainability while, at the same time, meeting Global Warming Solutions Act targets.

The Conference Committee has multiple opportunities to mitigate the cost impacts of this legislation, and strongly urge your consideration on the following items:

1. Procurement of clean energy resources. The amount of energy to be procured through this legislation is enormous and will result in anywhere from 30% (H.4385) to 40% (S.2400) of the state's power needs committed under long-term contracts. This will be tremendously expensive. As you reconcile the final amounts to be procured, we strongly urge you to be mindful of the cost implications of your decisions, the significant impact on ratepayers, and the dramatic hit to the state's competitiveness and to make your decisions accordingly.
2. Natural Gas Capacity. As previously stated, a balanced public policy approach to meet the Global Warming Solutions Act targets in 2020 and 2050 and promote long term economic development must include: growth in renewable energy sources; increased supply of natural gas; continued focus on energy efficiency; and promoting new innovative technology. The region must have adequate capacity to access competitively priced energy resources – including *both* natural gas and clean, cost-effective renewable sources of energy – to control costs and enhance reliability. Natural gas is a reliable source of energy and while it is not carbon free, it is much cleaner than oil or coal which, ironically, is burned when there is not enough gas in the region. It is also significantly cheaper than the renewable sources contemplated in this legislation and serves as an offset to the cost increases to consumers. Eliminating natural gas from the equation threatens reliability and increases costs and we strongly urge the conference committee to reject Section 30 of S.2400.
3. Renewable Portfolio Standard (RPS). S.2400 proposes to double the RPS. We believe this is unnecessary, threatens reliability and is extremely expensive. Both the House and Senate bills allow RPS and non-RPS sources of energy to compete. Raising the RPS will disadvantage non-RPS sources even though they are equally carbon-free. And since many RPS sources are intermittent, increasing this requirement will result in reliability issues and raise costs for consumers. We urge the conference committee to reject Section 16 of S.2400.
4. Flexibility in Contracting Language. The current three-state RFP for clean energy has the potential to yield significant results for the region. The bidding was robust and the results should be available soon. The proposals received and being evaluated could provide innovative, cost-effective solutions to the region's energy mix and there should be no question that these proposals, including potential alternative contracting methods as allowed in H.4385, should be eligible to be applied to the requirements of this bill. In addition, the broader definition of "clean energy generation" in the Senate bill includes

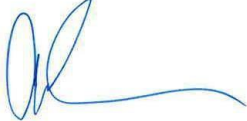
stand-alone Class I eligible resources, and maximum project eligibility will result in lower cost bids. Finally, S.2400 requires that clean energy resources be in operation by December 2020. We are concerned that this tight timeframe will limit the number of sources that will be able to bid, thereby increasing costs.

We urge the conference committee to support language allowing the three-state RFP to count toward the clean energy procurement goals and support the expanded definition of “clean energy generation” contained in Section 34 of S.2400 as both will help to mitigate the cost impacts of this legislation, and we urge the committee to reject Section 83D(b) of S.2400 which will unreasonably limit the number of sources eligible to compete.

5. Additional Ratepayer Protection. S.2400 requires that the Department of Public Utilities only approve subsequent offshore wind contracts that are less than the previous procurement and gives preference to those projects that decrease costs at least 15% from previous procurements. We urge the conference committee to support this language, as it will help contain costs.

Thank you for your consideration.

Sincerely,



Christopher Anderson
Massachusetts High Technology Council



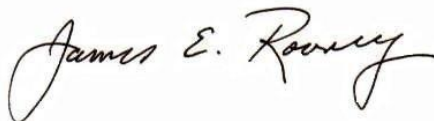
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