MREA
Maine Renewable Energy Association

March 19, 2015

Senator David Woodsome, Chair
Representative Mark Dion, Chair
Committee on Energy, Utilities and Technology
100 State House Station
Augusta, ME 04333-0100

RE: Testimony in Opposition to LD 132, "An Act To Remove the 100-megawatt Limit on Hydropower under the Renewable Resources Laws"

Chairman Woodsome, Chairman Dion, members of the Energy, Utilities & Technology Committee, my name is Jeremy Payne and I am the Executive Director of the Maine Renewable Energy Association (MREA). MREA is a not-for-profit association of renewable power producers, suppliers of goods and services to those producers, and other supporters of the industry. MREA members manufacture electricity in a sustainable manner from hydro, biomass, wind, tidal, and waste to energy.

The MREA is opposed to LD 132 due to the fact it runs counter to the long-standing intent of Maine's Renewable Portfolio Standard (RPS), which is to incent as much in-state (or at least in-region) renewable development as possible; to diversify our energy portfolio; and reduce the environmental impact of the generation serving Maine's load.

The existing RPS has led to tremendous investment in Maine facilities from MREA members, totaling approximately $2 billion in the last 10 years. These companies are paying nearly $20 million annually in property taxes, have paid out well over $100 million in wages, and employ more than 2,500 Maine citizens.

MREA fully supports the state's energy goals and asserts that maintaining the sanctity of the RPS is the most expedient way to protect consumer interests, enhance economic development and job creation, promote resource diversity and maintain Maine's environment.

It is important to note that the Maine RPS places very reasonable geographic limitations on the resources that are eligible and, in fact, specifically allows renewable energy that is delivered into the New England bulk power system, regardless of where the energy is produced, to qualify in meeting the state's goals. To that end, any foreign producer, including Hydro Quebec (HQ), is currently able to participate in Maine's RPS with eligible resources.

Additionally, any generation resource – including those owned and operated by the Province of Quebec through HQ – that is capable of delivering its electrons into Maine is eligible to fill 64% of Maine's load – the only piece their large-scale assets are ineligible from providing is for the

30% for Class II resources, and 8% of Class I. This means that HQ, under current statute, can supply nearly 2/3 of Maine's load if it so chooses

If large-scale hydropower were made eligible for the RPS, it would do little to supply Maine with lower cost power and it would discourage investment in renewable power in Maine. But having large hydro in the Maine RPS would most certainly make the program totally ineffective by oversupplying the Renewable Energy Certificate (REC) market, thereby making the actual incentive virtually worthless. In fact, that is exactly what we have seen occur with the Class II RPS market, which, due to being oversupplied, trades on the market for pennies. There may be some whose direct purpose is to make the REC market worth nothing, but the REC revenue stream is an important one for Maine's renewable generation community. By qualifying HQ, that would send a message to renewable investors and other New England states that Maine no longer has interest in its own renewable power development.

In light of the regulatory uncertainty created by changes to the RPS, renewable energy companies will inevitably divert or postpone investment decisions that would otherwise be beneficial to the state of Maine. The RPS has attracted significant investment dollars to Maine through renewable development companies that have left their economic footprint across the State in the form of income, property, and sales tax revenues, job creation, business development, and future opportunities to grow the manufacturing supply chain to provide these companies with the equipment and services they require while they generate clean electricity. To preserve this level of investment and corresponding economic benefit, it is critical to maintain stable market signals for the RPS.

During the 125th Legislature, London Economics International (LEI) presented to this committee its PUC-sponsored independent review of the RPS, and its associated costs and benefits. LEI's findings were consistent with what MREA has been saying for a number of years: the program is providing tremendous economic, employment, and environmental benefits at a nominal cost.

Specifically, LEI found that the Maine RPS, in conjunction with the RPS in other New England states, is projected to create 11,700 jobs and increase the state's Gross State Product by $1.14 billion. To be clear, these benefits are not from Maine's RPS alone; however, what is clear is that if Maine alters its eligibility criteria to allow large-scale, foreign hydropower to qualify then the projected benefits will undoubtedly decrease, or perhaps go away entirely. This begs the question: what are we trying to fix? The RPS is creating an opportunity for the state to create nearly 12,000 jobs, provide a net increase of the state's GSP of 1.4%, increases annual tax revenues by $6.3 million, helps to diversify the region's energy portfolio, displaces higher cost resources, and creates new educational opportunities.

Additionally, there are concerns that are unique to HQ because of its status as a Canadian Crown corporation. Being a very large government-owned and government-subsidized public utility provides HQ with the distinctive ability to potentially dominate markets and drive local competitors away, which could create an unhealthy reliance on a foreign, state-run producer. To put the size of HQ in perspective, in 2010 they paid out a $1.8 billion dividend to their sole shareholder, the Quebec government. This means their dividend in 2010 was about 1/3 the size of the State of Maine's budget. Their long-standing policy has been to provide residents of the Province of Quebec with power at a low cost, and then maximize the sales of their excess power through export sales to the United States. Given their known strategy of seeking a premium for their exported power, we do not believe this offers Maine any tangible opportunity for the alleged "cheap Canadian hydro" that is often discussed.

We also believe that renewable policy decisions made in Maine most definitely will and do have an impact on similar policy discussions in other New England states. Thus, if Massachusetts and Connecticut believe that Maine is stepping away from its own RPS policy goals of incentivizing in-state and in-region development, then why shouldn't they follow suit? This is exactly what we have seen in recent years regarding biomass efficiency changes in MA RPS policies – they have effectively closed off their program to Maine biomass plants, and shortly thereafter CT indicated their intent to follow suit in limiting biomass eligibility.

In conclusion, we ask whether the purpose of Maine's incentive programs, like the RPS, should be to create an additional revenue stream for Maine businesses and companies, or to send ratepayer dollars to Canada? We believe the answer is clear that Maine incentives should be targeted for, and used by, Maine businesses as much as possible. The fact of the matter is the RPS is operating exactly as intended – providing tremendous benefits to Maine at a reasonable cost, but this will only happen if the policies remain predictable, reasonable, and with a focused desire to incent Maine-based companies.[1]

We respectfully urge you to vote ought not to pass.

Thank you for your time and consideration.

Sincerely,

Jeremy N. Payne
Executive Director

[1] All of the views expressed in this document do not necessarily represent the positions of each of our members. Since MREA represents a broad spectrum of companies, we anticipate some members may submit comments of their own.

MREA

Maine Renewable Energy Association

Maine RPS Summary

Review of RPS Requirements and Compliance in New England States

Report by London Economics International (LEI)
prepared for the Maine Public Utilities Commission, as required by LD 1570 (2011)

MAINE RENEWABLE ENERGY ASSOCIATION
WWW.RENEWABLEMAINE.ORG
JPAYNE@RENEWABLEMAINE.ORG (207) 626-0730

This comprehensive analysis of Maine's Renewable Portfolio Standard, with its independent look at the benefits and costs, affirms the conclusion that **Maine's renewable energy strategy is very beneficial for the state, and Maine's economy stands to gain significantly from the effort to diversify our energy mix away from fossil fuel-based sources.**

12,000

Maine Jobs Created

1 BILLION

$

Increase to Maine's GSP

The report finds that the Maine RPS, in conjunction with the RPS in other New England states, is projected to create 11,700 jobs in Maine and increase the state's economy ("gross state product") by $1.1 billion or 2%, compared to a cost to the economy of 0.06%.

The findings in this study completely contradict assertions about the impact on the economy of our renewable energy policies and investments. The report may come as little surprise to the overwhelming majority of Maine people, who strongly support clean, renewable energy and already intuitively understand the need to increase the state's energy independence and the benefits of investing in made-in-Maine renewables.

KEY FINDINGS

The net creation of thousands of new jobs in Maine. Regional RPS policies will create nearly 12,000 temporary and permanent jobs in Maine over several years, while the cost of the RPS for electricity consumers may reduce employment by 32-129 jobs.

An increase in Maine's gross state product of $1.1 billion or 2% over several years, as RPS policies in Maine and New England will encourage new renewable power and "investment in Maine renewable generation has the potential to be a meaningful contributor to the state's gross state product."

Currently accounts for one half of one percent of electricity prices. Currently the average Maine resident pays 37 cents on their monthly electric bill for the RPS. When Maine reaches 10% from new renewables in 2017 (under current law), the price could increase to $0.70 - $1.72 on the avg monthly bill.

ADDITIONAL NOTABLE FINDINGS:

Maine current requirement for new renewables is the smallest of the five New England states that have an RPS.

Most (83%) of the renewable energy used to meet Maine's RPS comes from biomass generation within Maine, and no other state in New England has been using in-state resources for their RPS at a level comparable to Maine.

RPS policies promote innovation – some pulp and paper manufacturing facilities in the state have repositioned assets to take advantage of revenue from renewable energy.

Maine benefits disproportionally from the total regional RPS because of our rich renewable resources.

Lastly, the report described but did not measure the following **ADDITIONAL ECONOMIC BENEFITS:**

Diversification benefits and reliability benefits from diversification away from natural gas for electricity generation

Energy cost reductions through displacement of fossil-fuel generation

Energy security benefits through reduced price volatility

Increased tax revenues and other community benefits from capital investments across Maine counties and towns

Environmental benefits from reduced emissions