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AIM Business Insider

Consensus Grows on Need to Address Massachusetts Electricity Costs

Posted by Robert Rio on Mon, Nov 28, 2011 @ 07:45 AM

A rare political consensus is developing on Beacon Hill around the need to address the staggering cost of electricity that has long suppressed economic growth in Massachusetts.

Attorney General Martha Coakley, Senate President Therese Murray, House Speaker Robert DeLeo, AIM and scores of Massachusetts employers have all expressed remarkably similar messages in recent weeks about the need to create much-needed relief for consumer and employer electric bills.

AIM invites DPU Chair Berwick and the Patrick administration to join that consensus. The formula for relief on energy prices in Massachusetts should be a state energy policy that is technology neutral, transparent, and based on a competitive bidding process that ensures the best possible prices for end users.

The stakes could not be higher for Massachusetts employers. Electricity price increases caused by the commonwealth's primary renewable energy policy – the 2008 Green Communities Act – are discouraging job creation, driving companies to other states and inhibiting the weak economic recovery in Massachusetts.

According to the Department of Energy Information Administration (EIA), the average electricity price in the U.S. for industrial customers in July 2011 was 7.39 cents per kilowatt hour (kWh). The average price in Massachusetts was 13.87 cents per kWh, the highest rate in the continental United States. The difference for commercial customers is about 35 percent, with Massachusetts the third highest.

Attorney General Coakley told a Beacon Hill hearing two weeks ago that the Green Communities Act will add \$4 billion to the electric bills of Massachusetts employers and residents over the next four years.

Coakley said that electricity costs in Massachusetts – already some of the nation's highest – will continue to rise over the next decade, warranting a review of some of Green Communities Act provisions that encourage investment in expensive technologies and give utility companies "overly generous" incentives to hit efficiency targets set by the law.

Coakley also recommended that long-term renewable energy contracts be competitively bid, a position long taken by AIM in its objection to the power sales agreement between National Grid and Cape Wind. The position is at odds with that taken by Berwick, the state's top utility

regulator, who said competitive bidding could discourage offshore wind and solar power development.

Meanwhile, Senate President Murray wasted no time after the conclusion of formal legislative sessions for 2011 to confirm that the Senate will address the high cost of energy next year. She named Senator Benjamin Downing of Pittsfield, co-chair of the Committee on Telecommunications, Utilities and Energy, to lead the initiative.

“Does the regulatory regime that we have set up right now meet the needs of ratepayers in the best way possible?” Downing told State House News Service. “There are a lot of issues that fall under that. It’s a broad conversation that we’re having.”

AIM applauds the Legislature for addressing energy costs and offers several basic principles to guide the review:

- Put the consumer first. Consumers in Massachusetts should be the primary beneficiaries of energy policy, not developers, marketers, brokers, or other stakeholders seeking to benefit their bottom lines.
- Ensure that all programs are subject to rigorous cost-effective standards and, where possible, require that they be implemented at the least cost to consumers. Massachusetts is making a massive investment in renewables and energy efficiency under Green Communities, and we should hold these programs up to strict standards for evaluating whether they are cost effective.
- Ensure that legislative or regulatory goals are economically sustainable and open to review and adjustment. Legislative targets for the development of certain technologies and for certain environmental goals are important, but should be dynamic and subject to periodic evaluation and adjustment depending on economic conditions.