

Testimony on H. 2427
Before the Joint Committee on Telecommunications, Utilities and Energy
Alan Noguee, Clean Energy Program Director, Union of Concerned Scientists
April 6, 2006

Mr. Chairman, and Committee members, thank you for the opportunity to testify today. The Union of Concerned Scientists opposes H. 2427 as written, but would be pleased to support the amendment if modified as outlined below.

My name is Alan Noguee. I am the Clean Energy Program Director of the Union of Concerned Scientists, a national science-based organization headquartered in Cambridge that works on environmental, security and sustainability issues.

In 1997, Massachusetts became the first state in the nation to pass a law requiring electric companies to increase the percentage of renewable energy in their portfolios. Today, 20 states and the District of Columbia have enacted Renewable Electricity Standards, also known as Renewable Portfolio Standards (RPS). UCS participated in or assisted participants in stakeholder discussions of RPS enactment and implementation in many of those states, including Massachusetts.

There are some good reasons for updating the treatment of hydropower in the Massachusetts RPS, based on changing circumstances since 1997:

First, hydropower was then generally believed to be a resource with little to no potential for expansion. It is now generally accepted that efficiency improvements can yield increased generation at many existing facilities.

Second, natural gas and electricity prices are much higher today than were forecast in 1997, and we are heavily dependent on natural gas, creating a greater awareness of the need to diversify our supply using resources from within the region which have stable prices not tied to fossil fuel markets.

Third, there is a far greater awareness of the need to reduce carbon emissions to meet state, regional and inevitably national targets, in order to prevent severe consequences from continued global warming.

Fourth, there was then no consensus about whether or how hydropower could be environmentally sound. Today, an independent non-profit national organization has certified over 1,500 MW of hydro generation in 15 states, including Massachusetts, as "low impact," using criteria developed in a multi-stakeholder process. Low Impact Hydropower Institute (LIHI) certification assures use of industry best practices in minimizing impacts on river flows, water quality, fish, watersheds, threatened and endangered species, cultural resources, and recreation.

Finally, the Massachusetts RPS has been slow to take off, with about one-third of compliance in 2004 met through Alternative Compliance Payments. There is an understandable interest in increasing the near-term eligible renewable energy supply.

These changes lead us to support making incremental hydro generation eligible to meet the Massachusetts RPS under appropriate conditions:

- In making these facilities eligible for new revenues from the sale of Renewable Energy Certificates, it is reasonable to demand that they meet industry best environmental practices. Requiring federally approved fish passage is an important step in that direction, but we recommend that the Division of Energy Resources certify eligible incremental hydro facilities as meeting best practices in each of the seven areas examined by LIHI. DOER should be allowed or encouraged to utilize LIHI certification as a cost-effective alternative to developing its own certification process. The Pennsylvania RPS utilizes LIHI certification, which has already resulted in one announcement of a LIHI-certified capacity upgrade to meet its RPS. Such certification will ensure that RPS eligibility does not extend the lives of existing facilities that are causing environmental problems or which should even be decommissioned.
- The RPS requirement should be trued up, by raising the requirement to accommodate the new eligible resources. In order to help ease the near-term shortage, the higher requirements should be delayed by at least two years after incremental hydro becomes eligible, or until after 2009. But neither incremental generation—nor especially existing hydro generation—should substitute for market expectations for other technologies created by the existing RPS. Permitting delays, and a lack of long-term contracts, have delayed renewable energy project financing and development. However, we believe that there is enough renewable energy in the development pipeline to satisfy RPS requirements through at least 2009, even if Cape Wind were not to be permitted. As noted above, we need more diverse, in-region, zero-carbon energy resources. Since Massachusetts passed its RPS, Connecticut, Rhode Island, Delaware, New York, New Jersey, Pennsylvania, Maryland and the District of Columbia, as well as many states in other regions, have all required greater increases in the percent of electricity from renewable energy than Massachusetts' firm 4% new renewables by 2009.

We also urge you to address the need for long-term contracts. Requiring distribution companies to offer long-term contracts for certificates for electricity and/or RECs will help developers get financing, reduce project costs, and cut overall RPS compliance costs as much as 50% or more, while helping to stabilize prices for basic service customers.

Unfortunately, H. 2427 as written would not accomplish these objectives. Worse, it would start us down the slippery slope of making existing renewable energy facilities count toward meeting requirements for new renewable generation. While we appreciate that the current language would apply to a relatively small group of existing hydro facilities, the arbitrary criteria would invite claims of discrimination from larger facilities and potentially other resources. The resulting potential for existing renewables to flood the REC market and crash REC prices, as recently seen in Connecticut, would create substantial market uncertainty and make project development very difficult.

Modifying H. 2427 along the lines recommended here would ease the near-term renewable shortage, expand long-term renewable energy use in an environmentally sound way, enhance fuel diversity and energy security, and reduce REC and electricity prices. Thank you.