

September 30, 2015

Joint Committee on Telecommunications, Utilities and Energy

Benjamin B. Downing
Senate Chair
Room 413-FState House
Boston, MA 02133

Thomas A. Golden, Jr.
House Chair
Room 473B State House
Boston, MA 02133

Re: **Senate Bill 1965**

Chairman Downing and Golden,

TransCanada is a competitive electricity supplier, active in both wholesale and retail markets throughout the U.S. Northeast. TransCanada is presently the third largest retail competitive electric supplier in Massachusetts, and as such, our comments are rooted in a keen interest to foster a vibrant and healthy business environment. Such an environment is aided by policies that enable companies to compete successfully in national and global markets. TransCanada owns and operates 560 megawatts of hydroelectric generation located throughout New Hampshire, Vermont, and Massachusetts along the Connecticut and Deerfield River systems. Over 70% of our hydroelectric generation capacity, and all 34 megawatts located in Massachusetts, is certified as renewable by the Low Impact Hydro Institute (LIHI), a designation intended to provide customers with assurance that a facility has avoided or reduced its environmental impacts.

The stated goal of Senate Bill 1965 is to bring the energy sector into compliance with the Global Warming Solutions Act (GWSA), by, in part, having hydroelectric generation account for 5.3% of the targeted 25% reduction in greenhouse gas emissions. In order to meet this goal, SB 1965 would authorize electric distribution companies to explicitly enter into long term contracts to secure hydroelectric power. Specifically, *“this legislation requires Massachusetts’ electric distribution companies to jointly and competitively solicit long-term contracts for clean energy generation resources and associated transmission with the Massachusetts Department of Energy Resources. Although electric distribution companies can procure hydroelectric power under existing law, they have not done so yet, and it is highly unlikely that they will absent legislation authorizing long-term contracts”*.

Given the complexity of competitive energy markets and potential long term impacts of the proposed legislation on the markets in New England, TransCanada strongly encourages the Joint Committee to engage in a thorough analysis of the potential physical and economic ramifications of enacting SB 1965 as drafted. For the last fifteen years, energy market participants, including TransCanada, have worked side by side with legislators, regulators, and ISO New England to develop market based solutions that have provided New England consumers with a reliable electric system and competitive marketplace. The good news is mechanisms already exist in the marketplace that will achieve the stated goals of SB 1965 by meeting the targets laid out in GWSA: The Regional Greenhouse Gas Initiative has helped to hasten the retirement of heavy-emitting coal and oil fired generation; state Renewable Portfolio Standards have facilitated the development of renewables; FERC Order 1000 provides an avenue to get necessary

transmission built. However, the legislation as currently written could inadvertently lead to the shutdown of existing low and no-carbon emitting resources in the region. Existing regional electric generation assets could prove to be uneconomical to operate as the market absorbs the significant quantity of contracted hydroelectric power contemplated by this legislation. This will result in the loss of plant operating jobs and significant amounts of property taxes from host communities throughout New England. At the same time customer costs will increase. This is due to the fact that to secure the amount of electric power authorized, in the manner outlined, will require large incremental investments in transmission. The increased transmission costs would be the result of increased electric transmission charges that would be necessary to transport the power through a multistate transmission system (e.g., Northern Pass). This would move the state in the opposite direction intended by SB 1965; low emitting resources could retire and costs will increase.

At a minimum, we would suggest that any "Requests for Proposal" (RFPs) as a result of this legislation allow for the participation of all renewable resources, existing and new, and include diverse types and geographically located facilities. In its current form the legislation limits the diversity of responses and could result in only one project being able to meet the criteria outlined. Our experience in soliciting resource solutions is that a broader and more diverse RFP would provide the most efficient and cost effective solution for rate payers. Having clearly defined terms that open the process up to everyone will enable Massachusetts to meet the stated goal of reducing carbon emissions while at the same time diversifying its energy generation mix in a cost-effective manner. Massachusetts can meet its goals under the GWSA in this more inclusive manner.

TransCanada has been engaged in the competitive retail supply market since its inception and shares concerns about the region's and Massachusetts' high electric costs. We work directly with our customers to meet their energy needs and keep them informed on issues that could significantly increase their energy costs. The region has a complex problem which needs to be addressed in a holistic manner that includes the build out of additional energy infrastructure to support rapidly changing energy demands of the region. Massachusetts' manufacturers, perhaps the sector most sensitive to high electric costs, compete with others nationally and internationally whose electric costs are lower. Manufacturers' ability to expand and even continue operations in Massachusetts is threatened by high electric prices. In our view, the key electric cost drivers are:

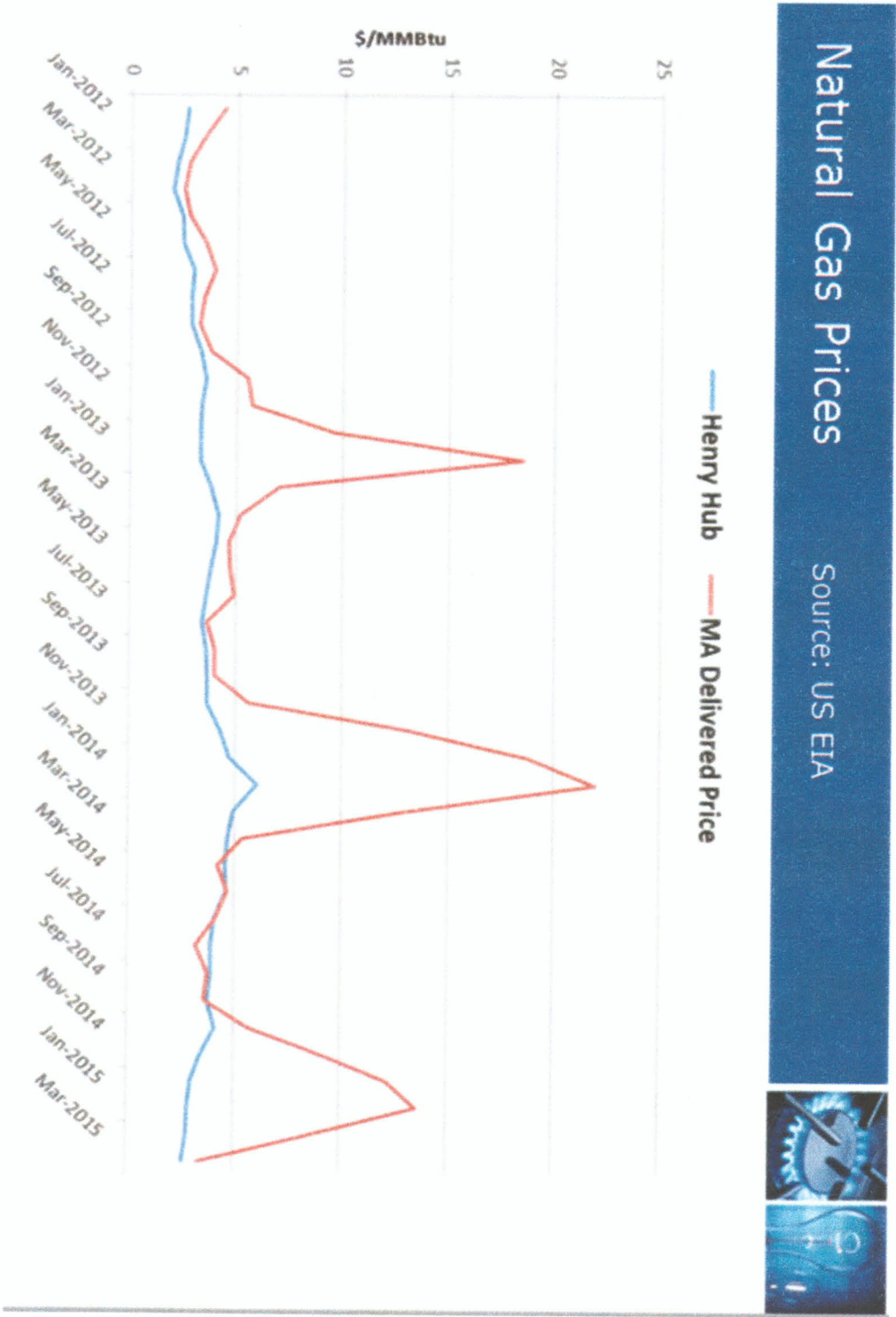
- Inadequate gas transmission into New England driving high winter electric costs (attachment 1);
- State policy (attachment 2);
- Growth in electric transmission costs (attachment 3)

TransCanada would appreciate the opportunity to work with the Joint Committee to develop a proposal that both achieves the stated goals of SB 1965 while at the same time preserves and enhances the state's goals of competitive electric rates now and in the future.

Sincerely,

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Attachment 1:



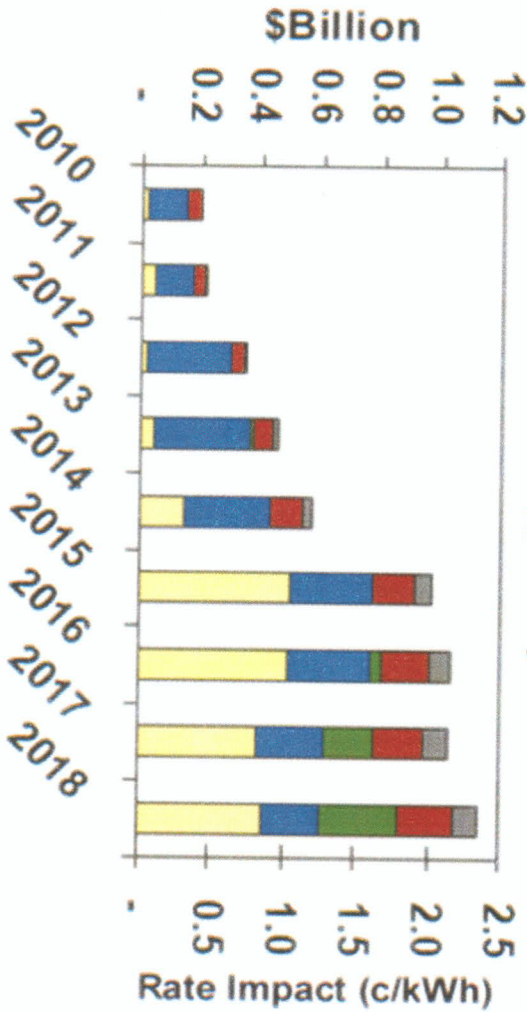
Clean Energy Costs Imposed by State Policy

Source: NSTAR



- Incremental costs of clean energy policies is material portion of rates
- RPS requirements continue to grow in all states

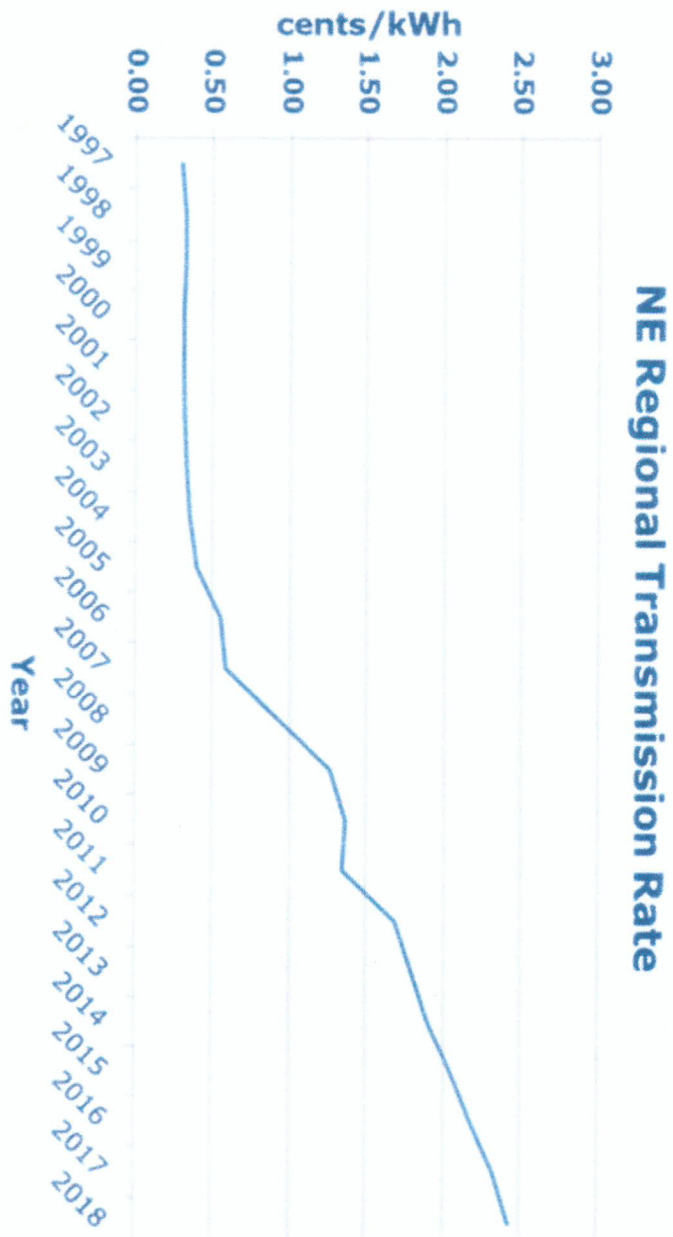
MA Clean Energy Policy Costs



Estimated 2015
RPS Rate Impacts

RPS Component	(c/kWh)
MA	1.6
CT	0.75
NH	0.60

■ Solar RPS ■ Other RPS/APS ■ LT Contracts ■ RGCI ■ Net Metering



NEPOOL Transmission Rate

Source: ISO NE

