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October 27, 2015

Honorable Benjamin A. Downing, Senate Chairman
General Court of the Commonwealth of Massachusetts
Joint Committee on Telecommunications, Utilities and Energy
State House, Room 413-F
Boston, MA 02113

Honorable Thomas A. Golden, House Chairman
General Court of the Commonwealth of Massachusetts
Joint Committee on Telecommunications, Utilities and Energy
State House Room 473-B
Boston, MA 02113

Re: Senate Bill 1747—An Act Combating Climate Change

Dear Chairman Downing, Chairman Golden and Members of the Committee:

The New England Power Generators Association, Inc. (“NEPGA”) appreciates the opportunity to provide information to the Committee regarding the above-referenced bill. NEPGA is the trade association comprised of competitive electric generating companies in New England.¹ NEPGA’s member companies represent approximately 25,000 megawatts (MW) of generating capacity throughout New England, and nearly 11,000 MW of generation in Massachusetts, or 85 percent of the electric generating capacity in the Commonwealth. NEPGA’s mission is to support competitive wholesale electricity markets in New England.

NEPGA’s Massachusetts companies provide power for the Commonwealth from a diverse portfolio of plants, including natural gas, oil, coal, hydro, nuclear, and biomass. Overall, these companies pay over \$71 million annually in state and local taxes, while providing nearly 1,400 well-paying and skilled Massachusetts jobs. NEPGA

¹ The comments expressed herein represent those of NEPGA as an organization, but not necessarily those of any particular member.

members are good corporate neighbors, contributing to the civic and charitable endeavors of their host communities, donating close to one million dollars annually to charitable causes throughout the Commonwealth.

NEPGA's Position: Senate Bill 1747 is a Discriminatory and Redundant New Tax

NEPGA commends the Committee for its commitment to the important issue of reducing carbon emissions within the Commonwealth, but is concerned that Senate Bill 1747 creates a redundant tax on electricity generators. Senate Bill 1747 authorizes a new assessment – or tax – to be levied against the sale or distribution of any carbon-based fuel. While the bill purports to aim the tax at sellers or distributors, the true payer of the new tax is the electricity consumer.

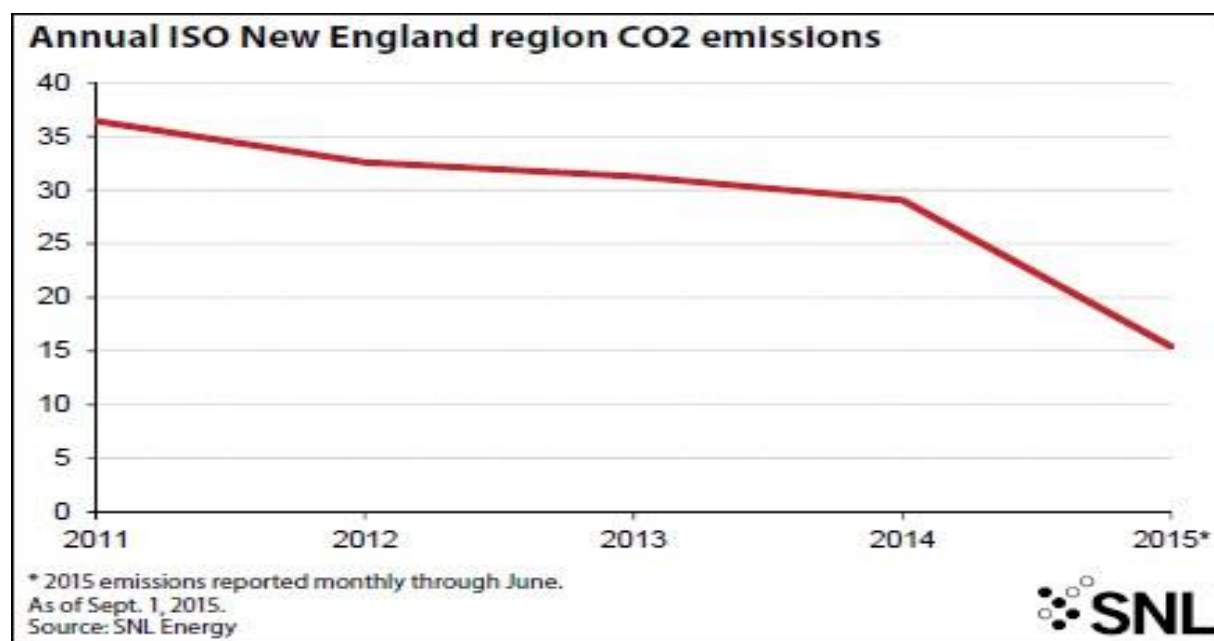
An electric generator, like any manufacturer, incorporates all the costs of making a product into a final sales price. Simple economics dictate that if a generator's cost of production increases, the cost of its product increases and the ultimate cost to consumers will increase. This is particularly so in the case of carbon emissions, since facilities generating electricity by way of a carbon-based fuel participate in the Regional Greenhouse Gas Initiative and currently pay approximately \$6 per ton of carbon emitted. Thus, these entities are already paying a carbon tax and the proposed tax contained in Senate Bill 1747 would be an additional or redundant tax. Due to the structure of the electric market in New England, the upward pressure is not just felt by Massachusetts' consumers but by the region's consumers as well. Although the bill also calls for a distribution of the funds collected in accordance with the framework established in the bill, those refunds will not likely result in a dollar for dollar refund equal to cost to consumers caused by this the increased tax. By contrast, RGGI has already resulted in at least \$395 million in energy bill savings, and is on track to return more than \$2.9 billion through the lifetime of the program, all while simultaneously reducing carbon emissions by 10.3 million short tons.²

² <http://rggi.org/docs/ProceedsReport/Proceeds-Through-2013-FactSheet.pdf>

Compliance With the Global Warming Solutions Act

When the legislature passed the Global Warming Solutions Act (GWSA),³ it contemplated carbon emissions reduction by each of three sectors: the generation sector; the transportation sector; and the building sector. A recent study⁴ conducted by Dr. Susan Tierney analyzes the generation sector's compliance with the carbon reduction mandates of the GWSA and determined that the generation sector had already met its 2020 reduction requirements. Dr. Tierney's report states, "The bottom line is clear – Massachusetts is on pace for power plants to far exceed their 2020 emissions goal under the Global warming Solutions Act." ⁵

In fact, competitive power generators have helped drive dramatic reductions in emissions. Since 2011, carbon dioxide emissions have been cut dramatically in New England.



³ G.L. 21N

⁴ "Proposed Senate Bill 1965: An Act Relative to Energy Sector Compliance with the Global Warming Solutions Act -- Potential costs and other implications for Massachusetts consumers and the state's and region's electric system," Susan F. Tierney, PhD, Analysis Group, Inc., September 2015. <http://nepga.org/2015/09/tierney-report-on-ma-emissions-cost-of-hydro-contracting/>

⁵ To the extent the recently announced retirement of Pilgrim Nuclear Power Station by 2019 creates the need for further incremental carbon reduction from the power generation fleet, such reductions are most cost-effectively and efficiently met through further improvements to RGGI or a uniform Clean Energy Standard which is vintage and resource neutral.

Massachusetts should be proud of this leadership, but also recognize the costs, challenges and consequences with attempting to dramatically exceed clearly set goals emissions goals through out-of-market mechanisms like Senate Bill 1747. This is particularly so when it appears that the other sectors of the economy covered by the Global Warming Solutions Act (i.e., transportation and buildings) may not have received the attention necessary to be in compliance. As discussed in the Global Warming Solutions Act: 5 Year Plan Progress Report,⁶ (GWSA Progress Report) issued in January of 2014, reductions in the generation sector have clearly exceeded both the transportation and building sectors by significant amounts. Both Dr. Tierney's report and the GWSA Progress Report demonstrate that the generation sector is aggressively pursuing and actually surpassing its reduction goals. NEPGA urges the legislature to further examine compliance by the other sectors contemplated by the GWSA Progress Report. The GWSA was an economy-wide mandate, one that the electricity sector is meeting aggressively, but a mandate that cannot be met by power generators alone.

Conclusion

NEPGA appreciates the opportunity to testify on Senate Bill 1747 and to explain our concerns with this proposed legislation. We request that the Committee not pass this legislation. To the extent more should be done, we strongly encourage the legislature to further examine ways the transportation and building sectors may pursue carbon emissions reductions more aggressively.

Sincerely,



Dan Dolan
President

⁶ <http://www.mass.gov/eea/docs/eea/gwsa/ma-gwsa-5yr-progress-report-1-6-14.pdf>