



March 8, 2016

LD 1513

Senator Woodsome, Representative Dion and distinguished members of the Joint Standing Committee on Utilities, I am Chris O'Neil. Director of Government Relations for Friends of Maine's Mountains. Thank you for affording us the opportunity to comment on the recent draft amendment to LD 1513. We see this bill as perhaps the most important of the 127th Legislature. We remain opposed to the bill, unless you amend it properly.

Central Maine Power (CMP), Iberdrola and Avangrid are pushing to pass their bill that would "clarify" the regulatory uncertainty they face regarding the relationship between a utility and a generator that is owned by an "affiliated interest."

They haven't sold this notion at the PUC, the Law Court, or here. But they keep trying. The newest amendment is no better than the bill.

FMM was party to both PUC cases wherein:

1. Emera (of Nova Scotia) and First Wind were granted permission to merge, albeit with some 50 conditions intended to insulate corporate crossover interests, favoritism by the utility for its own generation assets, etc.;
2. Iberdrola Renewables (dba Atlantic Wind) wanted to build a wind project in CMP territory near Bingham, so they sought PUC approval for an "affiliated interest agreement," which the PUC denied. A representative of Iberdrola Renewables told you at the public hearing for this bill that his company will not proceed with that wind project unless you make the affiliated interest standard more permissive. As you recall my testimony, his words were all I needed to hear. But there's more.

As PUC attorney Mitch Tannenbaum explained to you at your work session last Thursday, in the Emera-First Wind case (Houlton), the PUC asserted that: A. The more generation, the better for ratepayers; B. With adequate protocols and codes of conduct, the favoritism issue can be avoided in affiliated interest situations. The second case has similar issues, but the August 5, 2015 denial order contained something equally refreshing: for the first time in recollection the PUC refuted the ludicrous old presumption that that adding new generation is necessarily good for ratepayers.

In both cases, to varying degrees, the PUC and the Law Court agree that the restructuring law says clearly that utilities may not own generation, but they may do business with affiliated generation companies. Thankfully, on the affiliated interest question, the PUC was less willing to accept the pleas of CMP and Atlantic Wind.

It is this new "affiliated interest" issue that has only arisen since mega consolidators like Iberdrola and Emera have emerged. In fact, EmeraMaine (formerly Bangor Hydro) now has affiliated interests with generators in Maine. To avoid the project by project litigation and horse trading at the PUC, the utilities want the legislature and PUC to codify the codes of conduct that would apply in all cases of affiliated interest. They want "clarity." We want clarity too.

We adamantly oppose the bill, and we note that (as we all agree), codes of conduct can be broken. At the public hearing weeks ago I testified that it is impossible to prevent favoritism, let alone insulation, particularly in the case of CMP, where Ignacio Galan is CEO of both Iberdrola and Iberdrola Renewables. Is he supposed to block his own emails? We further argued that encouraging IR to build ("invest in") Maine wind projects is necessarily a gift to CMP, because where you have wind projects, you need commensurate T & D. History has highlighted this generation-transmission nexus, as we all now know that the Wind Act and the MPRP were two major initiatives that all the proponents sought through public relations firms to segregate. But now we know the Wind Act and MPRP were joined at the hip. There still linger a few people who for reasons either ignorant or economic hold that the MPRP was needed for reliability, just like Uncle Billy isn't really a drunk; he just needs a fifth of bourbon to help him sleep. As FMM always says: *If the Wind Act was the heist, the MPRP was the getaway car.*

I'm not here to remind you that "we don't want windmills in Maine," which is what everyone expects FMM to say.

I am here to refute the old PUC - perpetuated myth that all and any proliferation of generation is necessarily good for ratepayers.

I also reiterate that no code of conduct can erase the mutual interest that a utility has with a new wind project, affiliated interest or not.

The latest amendment still asks us to trust them, still asserts that they won't consider each others' interests, and implies that it's good for us if they build billions of dollars worth of essentially useless generation plus – if not for the useless generation – also build billions worth of unnecessary transmission.

But as I understand it, from the discussion about this bill, you have become increasingly aware of the heavy policy question you are being asked to answer.

This policy question is my focus, and I trust that if you understand the policy implications, you will amend the bill accordingly.

Thursday CMP's Mr. Harrington used the term "invest" or "investment" perhaps 10 times during his presentation to you. He didn't just imply, but he explicitly insisted -- that building new generation is necessarily good for ratepayers. The old myth. A little later PUC attorney Mitch Tannenbaum affirmed that the PUC had held the same premise that back in the Emera/First Wind case.

But then came change. On August 5, though, the current PUC said not so.

They are correct. The ISO-NE capacity auction has grown in just a few years from about 10% of the energy market to more than half of the energy market on a proportional basis. As you know, PUCs around the region have also found it fashionable to mandate power contracts for these new wind generators. So generators get paid coming and going.

The new mantra is: "Build it and you will get paid, regardless of whether the generation asset is necessary, affordable or useful."

This was the mantra of certain former Commissioners, whose ideology and activism was clear, despite their keen intellect. Recall who championed the Statoil \$260/Mwh contract. (Imagine the ridicule those people would be getting if today we were paying Statoil \$260 when the rest of the grid is paying \$38!!!)

If you do what is proposed in this bill it will be more of the same.

Meanwhile, as I so often remind you, ISO-NE is losing dispatchable generation capacity while building non-dispatchable generators, and to make things worse...building them in places hundreds of miles from population centers. The roof on your house is caving in and you decide to spend your paycheck on patio furniture. When the neighbors come over, they're enjoying all your new lawn chairs and it starts to rain, you can move the party inside, but your guests are going to get soaked either way. Policies like what is in this bill will exacerbate this phenomenon.

As you can see in the attached spread sheet, the total annual NE energy market in 2015 was just over \$5 billion, and based on projections it will possibly be less than \$5 billion at the end of 2016. Capacity payments to New England plants have grown from \$1 Billion to \$4 Billion in just five years. Our increased redundancy and its resulting cost-shifting is unsustainable. Massachusetts is now sourcing 40% of its energy from out of state, including Canada and New York. Capacity payments, mandated contracts, curtailments...are not free...we pay for all of these. Meanwhile, those plants that have lost "favorite" status in the policy arena are struggling. Last month you heard all about the latest two biomass plants to close. Plants all over New England without fast-ramping capability are closing. Base load generators like Pilgrim and Vermont Yankee cannot be replaced by even a thousand Maine wind turbines. Yet this bill will roll out the red carpet for more wind turbines, erected hundreds of miles from Pilgrim.

And the utilities love building power lines because we guarantee such a nice return on equity.

It isn't "investment." It's taking money from ratepayers and taxpayers. Remember last year when we showed you that the oil-burning Wyman Plant in Yarmouth collected about ten times more capacity payments than energy payments?

Maine has no shortage of wind developers, and despite having some of the cleanest electricity in America, we already roll out the red carpet with the nation's most permissive wind siting law. Iberdrola owns almost 50,000 megawatts of generation across the world on four continents. Maine is a tiny little market and they need a new 50 megawatt wind project as much as we do; like a whole in the head. Have any of you

even noticed that my friend John Baldacci was just named the Avangrid Board's Vice Chair, with a nice little per annum of \$100,000? Do we suppose they brought him on because of his engineering skills? They want to dominate our market by "investing."

Let them go "invest" elsewhere.

In fact, that is what Spain said to them after Iberdrola manipulated policy, mandates, and subsidies to dominate the market there. When they couldn't perform, when the "roof" caved in, and they practically bankrupted the country, they sailed over here trying to sell the same scheme to us. Their business plan is to dominate the markets they are in, particularly generation and transmission. Today it's one little project called Atlantic Wind, tomorrow it could be a short hop to them sweeping in and buying the distressed assets of SunEdison at fire sale, and in a flash, Maine ratepayers (not to mention our landscape) will be dominated by that great big consolidated affiliation called Iberdrola...or Avangrid...or whatever they'll call themselves when they've scooped up everything.

The parallels are chilling. Remember when the commercial banks and investment banks consolidated, and we all winked at it? And they practically tanked the world economy taking insane risks? Restructuring utilities was good for us in that fat utilities suddenly had new motivation to be efficient. In that respect, it has been a good policy. This bill would return us startlingly close to 1998, but this time not with our venerable old pal, Walter Wyman's CMP. No, this time with a real behemoth.

If they want certainty, give it to them. Amend the bill to prospectively prevent affiliated interest transactions between utilities and generators in their service territory and in this state. Very clear, very certain. Maybe they'll try to build their wind towers and power lines in Connecticut.

The attached 2010 Portland Press Herald Article featuring Ignacio Galan is a must read, as it provides valuable insight into why you must not pass LD 1513.

Thank you.

<http://www.pressherald.com/2010/09/28/cmpps-parent-wind-power-development-hinges-on-maine-policies/>

CMP's parent: Wind power development hinges on Maine policies

ISO NE Average Monthly Wholesale Energy Prices

2015	2015	2015	2015
Month	\$\$\$/MWH	MWH Demand	Revenue
Jan	\$65.59	11,713,000	\$768,255,670
Feb	\$126.70	11,015,000	\$1,395,600,500
Mar	\$57.93	10,850,000	\$628,540,500
Apr	\$25.88	9,218,000	\$238,561,840
May	\$26.12	9,710,000	\$253,625,200
Jun	\$19.61	10,146,000	\$198,963,060
Jul	\$25.40	12,077,000	\$306,755,800
Aug	\$35.35	12,199,000	\$431,234,650
Sep	\$35.83	10,694,000	\$383,166,020
Oct	\$32.62	9,470,000	\$308,911,400
Nov	\$26.12	9,419,000	\$246,024,280
Dec	\$21.35	10,160,000	\$216,916,000
Totals	\$42.45	126,671,000	\$5,376,554,920