

STATE HOUSE NEWS SERVICE

HOUSE ENERGY BILL INCLUDES "SWEETHEART DEAL" FOR GAS COMPANIES, CRITICS SAY

By Matt Murphy

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STATE HOUSE, BOSTON, JUNE 26, 2012....Calling incentives for natural gas in a House energy bill a "sweetheart deal" for fossil fuels, environmental groups on Tuesday urged House leaders to strike a provision in the bill that would pave the way for some oil and coal plants to be converted to natural gas plants.

The energy bill (H 4198) is marked for debate in the House on Wednesday, more than two months after the Senate passed a similar bill aimed at controlling consumer electricity costs. House lawmakers advanced the legislation earlier this week, and 47 amendments had been filed by the deadline Tuesday afternoon.

Rep. John Keenan, one of the architects of the energy bill and the co-chair of Committee on Telecommunications, Utilities and Energy, acknowledged that his hometown of Salem stands to directly benefit from the section of the bill that was not included in the Senate version and which is under fire from environmental groups.

But Keenan said the incentives to convert high polluting coal and oil-fired plants to natural gas were consistent with the aim of the bill, and would allow utilities to take advantage of existing transmission infrastructure with a cost benefit to the consumer.

"It's going to be a long time before solar and wind can meet all of our energy needs, so in the meantime we're going to need these quick-start plants to meet demand and Salem is the perfect place to do that," Keenan said Tuesday.

The bill calls for distribution companies to enter into 15-year energy contracts for small amounts of natural gas-generated electricity from facilities located on the sites of former coal or oil-fired power plants, provided that the contract will have a positive impact on pricing.

Distribution companies would not be obligated to sign long-term contracts with gas plants on existing sites that exceed 10 percent of total energy demand in a given service territory. Keenan said the signing of long-term contracts were not a "slam dunk" because the bill gives discretion to the Department of Public Utilities.

In a letter to House Ways and Means Chairman Brian Dempsey and Rep. John Keenan, co-chair of the Committee on Telecommunications, Utilities and Energy, seven environmental groups called on the House to strike two provisions of the bill dealing with decommissioned coal or oil plants and hydro-electric power.

"This bill has critical renewable energy pieces that without assistance for those programs this year, it's fair to say, investment in renewable energy will fall off a cliff, but this section is egregious in the sweetheart deal it gives to natural gas companies," Wright said.

The groups argued that the long-term contracting would leave consumers vulnerable to spikes in natural

gas prices, called remediation requirements lacking in “specific criteria” and suggested that the 120-day window provided for the Department of Public Utilities to review these contracts was “unreasonably short.”

“This is leaving ratepayers on the hook for whatever happens to natural gas for the next 15 years,” said Ben Wright, an advocate for Environment Massachusetts.

The letter was signed by Environment Massachusetts, Clean Water Action, Greenpeace, the Mass Climate Action Network, MASSPIRG, the Massachusetts Sierra Club and the Toxics Action Center Campaigns.

While all long-term contracts can be risky, Wright said the organizations supported such contracts for renewables, and suggested the state should not be incentivizing the development of new fossil fuel infrastructure.

“Long-term contracts make sense for renewable because you get price stability. Wind is never going to start charging us more per kilowatt hour. It just blows,” Wright said.

Between January 2006 and January 2010, monthly natural gas prices in the United States fluctuated up and down between about \$12 per 1,000 cubic feet to as much as around \$20, typically spiking during summer months, according to the U.S. Energy Information Administration.

Natural gas prices can also be influenced by demand and production factors well beyond the control of Massachusetts officials and companies, Wright said.

In Salem, Dominion Energy has plans to shut down that city’s coal-fired power plant in two years after reaching a federal court settlement that prevents it from burning coal past 2014. Dominion, however, is currently engaged in negotiations to sell the plants to New Jersey-based Footprint Power, which plans to convert the site into a natural gas facility, and Keenan said he is “expecting a call any day” to announce the deal is done.

Keenan said the ability to sign a long-term contract would give a buyer for the Salem plant, and potentially plants in Somerset and Holyoke, the financial stability to invest in costly conversion and remediation of coal and oil sites.

“I’ve been very open about it. Is it going to be beneficial to Salem? Absolutely. I hope so. But will it be beneficial to Holyoke or Somerset someday? I hope so,” Keenan said. “We’re going to cleaner energy, and I know some now complain that natural gas is no longer clean, but it is.”

The environmental groups also called for the elimination of a section that would ensure that small hydroelectric facilities producing up to 30 megawatts can qualify for Class I renewable energy credits. The letter argued that the section potentially opened all hydropower to be counted toward renewable energy goals, undercutting the market for state and regional wind and solar projects.

“Well, I just disagree with that,” Keenan said.

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