

Mass Energy Consumers Alliance
670 Centre St.
Boston, MA 02130

Col. Thomas L. Koning
District Engineer
United States Army Corps of Engineers
New England District
696 Virginia Road
Concord, MA 01742
Attn: Karen K. Adams

Secretary Ellen Roy Herzfelder
Massachusetts Executive Office of Environmental Affairs
100 Cambridge Street 9th Floor
Boston, MA 02114
Attn: Anne Canaday, EOE #12643

February 4, 2005

Dear Col. Koning and Secretary Herzfelder:

I am writing on behalf of the Massachusetts Energy Consumers Alliance (Mass Energy). We are a nonprofit organization dedicated to making energy more affordable and environmentally sustainable. Working in partnership with People's Power and Light of Rhode Island, we operate buying groups for discount heating oil, biofuel, and green electricity in the states of Massachusetts and Rhode Island. Currently, we have over almost 9000 members. We are advocates for energy policies that are pro-consumer and pro-environment.

Given our mission, we have been watching the Cape Wind project for some time. We decided that we would not take a position for or against the project until we were able to carefully review the Environmental Impact Statement. Now that we have reviewed the Draft Environmental Impact Statement, I am prepared to make these remarks:

We are ready to offer strong, but qualified and contingent support for Cape Wind. To remove any contingency from our support, we ask that the Army Corps adopt the recommendations of the Mass. Audubon Society for further data collection regarding potential impacts upon terns, winterfowl, passerines, and

sea ducks. We have not seen evidence that Cape Wind would propose an undue threat to bird and other wildlife in Nantucket Sound, but we have a deep respect for Mass. Audubon and their call for more data. We hope that such data collection would not delay the final EIS.

We also suggest that the final EIS address more specifically the question of which existing power plants in New England are most likely to be taken out of service, either partially or completely, as a result of Cape Wind coming on-line. In order to draw conclusions about how local air quality might be affected by Cape Wind, the analysis should focus on the Canal Power Plant, putting more detail into the discussion of DEIS Section 5.0.

Moving onto other issues, the DEIS does a good job of describing how Cape Wind would benefit the region economically. It also does a good job of explaining how the project would enhance the general reliability and fuel diversity of the New England power grid and how it would benefit New England ratepayers.

To go a step further, however, we note that by 2010, Greater Boston will be dependent upon natural gas for 80 percent of its power supply. This lack of supply diversity is practically unprecedented in the United States. While natural gas is environmentally preferable to oil, coal, or nuclear power, it is not preferable to wind power and is clearly going to fetch prices over time that will enhance its reputation as a premium fuel. Therefore, from the perspective of a ratepayer in New England, the Cape Wind project promises to offer significant relief, even if indirectly to ratepayers whose suppliers do not contract for Cape Wind power.

We further note that any measure to reduce natural gas consumption in New England will suppress market clearing prices for not just electricity, but also for natural gas for home heating use. This will help to reduce the potential for heating oil price spikes as natural gas and heating oil markets are inextricably linked due to the fact that some large customers can easily switch from one fuel to the other. In other words, additional energy sources in the region (in this case Cape Wind) will help to restrain the cost of fossil fuel-based end uses.

The DEIS focuses mostly on the assumption that the project will sell its output on the spot market. As the EIS process moves to the final document, we would like to see an analysis of how the Cape Wind project could specifically benefit ratepayers in Massachusetts, if not Cape Cod itself. This could be done through a bilateral contract with entities such as the Cape Light Compact, default service providers, and the Commonwealth or its subdivisions – for either electricity and/or Renewable Energy Certificates (RECs). Such a study should examine the potential benefits (to both the buyer and seller) of entering into a long-term

contract for a fixed price commodity. It should also identify any barriers to that proposition. There are significant public benefits to renewable energy and those benefits can best be captured through public procurement. Much of the tension around the Cape Wind project concerns private development in public waters. Therefore, we challenge Cape Wind, public officials in Massachusetts and the Army Corps to work in good faith to relieve that tension by addressing this issue together.

We want to emphasize that the Cape Wind project is about more than just providing a certain number of megawatt hours of electricity. It is about meeting our power needs in a way that does not contribute to oil spills, smog, acid rain, neurological poisoning, nuclear waste, asthma rates or climate change. The DEIS only briefly mentions climate change. But again, overall, from our reading of the DEIS, the Cape Wind project would clearly qualify as being part of what we hope can be a sustainable energy future.

Aside from how Mass Energy values environmental sustainability, the Commonwealth of Massachusetts has a Renewable Portfolio Standard. Similar laws have been passed in neighboring Connecticut and Rhode Island. For the final EIS, we encourage the Army Corps to gather data from the appropriate agencies in each state about how progress is or is not being made towards fulfillment of the RPS. We know that progress is not being made fast enough and we are not getting the environmental benefits the RPS set out to achieve. Furthermore, the shortage of renewable energy certificates (RECs) is causing ratepayers to incur higher prices for RPS compliance, or in this case, "Alternative Compliance" than necessary.

If the supply of renewable energy in New England begins to catch up with demand, the price of RECs will fall to the level needed to finance most projects. Most projects should be able to do well if they can sign long-term REC purchase agreement of \$25-30 per REC, or 2.5-3 cents per kWh. Unfortunately, due to the large gap between the RPS demand and the supply from qualifying projects, the price of RPS-eligible RECs on the spot market has risen to upwards of fifty dollars. Furthermore, we believe that millions of dollars will be paid annually by electricity suppliers, using money collected from ratepayers, in the form of Alternative Compliance Payments (ACP) until supply catches up with demand. If supply lags behind demand through 2009, for example, ratepayers will be paying about \$60 for phantom RECs – double the cost of real RECs. The Cape Wind project will provide real energy and real RECs, while putting downward pressure on REC prices and reduce ratepayer exposure to Alternative Compliance Payments.

We think there is burden of proof on our public officials in this state to demonstrate how we will meet our RPS goals and how we will achieve the goals

of our new Climate Change Action Plan if the Cape Wind project is not built. Whether our interests are birds and wildlife or jobs and electricity rates, we have a right to an energy plan that is more than just words on a page.

Finally, as mentioned above, Mass Energy pools the purchasing power of consumers who wish to voluntarily support green electricity. Working with another nonprofit organization, People's Power and Light, we are selling green power in Massachusetts and Rhode Island. Many consumers are willing to pay a small premium for their electricity if it is generated from renewable energy sources. To meet this demand we compete for RECs in the same marketplace as companies required to meet the RPS. Thus, with REC prices being as high as they are, voluntary demand for renewable energy is being restricted – and this means that we are not capturing all of the public benefits possible from green power. From this point of view, as is the case with the RPS market, Cape Wind would have a beneficial impact by putting downward pressure on REC prices throughout New England. The final EIS should analyze how voluntarily demand for renewable energy would be stimulated by lower REC clearing prices. Please note that Mass Energy does not have a business relationship of any kind with the project developers.

Sincerely,

Larry Chretien
Executive Director

Chad Laurent
Program Coordinator

Glenn Barnes
Membership Coordinator