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December 14, 2007

Senator Philip L. Bartlett, Senate Chair
Representative Lawrence Bliss, House Chair
Joint Standing Committee on Utilities and Energy
123rd Maine Legislature
100 State House Station
Augusta, Maine 04333

Report pursuant to Resolve, To Ensure the Success of Regional Climate Change Efforts

Dear Senator Bartlett and Representative Bliss,

This letter serves as the report of the Office of Public Advocate in response to Resolve 52, “Resolve To Ensure the Success of Regional Climate Change Efforts” which was passed by the 123rd Maine Legislature in 2007.

Resolve 52 (originally presented by Rep. Fletcher as LD 1381) directed the Office of the Public Advocate, in consultation with the Public Utilities Commission, other state agencies and interested members of the public, to convene a study group to review the status of the regional greenhouse gas initiative (RGGI), to examine existing information and analyses regarding the impact of RGGI on electricity rates for Maine electricity consumers, and to identify alternatives for reducing the cost of implementation of RGGI for Maine electricity consumers. Based on the work of the study group, the Public Advocate was directed to prepare a report on identified impacts of the initiative on electricity costs and alternatives to reduce these costs, and to include with the report any proposed legislation to reduce identified costs and to ensure the successful implementation of the initiative.

In early August, in preparation for implementing the provisions of Resolve 52, I developed a list of individuals who might be interested members of the public, and contacted them by email to invite them to become members of the study group called for in this legislation. My list of potential study group members included more than two dozen people including representatives of business and industry, the environmental community, electric utilities, generators and state agencies. Nineteen of those that I

invited, including representatives from each of these categories, agreed to participate.

Because the Resolve called for the study group to examine existing analyses regarding the impact of the RGGI initiative on Maine electricity consumers, I sought out all publicly available analyses of the impact of RGGI on electricity cost to Maine consumers, and invited each study group member to send me any analyses of which they were aware so that I could circulate them to the study group. I was able to identify five analyses of RGGI impacts (though only one focused primarily on Maine impacts), and I also received additional analyses from three study group members, some of which duplicated ones I had identified. All of these analyses were sent by email to all the study group members, and to all members of the Utilities and Energy Committee, prior to the first study group meeting.

Two meetings of the study group, October 9 and 23, were scheduled, along with a tentative meeting - if needed - on November 9.

Fourteen members of the study group attended the October 9th meeting, and were joined by Rep. John Hinck and three representatives of state agencies. A list of the attendees accompanies this letter. The discussion at this meeting touched on several issues including:

- Were the emission caps set too high?
- How the cost of “allowances” will affect the cost of natural gas.
- Whether a buyer of allowances could buy allowances from a specific state?
- Has the price of allowances already been factored into market prices for electricity?
- How we use the money from the sale of allowances will be a big factor in the cost impacts of RGGI.
- Is it better to give money back to consumers or to invest it in efficiency measures to reduce electricity demand?
- The need for information on actual, as opposed to hypothetical, impacts of RGGI, auction rules and weather on electricity cost.
- The need to educate the public on the purpose of RGGI, how it will work, how consumers can benefit, and why there may be price impacts.

During the discussion at this meeting of the study group Patti Aho (representing Pierce Atwood Consulting) expressed the view that the work of the study group can't be done properly until we have actual information on the impact of RGGI, information that will not be available until sometime after the first auction of allowances takes place. Her suggestion to the study group was that we recommend to the Utilities and Energy Committee that the study group be made “evergreen” (or ongoing) and convened when the Public Advocate believes sufficient actual information on RGGI implementation has become available to justify additional meetings of the study group. This recommendation was widely supported by study group members.

At the conclusion of the October 9th meeting several attendees recommended that we cancel the scheduled October 23rd meeting of the study group, and that we keep the November 9th “tentative” meeting as tentative pending feedback from Michael Barden (Maine Pulp and Paper Association) on whether during the interim between October 9th and November 9th information or action by his organization warranted holding the November 9th meeting of the study group. The attendees agreed with this suggestion, and left it to me to convene the group if, in my judgment, another meeting was needed. In early November I made the determination that another meeting would not be useful in carrying out the study group’s duties and was not needed at that time. The November 9th “tentative” meeting was cancelled.

Recommendation of the Study Group:

1. The study group recommends that the Joint Standing Committee on Utilities and Energy amend the language of “Resolve, to Ensure the Success of Regional Climate Change Efforts” (Resolves of 2007, Chapter 52 – originally LD 1381) to provide that the study group called for by this resolve is an on-going or “evergreen” study group whose responsibilities under Resolve 52 continue for two years following the implementation in Maine of the Regional Greenhouse Gas Initiative (RGGI) to allow for the consideration of information on actual impacts on Maine electricity customers resulting from the implementation of RGGI, and that the study group is to meet at the call of the Public Advocate when sufficient actual information becomes available on the impact of the implementation of RGGI on Maine electricity consumers.

Pending a decision on this recommendation by the Joint Standing Committee on Utilities and Energy and by the Maine Legislature, the study group is in recess.

Availability of the several analyses of RGGI’s impact:

All members of the study group, and all members of the Joint Standing Committee on Utilities and Energy, were sent copies of the several analyses of the predicted impact of RGGI by email. If there are readers of this report who would like to receive copies of the several analyses made available to the study group, they should contact the Office of Public Advocate - by telephone at 207-287-2445 or by emailing Richard.davies@maine.gov - and requesting them. Copies will be provided at no cost.

Conclusion:

Thank you for the opportunity to lead the study group process envisioned in Resolves of 2007, Chapter 52. I believe that with the addition of language to the Resolve as suggested in our one Recommendation, the study group will be able to provide useful information to your committee and the full Legislature on the impact of the implementation of the Regional Greenhouse Gas Initiative on the cost of electricity for Maine electricity consumers.

On behalf of the members of the study group, I am

Yours truly,

Richard Davies
Public Advocate