



September 29, 2015

Senator Benjamin Downing,  
Chairman, Joint Committee on Telecommunications, Utilities and Energy  
Room 413F, State House  
Boston, MA 02133

Representative Thomas Golden  
Chairman, Joint Committee on Telecommunications, Utilities and Energy  
Room 473B, State House  
Boston, MA 02133

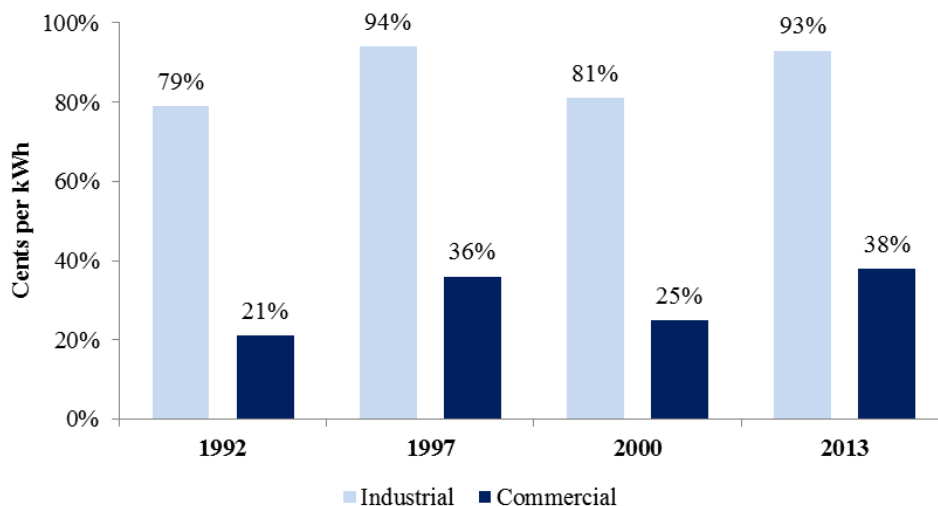
**RE: H. 3724: An Act Relative to a Long-Term, Sustainable Solar Energy Industry.**

Dear Chairmen:

On behalf of the Massachusetts Taxpayers Foundation (MTF), I am writing to you to provide some important data as you consider *H. 3724, An Act Relative to a Long-Term, Sustainable Solar Energy Industry* filed by Governor Baker and now pending before the Joint Committee on Telecommunications, Utilities and Energy.

MTF recently released its latest report in a series that examines the various cost components of doing business in the Commonwealth relative to other states, including electricity, for commercial and industrial ratepayers. One key finding of our report, *Stalled Progress*, is that the state has reversed any progress from its effort to control electric costs by the restructuring of the electricity market in 1997, despite cost constraint being one of its key objectives. Electricity prices now have the same gap compared to other states that existed prior to deregulation as the figure below indicates.

**Massachusetts Electricity Rates Compared to National Average**





According to 2013 data, the most recent available, electricity prices in Massachusetts exceed the national average by 38 percent for commercial ratepayers and 93 percent for industrial payers, making Massachusetts an extreme outlier compared to the national average with respect to electricity prices. These prices make Massachusetts the sixth most costly state for commercial electricity ratepayers and the third most costly for industrial ratepayers.

Our recommendation in *Stalled Progress* was that the state must do a better job of balancing affordability, reliability and environmental impact with its energy policies. The state must also consider whether certain programs make economic sense for all stakeholders and if we are achieving our goals in the most cost-effective manner possible. It is in that context that MTF offers its comments on the Governor's proposal (H.3724).

At issue before the committee is the solar incentive program. The Foundation certainly supports the Governor's goals for a solar incentive program as outlined in the bill: (1) promoting an orderly transition to a stable, equitable and self-sustaining solar market at a reasonable cost to taxpayers; (2) promoting equitable access to solar energy; (3) taking into account other incentives, credits or revenue available to developers and owners of different classes of projects; and (4) ensuring that the costs of the program are shared collectively among all ratepayers of the distribution companies.

Massachusetts currently has one of the most generous solar subsidy programs in the nation, paying two-to-three times the amount of other states. Under the state's current program, subsidies to solar developers or owners take two forms. The first incentive, Solar Renewable Energy Credits (SRECs) is administered through the DPU which sets the price for these credits. The second is a statutorily required payment for solar output, often referred to as net metering.

The cost of both of these programs is borne by all customers of distribution companies in the state, and they can be substantial depending on the size and scope of one's electricity consumption. For instance, in 2015 a non-solar residential customer will pay about \$83 annually and a small business may pay \$340 per year. The impact is greater on larger consumers. A hospital could see increases of \$400,000 to \$900,000 per year, depending on its size while a manufacturer could pay \$750,000 per year. In contrast, some solar customers, through net metering credits, are able to use the system for free because their credits wipe out their monthly charges and other customers are left to pick up their share of the infrastructure costs. The Foundation wants to voice our concern for the impact that this cross-subsidy has on ratepayers.

The Governor's bill proposes raising the net metering cap by two percent each for public and private projects and sets the net metering credit equal to the cost of energy or basic service. It also establishes a new solar incentive program that continues to support solar beyond 1,600 megawatt hours.

The Foundation has concerns with this approach and the effect it would have on electricity costs, estimated to be an additional \$160 million that commercial and industrial customers would have to absorb.

While we support the Governor's proposal to revamp the solar subsidy program and align it with market pricing, we suggest that it be done immediately rather than establishing a higher cap and waiting until after that new cap is met. This would decrease the current cross-subsidy and avoid the imposition of unnecessary costs on electricity pricing. Any new net metering must also ensure that solar users contribute their fair share to the cost of the distribution system upon which they also rely.



The Foundation supports solar energy and efforts to expand availability and reliability of all renewable energy sources; however, we do not support lifting the net metering cap, because the purpose for establishing it has been achieved. Net metering was introduced as a way to jumpstart a nascent industry. Now that the industry is more established, we should reduce or eliminate those subsidies. Lifting the net metering cap so that more solar projects receive subsidies without other fundamental changes to the solar incentive program adds cost to electricity at a time when Massachusetts is already very expensive and is therefore not sustainable or fair to the majority of the ratepayers in the state. Costs to customers expected to rise between \$9 and \$10 billion over the next decade if unchanged.

The findings from the Foundation's *Stalled Progress* report are clear. Massachusetts has made few gains over the past decade in bringing the cost components of doing business in line with other states and, in the case of electric prices, we have fallen farther behind. These high costs will present more of a challenge as globalization continues and the number of jurisdictions with which we compete increases, so policy makers must be acutely attuned to the cost effect of policy decisions.

I thank you for the opportunity to provide comments and would be happy to answer any questions you may have with respect to the Foundation's remarks.

Sincerely,

A handwritten signature in cursive script that reads "Eileen McAnney".

Eileen McAnney, President  
Massachusetts Taxpayers Foundation  
333 Washington Street, Suite 853  
Boston, MA 02108  
(617) 720-1000

CC: Members of the Committee on Telecommunications, Utilities and Energy