

MEETING SUMMARY

October 7, 2009
OCEAN ENERGY TASK FORCE
Transportation Committee Room
Room 126, State House
Augusta, Maine

I. Introductory Matters

Chair Don Perkins opened the meeting and welcomed all in attendance. He then proceeded to outline the goals for the day which included Subcommittee Reports and proceeding to move as many issues that may arise by consensus and, if consensus is not feasible with any particular issue, the group would vote on it.

All members have copies of the Subcommittee Recommendations. Mr. Perkins suggested that each Subcommittee Chair take no more than five minutes reviewing each recommendation.

II. Update On Subcommittees Three, Four, and Five

❖ *Subcommittee 3: Grid and Transmission Issues (David Flanagan)*

Mr. Flanagan was pleased that the Governor understands that Transmission upgrades are need for any additional ocean energy additions to the grid.

Items to maximize transmission possibilities

- There is a common thread regarding transmission and grid issues in that there is a need for research and development in order to make transmission upgrades a reality. Mr. Flanagan touched on Texas' robust industry, which according to NREL, provides electricity at \$.02 per KW/hour. This is a result of economies of scale, a robust wind resource, and the fact that Texas has socialized major transmission lines coming directly from each wind installation.
- Mr. Flanagan feels that there should be pre-designated zones where new transmission lead lines can be built. Currently, lead lines can come ashore anywhere and this is not a desirable state. This identification would avoid the "spider-web" problem, while still preserving a merchant function.
- Thirdly, the Task Force could suggest expedition of the PUC process.
- Finally, the legislature could direct the PUC to encourage requiring utilities to adopt SMART grid technology. These suggestions could maximize utility in Maine.

Items to enhance possibilities at a lower cost

- In California, the lead line cost is shared between the public and developers.
- Tracks of land could be made available for transmission development.

- The State could also lend its support to transmission construction to ISO.
- The state could also encourage the development of electric cars, heat pumps, etc, to help ground the cost of electricity.

Mr. Flanagan suggested to amend the state energy plan, section four, to incrementally increase transmission capacity, which will be needed for additional alternative energy capacity. This should be done by retaining impartial experts. Secondly, he suggested amending Section 4 to read that the facilitation of SMART grid technology will help to bring about these incremental upgrades.

- Encourage off-peak rates.
- Encourage thermo-electric storage and electric cars.
- To minimize the cost of incremental transmission.
- Identify an offshore wind development zone and for the purposes of subsidies, etc, a transmission zone from it.
- Formally and officially urge the congressional delegation to urge parity in the transmission corridor and to support R and D for transmission and SMART grid development.
- The PUC also might test the market for shallow water wind by issuing an RFP and issue an RFP for a deep sea power contract.
- The state energy plan be amended to direct state officials to develop an ISO mechanism to prioritize each state for alternative energy development.

❖ **Subcommittee 4 Precursor: Economic Development Opportunities (Wayne Whittier)**

Mr. Whittier gave an overview of his report. Using economic figure estimates of cost of construction per KW/hour, operation and maintenance costs (which were doubled as the ocean environment is a considerably harsher one), Mr. Whittier estimates that the cost of electricity from wind would be around \$.15 per KW hour, acknowledging that there is no transmission costs built into this estimate.

He hypothesized what the impact of a subsidized 200 MW development would have on the rate payer. The subsidy cost to rate payers would be between half a cent and .01 per KW hour. This is provided the project costs \$5000 per kilowatt.

If oil heating were replaced with natural gas, even if natural gas were still the source, there are significant carbon emission reductions should a heat pump be used in place of both.

It was suggested that the Task Force should recommend a Feed-In-Tariff for 100 MW. The T and D costs remain the same for this type of energy as Mr. Whittier's report relies on the premise that the energy here would be displacing previous forms of energy.

Comments –

- Is it safe to say that we need to get something in the water so soon that we need to do a feed-in tariff or would it be better to issue an RFP?
- The cost of carbon assumption is not built into these estimates. **Carbon costs did not change the estimates significantly using \$3.00 per ton.**
- Should there be a differentiation between shallow and deep water development? **This is an issue of probability as a near shore success is more likely than an offshore success. The question is, what is the process that we set in motion now for the next three or four years.**

Mr. Perkins asked the Task Force if anyone would be opposed to issuing a 100MW RFP? No one has said no, and the idea will be referred back to Subcommittee.

❖ *Subcommittee 4: Economic Development (Tim Agnew)*

Most of the recommendations involve some cost to the state. Because of this, the recommendations are not exactly specific and would leave the details to the legislature.

Recommendations –

- Encourage the growth of an ocean energy cluster in Maine by supporting the underpinnings of the current group by MTI grants, bond issues and need to continue with these initiatives. This ties into Mr. Perkin's public/private partnership proposal.
- The State needs to think about what financial support it can provide to the industry in addition to what it already provides. One possibility is a credit enhancement program that uses the State's moral obligation guarantee to help to reduce the cost of developers with strong credits.
- Focus on the training of workers for this industry.
- What land resources are available for developers who need shoreside facilities? How do we protect land that could be critical to attract developers, and subsequently, the jobs.
- Think about incentives on the demand side.

Summary –

All recommendations were agreed upon with the exception of the 5GW goal. Discussion ensued around this. There are two inherent issues; the principle of setting a goal, and the question of how much should it be.

❖ *Subcommittee 5: Tidal Energy (Parker Hadlock)*

The tidal community is the proverbial canary in the coal mine. They are going through many of the motions that the wind industry will eventually deal with.

Recommendations –

- Evaluating the potential impacts of renewable energy projects. We need to leverage the good resources that we have in NGO's and the University and adopt an adaptive management approach.
- Secure funding assistance for the continued development of tidal energy sources.
- Transmission discussion with a lot of overlap from Subcommittee 3.
- Best practices.
- Discussion brewing about the tremendous concern about taking advantage of the forward motion that the Task Force has established here. Tidal should remain a part of the overall public/private organization established post-Task Force.

Summary –

Transmission issues will be deferred to Subcommittee 3. There is an unresolved issue of community benefits and the best practices question should be moved into the executive summary. The umbrella organization discussion will be tabled for this afternoon. Lastly, each item needs to be tasked out to specific agencies. There is no opposition.

III. Public Comments (Morning Session)

Suzanne Sayer – Questions around what ISO New England's Wind integration study accomplished.

Jeff Thaler – Comments around natural gas cost in terms of “clean” carbon and that change will come regarding national energy policy, regardless of congressional deadlock because of EPA's pending rules. Mr. Thaler also had various comments to technical changes in each Subcommittee's recommendations.

Ray Dackermann – Shallow water developments are not inherently cheaper than deepwater developments. Construction costs for conventional developments (bed preparation, boat rental, etc) are massive.

IV. Continued Discussion of Subcommittees One, Two, and Six

❖ Subcommittee 2: Regulatory and Permitting Recommendations

Submerged Lands Leasing –

- The wind energy demonstration projects issued under the general permit will be required a \$10,000 annual lease fee. UMaine will not be charged a fee for their demonstration site and tidal and wave developments will be charged approximately \$100 per acre.
- Within a year, BPL will be directed to overhaul their rate and fee schedule for leasing submerged lands to developers. They must be commercially reasonable compared to other states, there must be a graduated fee schedule, it must keep in mind the return to the public.

- The administrative costs of BPL to operate these projects must be considered in the fee structure.
- In Lieu of a cash payment, there would be a provision for sale or use of the generated power negotiated with BPL and PUC.
- Whereas there is no case by case basis for fishing reimbursement, this will not be considered at this time.
- There will be no competitive bidding at this point, it will be a case by case basis with the lease term being changed to allow for a 30 year lease for wind and a 50 year lease for tidal.
- There will be a trust fund established from fees which will go towards supporting the proposed public/private collaborative and a proposed 50% of low or no interest loan fund to help people install geothermal heat pumps and batteries to be administered by Efficiency Maine, 20% of funds to avoid, minimize, and mitigate detrimental effects caused by offshore energy, 10% allocated to the shore and harbor management fund within BPL.

Comments –

- Suggestion would be to strike the 50% share to low interest loans and double every other percentage. The local impact issue is real, and suggestion would be not to address state's overall issues in assistance.
- Mr. Flanagan does not think the 50% is big enough and thinks that 20% for adverse impact mitigation is not enough.
- Mr. Perkins feels that we have under-addressed the impacts of effects on water users. As an alternative, perhaps a set of uses should be recommended instead of a fixed percentage. George Lapointe would disagree in that percentages would decrease argument between agencies, etc.
- Mr. Mahoney suggested using an “escape valve” mechanism that would allow for the review, after ten years, of how valid the current percentage divisions are.
- Senator Raye is not comfortable with dispensing with the 50% low interest loan proposal. This is a public resource and this would benefit the broad public.
- Rep. Fitts said that there are efficiency monies available that have been allocated already and that current funding sources (RGGI, Efficiency Maine, etc) can only be used to a certain degree for home energy overhaul. Understand that there may not be cash in any of these leases as there is a power vs cash provision.
- In the interest of saving time, Mrs. Nagusky has asked that we table discussion and Ms. Leyden and Todd Burrowes take some changes into consideration, and we'll vote on any substantial issues via online poll.

Questions –

- David Flanagan raised concerns regarding the local role. How will the state deal with seaward boundaries of municipalities and how will the State be able to waive any municipal taxation on equipment in the water. **Municipal boundaries have not been resolved, and the state would have to reimburse the town up to 50% of lost tax revenue if the state imposed a**

“no excise tax policy” on the equipment. Mr. Burrowes will touch base with the Attorney General and Kathy Renault on the taxation issue.

❖ **Subcommittee 1: Environmental Impact and Human Uses (Sean Mahoney)**

Recommendations –

- Information Gathering and Analysis – Needs to not only be gathered, but needs to be disseminated. We need to let people know why we are making the decisions we are making.
- Standing Technical Review Committees – It’s an important piece of the Task Force recommendations to go forward with specific groups focused on birds/bats, marine mammals, and fisheries/human uses. The tech committees would help to inform agencies as the state is faced with policy decisions and lease activities.
- Adaptive Management – We recognize that we don’t know everything that is out there and we need to prepare for mistakes.
- Conform to the “avoid, minimize, and mitigate” mantra.

Questions –

- What is the care/feeding for the technical review committees? Isn’t it about time we stop thinking about building wind farms as a parallel to building a new “shopping mall”? The environmental benefits are tangible and far offset the adverse impacts a coal plant would have.
- Will there be more detail on adaptive management and the technical review committees as well?

Comments –

- In NERPA, because the state has recognized these energy goals, it’s tantamount to recognizing that these projects will do a good thing.
- Much discussion focused on whether or not mitigation should be included as a recommendation. If a project provides a greater good, should it still have to mitigate for any potential adverse harm?
- Senator Raye is concerned with giving a rational weight to something that is benefiting the environment.

Summary –

There is general consensus on everything Mr. Mahoney has proposed, aside from the mitigation issue, which will be fleshed out for the next Task Force meeting with testimony from the DEP and other regulators.

❖ **Subcommittee 6: Oil and Gas (Robert Marvinney)**

Recommendations are very short. Dr. Marvinney read the one recommendation that was put forth by Subcommittee Six. Please find a copy of the recommendations here:

The statement recognizes that there is low potential in Maine's offshore waters and that the Gulf of Maine is probably best suited for renewable resources.

Questions –

- What extent of oil development has been done in the Gulf of Maine, specifically Canadian activities? **Most of the activity is on the Canadian portion of George's Bank and the Scotian Shelf.**

Comments –

- Would it be wise to highlight the fact in Subcommittee Six's Recommendation that the lion's share of oil in the Gulf of Maine is found in Canada.
- Could there be an added sentence in the end that says that Maine is most interested in alternative energy development as opposed to gas and making this clear to MMS. That it would be a better use of MMS resources.

V. Post Task Force Entity

A big change from the former draft is that the premise of this report has been changed from Ocean Wind to Ocean Energy (to include Tidal energy, etc). There could be a robust discussion surrounding individual tasks to members. There are several other evolving industry groups active in the state. The University for example, has taken a leadership role on the research and development side. Mr. Perkins is not proposing that we finalize this today, but would strongly encourage that we come close to figuring out how this should be put forth.

Questions –

- Is there a precedent for something like this? The Maine Development Foundation, GOMOOS?
- There is no inclusion of policy recommendation in the group's role. Is this an issue?

Comments –

- Should take a real look at State participation in this group.

Mr. Perkins suggested that the issue of this proposed public/private foundation be passed onto Subcommittee Seven.

VI. Public Comments (Afternoon Session)

Wing Goodale – We are having this conversation because wind development is inherently good. To a degree, we've already brought in the inherent good. Mr. Goodale would like to disagree on comments made surrounding "happy birds" and wind farms. As we think about Avian impacts, we have to think about the coast of Maine as a significant avian corridor. As far as adaptive management and mitigation: adaptive management can be used to pinpoint specific turbines in an array to turn them off to mitigate avian impact.

Paul Williamson – Thinks the proposed public/private partnership is a good one.

John Ferland – Supports this version of the public/private partnership. Mr. Ferland offered comment on fee rates. Perhaps the information gathered from pilot projects could be used in place of cash fees. It might be more valuable.

Mark Ditttrick – There is currently a moratorium on oil exploration in George's Bank right now until 2012.

Paul Martin – Do not be too restrictive in the definition of the Public Trust. You can't just consider the Public Trust for those people who are in the affected area. Relative to balancing, there was a lot of discussion about carbon reduction in the Army Corps DEIS. The growth of demand grows every year and renewable usually only fill in the gaps as opposed to displacing carbon energy sources. This type of balance is not really quantifiable.

Ray Dackermann – This will not happen in the U.S. unless the U.S. mitigates its rate and fee structures.

Woodard and Curran – Is there a plan for the Task Force to have any type of recommendation going forward for Efficiency Maine to recommend the types of electricity use going forward?

VII. Adjournment

- Subcommittee Seven will meet to review the public/private group
- Subcommittee One will refine its piece without a meeting
- Subcommittee Two will lay out specific monies and corresponding tasks from the possible sources of income
- Tim Agnew will refine some of his proposed programs, crunch some numbers, talk about municipal tax issue, and talk to John Henshaw.

Idea is that there needs to be a final meeting to button up loose ends. The meeting on the 30th will remain and will include buttoning up loose ends and covering work done between now and then. A Draft Final Report for circulation will be available in the middle of November and then there will be a meeting sometime after that to discuss it.