

NEXT-GEN ENERGY

A Balanced Approach To Massachusetts' Energy Future



Governor Mitt Romney

MASSACHUSETTS' ENERGY CHALLENGES 2006-2016

High Energy Prices	Massachusetts' energy costs are among the highest in the country.
Billions of dollars in new Federal Surcharges ("LICAP")	Federally-mandated capacity charges could cost Massachusetts ratepayers \$10 billion over the next 10 years.
Reliability: Possible Failures on Very Hot or Very Cold Days	Our consumption of electricity is growing faster than our capacity to generate it. By 2011, if no action is taken, New England faces a risk of rolling blackouts during times of peak demand.
Lack of Fuel Diversity	Expensive natural gas determines electricity prices many times during year.
Current Energy Infrastructure Won't Meet our Future Needs	On peak winter days, we depend heavily on constrained pipelines and LNG storage for reliable gas supply.
Dependence on Imported Fuels	Infrastructure and programs needed to create a robust market in MA for renewable energy technologies, biofuels, energy efficiency and demand reduction technologies.

NEXT-GEN ENERGY

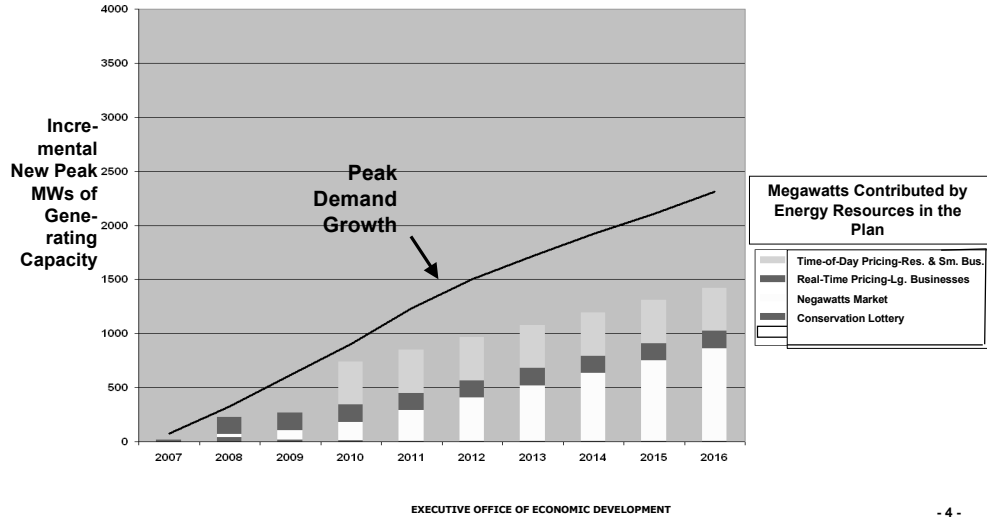
Next-Gen Energy is a Plan to Control Our Energy Future:

- 1. Reduce consumption**
- 2. Increase and diversify supply through renewable energy**
- 3. Fix our infrastructure problems**
- 4. Promote an advanced energy technology sector**

STEP 1: REDUCE OUR ENERGY CONSUMPTION

Energy Efficiency	<p>Establish Statewide Market for “Negawatts”</p> <ul style="list-style-type: none"> • When it’s cheaper to reduce consumption than it is to buy more power, reduce our use. • Use an Efficiency Portfolio Standard to require reductions in electricity consumption
	Require State Facilities to be Energy Efficient
	Lottery to Reward Consumer Conservation
	Extend Tax Incentives to all energy efficient cars, not just hybrids.
Demand Response	Variable, Real-Time Pricing for Industry
	Time-of-Day Rates for Small Businesses and Residential Customers

REDUCING CONSUMPTION TAKES A MAJOR STEP TOWARDS CLOSING OUR GAP



Step 2: INCREASE SUPPLY: DIVERSIFY THROUGH RENEWABLE ENERGY

Biomass Power	Continue to defend Renewable Portfolio Standard (RPS), which requires renewables purchases by suppliers
	Drive expansion of clean biomass generation •Expedite regs on fuel inputs, siting, and co-firing
	Support for transportation infrastructure & wood aggregation with state funds
	Promote co-firing wood at existing coal-fired power plants and development of new clean biomass power plants.
	Promote clean biomass generation at state facilities

**Step 2:
INCREASE SUPPLY:
DIVERSIFY THROUGH RENEWABLE ENERGY (cont.)**

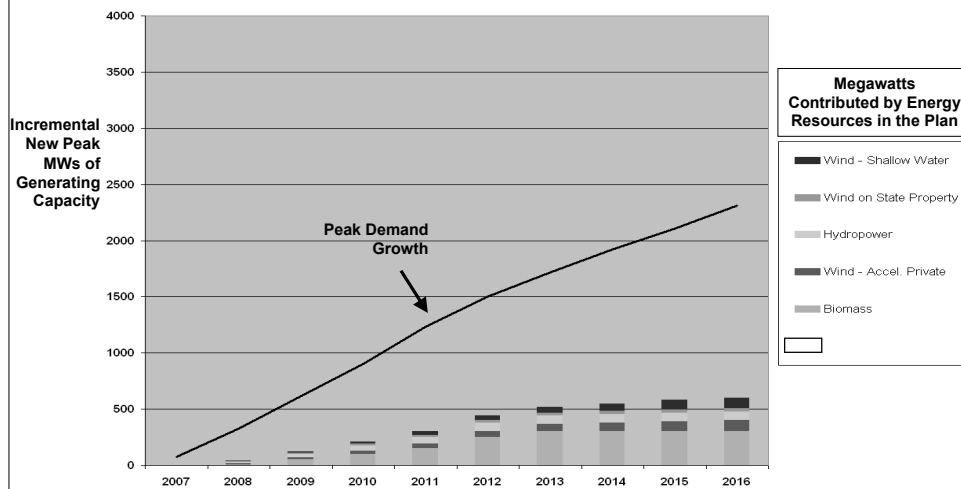
Wind Power	<p>Support selected wind power projects that are already locally approved</p> <ul style="list-style-type: none"> • Princeton, Hull, Cape Cod Community College, Mass Maritime, Monroe, and Florida MA
	Accelerate Wind Power at State Facilities and on State Lands
	Push Development of Wind Projects in Shallow State Waters
	Permitting and Appeals Reform to Encourage Wind on Private Land
Hydro Power	<p>Encourage new hydro power</p> <ul style="list-style-type: none"> • Make incremental Hydro Eligible for Renewable Portfolio Standard (RPS)

* Nameplate capacity

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**RENEWABLES:
A REALISTIC COMPONENT OF OUR FUTURE ENERGY SUPPLY**



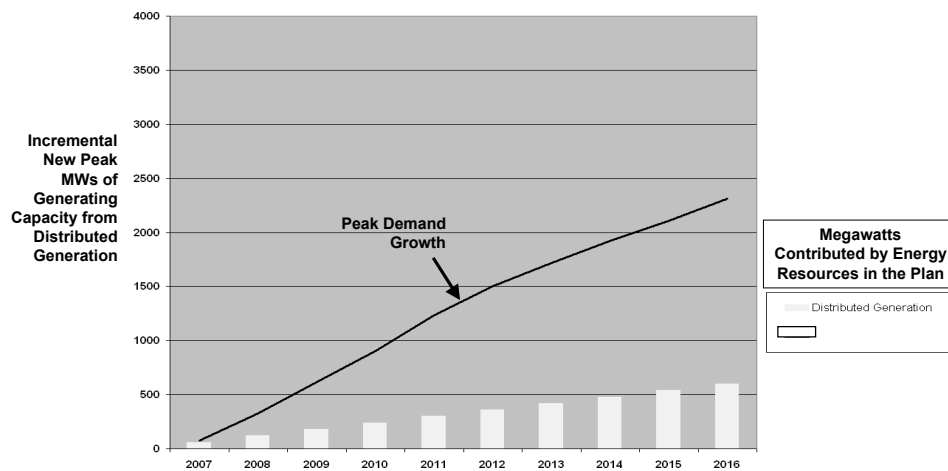
EXECUTIVE OFFICE OF ECONOMIC DEVELOPMENT

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**Step 3:
FIX OUR INFRASTRUCTURE PROBLEMS –
DISTRIBUTED GENERATION**

Distributed Generation	Create our distributed generation by lowering stand-by rates by 50%, to encourage large C&I customers to install efficient, on-site electric generation
New Generation	Evaluate new generation proposals that conform with environmental and siting requirements
Transmission	Continue to support transmission upgrades to ensure system reliability and prevent load pockets

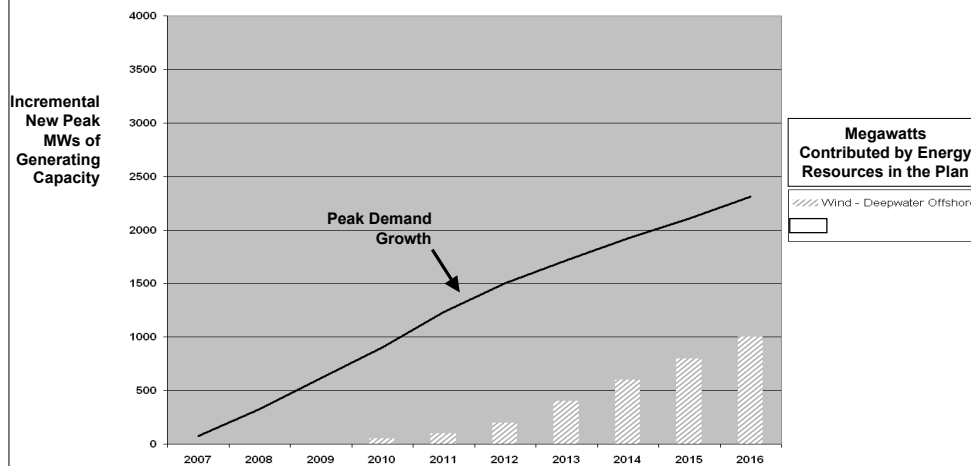
**DISTRIBUTED GENERATION INFRASTRUCTURE
HELPS CLOSE THE GAP**



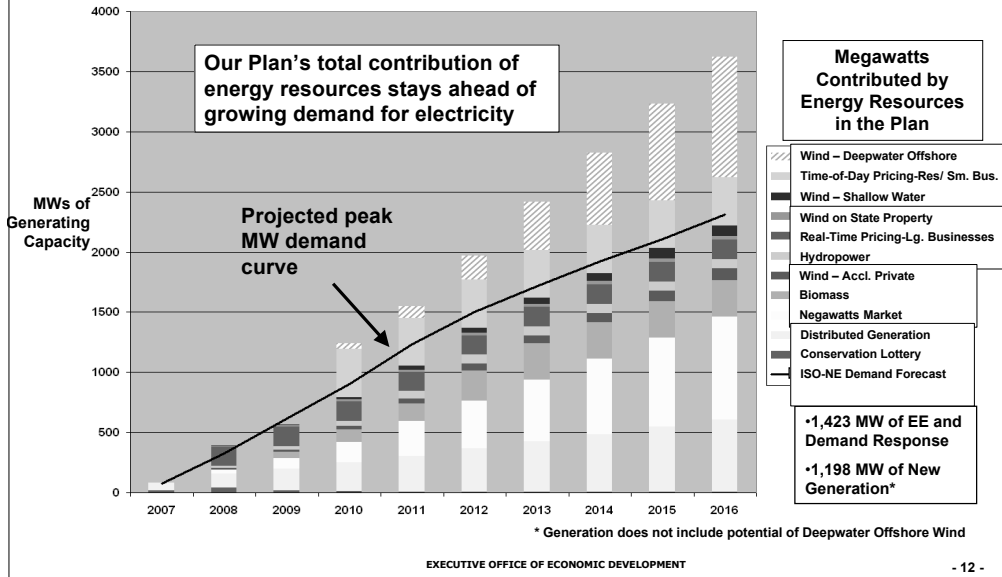
**Step 4:
LEAD THE NATION IN ADVANCED ENERGY
TECHNOLOGIES AND CREATE JOBS**

Advanced Energy Technologies Cluster	<p>Ex. Office Economic Development Energy Technology Initiative</p> <p>Energy Technology Summit: specialized firms, research universities, venture capitalists, energy and environmental advocacy groups, real estate owners</p> <p>John Adams Institute to spur advanced technologies</p> <p>Mass Office of Business Development outreach effort</p> <p>Synergies with Biotech cluster</p>
Wind Power	<p>Partner with Federal Government, MTC, Industry and Academia to Accelerate Deep-Water Offshore Wind</p>
MA Leadership in Biofuels R&D	<p>Establish dedicated energy crop cellulosic ethanol site trials</p> <p>Establish algae to ethanol and biodiesel site trial in MA</p> <p>Support efforts of private R&D firms to pilot more cost-effective production methods.</p> <p>State to Partner with MA research institutes and private R&D.</p>

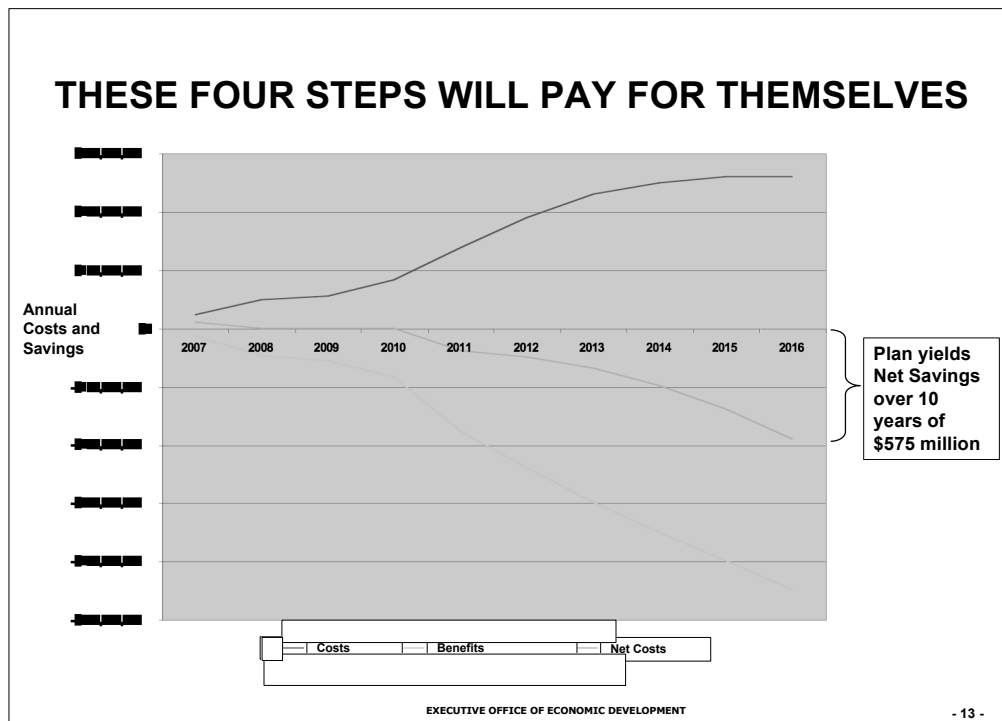
**ADVANCED ENERGY TECHNOLOGIES
COULD MAKE A MAJOR CONTRIBUTION:
EXAMPLE – DEEPWATER OFFSHORE WIND**



THESE FOUR STEPS ARE A BALANCED APPROACH TO OUR ENERGY FUTURE



THESE FOUR STEPS WILL PAY FOR THEMSELVES



TAKING CONTROL OF OUR ENERGY FUTURE

August '06	Require More Efficient Energy Use in Existing State Buildings
	Require Advanced Efficiency Standards in all New State Buildings
	Require Increased Use of Biofuels in State Vehicles & Buildings
	DOER To Establish a Conservation Lottery
	Support Legislation to Create Tax Incentives for Energy Efficient Vehicles
	Partner with Coastal Municipalities in Development of Off-shore Wind
This Fall	DOER To Petition DTE To Initiate Dockets on Variable, Real-time Pricing and "Negawatts" Market
	Issue RFPs for Wind and Biomass at State Facilities and on State Land
	DOER To Petition DTE To Initiate Dockets on On-site Generation and Time-of-Day Rates
	Work with Stakeholders on Plan to Create Incentives for Renewable Power
	Convene Summit of Advanced Energy Technologies to Build Cluster
	Aggressively Pursue National Wind Test Blade Facility
	Decide on Off-shore LNG Projects