

**MEETING SUMMARY
SEPTEMBER 10, 2007
WIND POWER TASK FORCE MEETING**

I. Review of question framing the discussion; meeting goals.

Chair Alec Giffen welcomed those in attendance and outlined meeting's basic purpose and focus: presentation of information on key issues regarding development of wind power at the utility and community scales and related regional energy issues. As context for considering presentations to follow, Mr. Giffen restated the basic question identified by the Task Force at its July 20th meeting as a means to identify and assess potential barriers to wind energy development: Can 1000MW or 2000MW of wind power be developed in Maine without unreasonable impacts? In response to a question, Mr. Giffen clarified that these 1000MW and 2000MW figures are simply benchmarks set for purposes of analysis, not proposed targets or limits on wind power in Maine, and that the Task Force may determine more or less wind energy development would be appropriate. Mr. Giffen noted that the 2005 PUC study suggests 1000MW of wind could be economically developed in Maine.

II. Panel on Utility Scale Development

❖ Matthew Kearns, Director of Project Development, UPC Wind Management

Mr. Kearns focused his presentation on ideas that would facilitate development of 1000MW or more of wind power in Maine. Mr. Kearns emphasized that his overall message is that the State consider ways to control risks and reduce uncertainty regarding wind energy development and thus attract additional investment. Mr. Kearns observed that there is evident interest in investment in Maine's wind power resource and the question is whether that interest will be maintained.

In response to a question, Mr. Zimmerman explained that technological changes, such as increased tower heights and turbine generating capacity and design changes, allow increased energy production at lower wind speeds and elevations, making wind projects economic in more places. Mr. Zimmerman also observed that roadways and other transportation infrastructure capacities place practical limits on turbine and tower sizes.

Mr. Kearns estimated that creation of 1000MW of wind generation in Maine would represent about \$2 billion of investment in the state. Such an investment, he suggested, would stimulate growth in the State's "green economy" as consultants and other professionals are needed to service the industry and new careers building, operating and maintaining wind facilities and potential related manufacturing opportunities become available. Mr. Kearns emphasized the need to recognize that within his and other energy development firms there is competition for funds available for investment in potential projects around the country. Mr. Kearns mentioned his company's potential interest in supporting university-level training and education to support the wind industry.

Mr. Kearns discussed the following as potential means to facilitate wind energy development in Maine:

- Alleviate transmission congestion. Mr. Kearns emphasized that the availability of transmission to get power to market is a primary concern and priority. He pointed out that construction of new transmission lines and downstream transmission issues may make an otherwise economic project infeasible. Mr. Kearns observed that PUC and others are currently addressing transmission issues in Maine. In response to questions, Mr. Kearns clarified that his company's focus relative to Maine is on the ISO NE market. He noted that in the ISO NE region wind projects tend to be relatively distant from the grid and getting wind power to market as needed to meet RGGI and states' renewable portfolio targets can be correspondingly costly. He mentioned Texas' renewable energy development zone program which spreads the cost of building transmission lines to connect remote wind projects with the market between multiple parties.
- Ensure attractive tax policy. Mr. Kearns explained that state policy that makes project-related taxes predictable will help improve the State's appeal to wind project investors. He pointed to the tax increment financing (TIF) program, which stabilizes taxes over a multi-year assessment period, as an example of an effective program. Mr. Kearns noted that Maine's TIF law has been used effectively for UPC's Mars Hill project and suggested that Utah and Hawaii may have wind-power incentive policies that bear consideration. In response to a question noting that PUC's 2005 wind power study suggested that additional state level tax incentives are not needed to allow wind power development in Maine, Mr. Kearns observed that the State's TIF program can be effective through ensuring a flat and predictable tax rate. He also noted that additional incentives would demonstrate an effort on the part of the State to help offset the current level of risk that wind developers are required to take as developers. These risks include making wind turbine deposits and other long term financial commitments without knowing whether a project will be approved by permitting or other agencies. He mentioned that Hawaii, Utah, New York, Pennsylvania and many other states have tax or production based incentives for wind power and other clean technologies.
- Provide adequate resources to regulatory agencies. Mr. Kearns suggested that the State can help facilitate wind development by ensuring that regulatory agencies have resources, including staff, needed to carry out existing programs in an efficient and timely manner.
- Control processing timelines. Emphasizing the importance to investors of certainty, Mr. Kearns observed that Maine has a good and workable regulatory framework that could benefit from "truing up" to help control and meet processing timelines and address demands on it and realities of wind power as a new technology. Mr. Kearns suggested that perception of a potential regulatory

bottleneck may send troubling signals to investors. In response to questions, Mr. Kearns clarified that by "truing up" he meant steps to help ensure, for example, transparency (by up-front scoping and advance identification of issues) and certainty; adherence to established decision timelines; and adequate agency resources to accomplish work within established timelines. Mr. Kearns noted that payment of an additional fee to expedite permit review is a potential option. In response to questions, Mr. Kearns expressed the view that information requested for wind projects in Maine has been appropriate to the level of review and decision criteria. Noting that studies form a significant part of a project's environmental compliance budget, he suggested it might be helpful to further refine questions applicants must address and explore ways to address questions of common occurrence on a more regional level rather than project-by-project. In response to a question, Mr. Zimmerman suggested that use of a state approval akin to FERC's preliminary permit which would provide the permittee an exclusive right file a development application within a specified period to approval might not be an effective means to facilitate advance identification, analysis of issues, and early public involvement while avoiding attendant competitive disadvantage. Mr. Zimmerman observed that wind power projects may require use of lands owned by multiple parties and thus necessitate years of land negotiation before the project is in a position to move forward. Mr. Giffen observed that the FERC process is lengthy and unpredictable due in large to the very open ended nature of decision criteria and the resulting wide open scope of inquiry and analysis, and thus cautioned against its consideration as a potential model.

❖ John Zimmerman, President, Vermont Environmental Research Associates, Inc.

Mr. Zimmerman focused his presentation on the issues of where, how, and why wind power is viable in New England. Mr. Zimmerman noted that he has twenty years of experience helping developers find suitable sites and obtain permits for wind power projects in Massachusetts, Vermont, New Hampshire and New York.

Mr. Zimmerman discussed the following as key conditions needed to successfully site and develop wind power projects:

- "Windy land." Noting that the AWS-Truewind resource maps show the general location of wind resource areas, Mr. Zimmerman explained that further investigation (meteorological data) is need on site specific wind conditions. Also, the land must be available for sale and large enough in area to produce an amount of power adequate to cover the significant fixed costs of its development. In addition, land use and environmental effects of development must be manageable.
- Permitting clarity. Mr. Zimmerman pointed out that the newness of wind power technology complicates use of preexisting, generally applicable environmental standards, which were not designed to address this relatively land intensive

technology which employs turbine-topped turbines to produce not only energy but desired environmental benefits. As a consequence, he observed that the resulting lack of clarity regarding how proposals will be assessed and regulated, combined with issues regarding public acceptance (see below) creates risk and uncertainty regarding when and how regulatory decisions will be made that may chill investment. Mr. Zimmerman suggested attention be given to ways to increase certainty on review and decision timelines and information submission requirements. In addition, noting problems for Massachusetts posed by multiple local and state jurisdictional authorities, he suggested that consolidation of review and approval authority, e.g., in a single entity, works well. Mr. Zimmerman noted that New Hampshire recently passed legislation limiting the time for state review and approval of wind power projects to nine months.

- Compatible infrastructure. Mr. Zimmerman observed that the current energy transmission system is not inherently well-suited to wind power development which occurs in resource areas distant from the grid. He suggested that policy makers consider, as part of strategies aimed at increasing utilization of renewable resources, means to bring transmission assets to wind areas to the extent practicable. He noted that there are cost allocation issues (decisions about who pays for needed transmission investments) that are more problematic to address in a deregulated energy market. He noted that inadequate transmission facilities have inhibited investment in wind energy rich areas of northern New Hampshire. Mr. Zimmerman suggested that regional (ISO NE), state and industry collaboration is needed to address this issue effectively. Mr. Zimmerman noted efforts in Texas (involving establishment of renewable energy zones and commitment to ratepayer and developer financing of transmission improvements in those areas needed for wind power projects) and New Hampshire (involving legislative findings of need for upgrade to deliver renewables and encourage necessary investments) as potential models for consideration in addressing infrastructure issues. In response to a question regarding the relative importance of addressing issues regarding the scope of the ISO NE grid or issues regarding grid congestion to reaching 1000MW of installed wind capacity, Mr. Zimmerman noted that the Maine/New Hampshire transmission constraint impeded the Kenetech project in the 1990s. He suggested that opportunities to reinforce the transmission system through western Maine, northern New Hampshire, Vermont and Canada bear consideration.
- Public acceptance. As noted above, Mr. Zimmerman cited public acceptance as important to siting wind power projects. He suggested that developers work with communities early in the process to provide information on this relatively new and unfamiliar energy technology and to ensure understanding of public concerns.

III. Small Scale Wind Development Panel

❖ Ron Kreisman, environmental attorney

Mr. Kreisman prefaced his presentation by noting that his remarks derive in part from a 2005 study regarding the economic potential for community-scale wind development on which he collaborated with Gore Flynn and others, and expressed his interest in gauging the Task Force's interest in addressing community wind issues.

Mr. Kreisman outlined the following as the key points of his presentation:

- Grid scale and community scale wind development are complimentary; and
- The market is not working to facilitate siting of small scale wind projects in Maine.

Mr. Kresiman cited the following as among the main reasons why the Task Force should focus its efforts in part on community wind:

- Areas where large scale projects are unlikely, e.g., coastal communities, have excellent wind resources which could be used effectively on a small scale and well- targeted basis;
- Public entities, such as schools and municipalities, can benefit through increased energy independence and energy cost reductions resulting from community scale wind development; and
- Connecting the public directly to wind technology and demonstrating tangible benefits through local, community scale projects can build public understanding and support for additional and larger scale utilization of wind resources.

Mr. Kreisman explained that Maine's current statutory definition of a community wind project (in Maine's Wind Energy Act), which relates to eligibility for a personal property tax exemption and covers projects with a capacity 10MW or less, may bear further consideration as the Task Force explores options for facilitating community wind projects. Mr. Kreisman identified two current PUC rules as providing economic incentives for community wind projects: net billing (allowing some producers to receive retail price for their power by offsetting metered charges by sending unused power to the grid), with a 100kw limit (ch.313); and aggregation (allowing some small producers to assign their output to a utility for sale), with a 5MW limit (ch.315). In response to questions and discussion regarding prior legislative consideration and concern about expansion of net billing and thus socializing costs to the grid as a whole, Mr. Kreisman suggested it may be useful to investigate the experience of states that have raised the net billing to 2 or 3MW.

Providing an overview of community scale wind activity in Maine, Mr. Kreisman emphasized the following points:

- As evidenced by the lack of small scale projects in the State, Maine is not even approaching leadership in the area of community-scale wind power;

- Only 45 customers in CMP's service area are net metering either wind or wind/solar generated power; and
- Not one small scale wind power facility is currently taking advantage of the economic incentive provided by PUC's 5MW aggregation rule

Mr. Kreisman outlined the following as among the major impediments to siting community wind projects in Maine:

- Project financing issues related to a relatively long payback-lack period; lack of opportunities for long term power contracts; and net metering limits;
- Siting uncertainties occasioned in part by differing land use requirements among potential host communities; and
- Lack of clarity regarding opportunities for communities to cooperate with private parties to co-locate a wind generation behind meter due to PUC ("Boralex decision")

In response to a question about where community wind appears to be working well, Mr. Kreisman, noting Minnesota's guaranteed tariff rate as a possible example, suggested focus on targeted steps Maine might take to address identified issues as opposed looking for a model elsewhere. In response to a comment, Mr. Flynn concurred that it might be useful for the Task Force to consider the Massachusetts Technology Collaborative's approach to funding support for community wind projects.

❖ Gore Flynn, Business Development and Finance Consultant

A consultant with experience working on energy investment matters, Mr. Flynn explained that he is currently working on contract to Coastal Enterprises, Inc., (CEI) on a project involving options for use of renewable energy by schools to increase independence and control costs. Mr. Flynn explained that under the new pricing tariffs small scale wind projects are becoming feasible for schools and other community-scale users. Mr. Flynn noted the following as distinguishing features of community scale projects:

- Tower heights generally less than 120 feet (no lights needed);
- Small footprint and concentration (typically 1-3 turbines);
- Small turbines (50 kW to 500 kW);
- Minimal to no transmission-related issues (direct local connection is the norm); and

- Possibility of direct benefits to the host community and its residents

Using the CEI school project as a case study, Mr. Flynn discussed the following topics in relation to impediments and options to improve potential for siting community scale projects [note: Mr. Flynn prepared a handout summarizing these points which is available on the project website] :

- Managing cost of meteorological studies. Mr. Flynn explained that siting "met towers" and analyzing site-specific wind data to help optimize project design and location is expensive. He pointed out that met tower studies run about \$30,000/year and can make a project infeasible. He suggested consideration of options for state support for such studies, as in Massachusetts, and options for collocating anemometers on existing towers.
- Optimizing sale of surplus generation. Mr. Flynn discussed the role of current options for sale of surplus power generated by a community-scale project. Mr. Flynn explained that the ability to net meter, and thus sell surplus power at the avoided cost rate, can be a key to a community scale project's viability. He cited the current 100 kW net-metering limit as a problem for high demand users and noted that demand charges (extra cost if a certain usage level is exceeded) are a significant impediment to cost reduction. Mr. Flynn explained that PUC's small aggregator rule (Chapter 315) (see above) may help make projects greater than 500 kW economic since the relative cost of the delivery component with respect to the rapidly increasing energy cost is shrinking.
- Enhancing project financing options; energy contracts. Mr. Flynn explained that community scale projects are unlikely to secure long term contracts due to their small output and that projects with variable price (net-metering and small aggregator) are difficult to finance through conventional means. Mr. Flynn suggested further consideration of program under which the Finance Authority of Maine (FAME) would support "hedge party" contracts in lieu of long term contracts as a project financing tool.
- Standardizing grid connection protocols. Mr. Flynn explained that full, formal, interconnection/stability studies can be cost prohibitive for community scale projects and suggested that standardizing grid interconnection protocols for small systems would be helpful.
- Permitting standardization. Mr. Flynn noted that permitting costs can overwhelm small projects and suggested that a statewide community-scale wind ordinance and standardization of environmental review criteria could be helpful in facilitating small-scale wind development.
- Enhancing siting flexibility; co-location. Mr. Flynn explained that PUC rules requiring same-site location are a problem for small wind projects and that allowing siting of generation at a location remote from user could be huge

stimulus. In addition, he suggested that where the same site is feasible, the PUC's *Boralex* decision regarding co-location could be a problem. Mr. Flynn observed that while the production tax credit is driving equity investment in grid-scale wind power it is not feasible for most community wind projects.

- Increasing efficiencies; research and development. Mr. Flynn explained that smaller turbines useful for many community scale projects (50 kW to 660 kW) are manufactured in limited numbers, less efficient than current industrial scale machines (require higher wind to turn on and have less-steep power curves which means fewer practical sites than larger turbines), and are the subject of little current research and development. Mr. Flynn noted that industry interest in these smaller machines is increasing.
- Addressing O&M. Mr. Flynn observed that servicing community wind machines could be a concern until there is sufficient concentration in Maine to support needed engineering and related professional services.

❖ Professor George Baker, Harvard Business School

A professor at Harvard Business School and a member of the Swans Island Electrical Co-op board of directors, Prof. Baker presented information on a preliminary analysis of the economics of Co-op's installation and operation of a small wind turbine on Swans Island. Serving about 400 (year round) to 1000 (total in summer) customers on Swans and Frenchboro Islands, the customer-owned Co-op is exploring options for developing a wind power plant to address high energy prices. With the aid of visual presentation (available on the Task Force's website), Prof. Baker explained that the analysis uses real data, assumes use of a 600kW, Hull 1-type machine, and looks at six possible development sites. Prof. Baker identified the following as among the key points to be gleaned from the simulation:

- The turbine would generate about 60% of the islands' electricity need but power would need to be purchased about 70% of the time. This finding, he noted, explains and shows why net metering, and increase of the current 100 kW net metering limit, is important for community projects' viability. Although in any one month the project would not generate more power than would be consumed locally, net metering would not be available since the project exceeds 100 kW capacity limit;
- Installation of the turbine would cut the Co-op's power cost roughly in half, if monthly net metering were allowed; and
- The project could pay for itself in about 10 years (not counting financing costs).

Prof. Baker noted that debt financing is a problem for projects of this type. The Co-op, for example has about \$1.3 million in assets - less than the cost of the project analyzed - and thus correspondingly limited options for debt financing. Despite the

challenges identified, Prof. Baker suggested the economics of the project looked quite promising and that host community appears favorable to idea, due in part to opportunities for resulting decreases in electricity bills. In response to a question, Prof. Baker concurred that a wind project may be more acceptable locally if it is community owned, enhances community sustainability, and provides tangible local benefits. Prof. Baker noted that the project would have no transmission related issues since the existing network is sized to handle the project. The major issues he identified concern large "soft costs" (assessments, planning, etc.) and capacity for project management. Prof. Baker noted that the Co-op is currently doing wind speed and resource assessment, pursuing possible development sites and continuing community outreach and education efforts.

Prof. Baker identified the following as among the key issues to address to help facilitate community scale wind projects:

- 100 kW net metering limit (need for increase);
- Lack of capacity at the local level and a corresponding need for technical and financial assistance with feasibility and environmental studies needed for regulatory approvals and related community outreach. Mr. Baker noted that Massachusetts has established a fund to assist communities with seed money to support community wind initiatives; and
- Forum to assist communities in sharing information and expertise needed to facilitate project development and siting.

In response to a question, Mitch Tannenbaum clarified that there are about 12 community owned electric coops in Maine serving a small number of customers.

IV. Wind in the Context of Regional Markets

❖ Kurt Adams, Chairman, Maine Public Utilities Commission (PUC)

Commissioner Adams outlined wind power related aspects of ISO NE's recently issued scenario planning document (*New England Electricity Scenario Analysis*, ISO NE (August 2, 2007). Commissioner Adams began his remarks by encouraging the Task Force to invite a presentation by ISO NE if it desires to consider scenario planning issues in more detail.

Commissioner Adams explained that the scenario analysis considers a range of means to meet projected power supply needs out to 2017. He pointed out that it includes the assumption that there will be no change in fossil fuel (e.g., oil and gas) prices over this period: unable to agree on how to estimate such prices, participants in this scenario planning exercise agreed to use this patently unreasonable criterion for all scenarios. Commissioner Littell observed that there are a number of assumptions in the analysis, e.g., use of \$40/ton carbon-allowance sensitivity case (see Table 3.1, column G), with which states are not in agreement.

Commissioner Adams highlighted the following conclusions of the scenario analysis as particularly germane to the Task Force's work:

- Under all scenarios examined, natural gas would continue to be the marginal fuel and primary driver of energy prices in the region;
- Increased wind power capacity would have a beneficial effect on energy prices: "wind, imports from neighboring systems, nuclear, and energy efficiency (and double energy efficiency), all of which provided energy—or energy savings—at low to no fuel cost, resulted in the lowest system wide electric energy prices, emissions, and use of fossil fuels." (p. 70); and
- Increased renewable energy generation is necessary to meet RGGI goals. As depicted on the graph at p. 65 in report, renewable resources meet RGGI's 2018 target under all scenarios; and the only other option comparably close is conservation/demand side reduction.

In summary, Commissioner Adams emphasized that ISO NE's most recent scenario analysis shows that increased wind power is needed as a component of the state and regional energy in mix to help meet RGGI and RPS targets and help reduce energy prices. He further noted that increased wind power capacity alone will not be adequate to address RGGI's carbon dioxide reduction goals.

In response to a question, Commissioner Adams clarified that ISO NE's analyses are not based on assumptions that existing power plants will go off-line. He noted that, in general, it is cheaper to keep existing power plants running rather than decommission them, with the proviso that emerging combined cycle technologies can sometimes create exceptions to this rule of thumb.

Commissioner Adams also provided an overview of how the regional energy market operates. He explained the "day ahead" market (which requires most generators to bid and sell power they intend produce for the next day) and "real-time" market (which allows for real time sale of energy that's found to be needed based on minute by minute adjustments); and that generators must buy power to cover their day ahead obligations in excess of what they produce at the real time price or are paid the real time price for amounts generated above their day ahead bid. The real time prices may prove to be higher or lower than the day-ahead price. To help address wind power's intermittence issues (the fact that power's only available when the wind blows, and that can't be predicted with the same level of certainty as other types of generation), ISO NE rules allow wind power generators to participate in the real time market only. For this and related reasons, Commissioner Adams explained, in response to a question, it is safe to assume for purposes of the Task Force's inquiry that if wind power is generated it will be sold and used.

Following up on questions regarding sale of power, Commissioner Adams outlined ISO NE's "reverse Dutch auction" bid process. In this process, he explained the last unit of energy added to address power needs in every hour, the unit on the margin, determines the price paid to generators for power produced in that hour. Thus, the highest priced energy, the last to be used to meet demand, determines the price paid. He reemphasized that under all of the scenarios outlined in ISO NE's report (discussed above) natural gas is the fuel on the margin and thus drives regional energy prices.

Commissioner Adams provided an overview and context to assist the Task Force in considering transmission congestion issues. He noted that in order to connect to the grid generators must meet minimum interconnection standards, the fundamental purpose of which is to ensure safety and prevent damage to the grid and to prevent degradation of the system's capability to transfer electricity. He observed that the consequences of requiring new generators to meet minimum interconnection standards include avoidance of overbuilding the system as well as competition for available transmission capacity which results in congestion at times and related price differentials. Commissioner Adams pointed out that while energy investment tends to focus on areas where prices are high, wind energy development needs to occur where the resource is, which in Maine is rather distant from southern New England markets. As a result, economic issues arise since significant investment may be needed to bring wind generated energy to market.

Commissioner Adams indicated that PUC, in considering options to build additional transmission facilities to the south, would need to ensure that ratepayers are not unduly burdened. By way of illustration of some of the complexities and issues to be considered regarding construction of additional transmission facilities out of Maine, he noted the potential for inequitably burdening Maine ratepayers with costs of additional transmission built to serve power needs outside of Maine and, by facilitating export of wind power to areas where prices are higher, triggering the need to operate the dirtiest plants on peak demand days in summer when wind power isn't as available. Given the many and varied implications and concurrent efforts underway to evaluate and development recommendations, Commissioner Adams advised the Task Force to allow the regions PUCs, ISO NE and FERC to take the lead role in addressing regional transmission congestion issues.

In response to a question, Commissioner Adams clarified that developers are responsible for the costs of "generator leads" to connect to the grid. He suggested that in addressing issues regarding long generator leads needed for some wind power projects the Task Force should leave details regarding cost-allocation and potential subsidies to utility regulators.

Responding to questions regarding the effects of transmission congestion, Commissioner Adams explained that existing transmission constraints tend to keep additional power in Maine at times of high demand that might otherwise be exported. Thus, congestion serves to keep electricity prices about 8% lower in Maine than elsewhere in the New England region. Representative Fitts observed that policy makers need to consider both the beneficial price control related effects and potential

impediments to investment in energy development when addressing transmission congestion issues. Commissioner Adams noted that PUC has been directed to report to the Legislature in January 2008 concerning Maine's participation in ISO NE or New Brunswick grid and related matters (including transmission congestion). He noted that the draft report is due to be released in October 2007.

In response to a question, Commissioner Adams noted that the scenario analysis' conclusion (see p. 6) that additional incentives may be needed to encourage investment in wind power and other capital intensive sources does not really contradict the conclusion in PUC's 2005 study that existing incentives are adequate. He noted that in recent years turbine costs have gone up considerably as the demand for wind machines has increased. He further noted that in assessing wind projects' economics the ISO NE report does not include revenue streams available from renewable energy credits and the production tax credit. In response to a question, Commissioner Adams noted that, as with any regulatory subsidy, there is no guarantee that current renewable energy credits, e.g., those under Massachusetts and Connecticut law, will continue unchanged. Mitch Tannenbaum further clarified that additional financial incentives are not needed to generate interest in development of grid-scale wind projects in Maine, although they may be for smaller, community-scale projects.

Following up on issues raised in the small wind development panel, Commissioner Adams and Mr. Tannenbaum provided additional information regarding PUC's Boralex decision; the 5MW aggregation rule; and net metering. Commissioner Adams explained the Boralex decision as reflective of the law's seven part test on when a generator can produce and deliver power as part of a co-location arrangement. In general, he explained only a "utility" subject to the PUC's regulatory structure may deliver power to consumers. He opined that, with well-informed professional advice, co-location of wind generation involves manageable legal issues.

Mr. Tannenbaum explained that the 5MW aggregation rule effectively obligates a state transmission and deliver company (T&D), e.g., CMP, to aggregate power produced by small generators for purposes of sale to the existing standard offer provider. He explained that the current rule is meant to be revenue neutral (i.e., to avoid imposition of additional related costs to the standard offer provider or the T&D company) and that changes to create more favorable sales options for small wind power may raise policy and equity issues regarding risk and cost allocation.

Mr. Tannenbaum explained that under current law municipal electric co-ops may sell power to cover costs of serving their customers. He pointed out that the Fox Island co-op has express legislative authorization to sell power generated by its system which is sized (in excess of its customers' demand) to make it economic. He explained that net metering is a form of subsidy and increase of the current 100kw limit would involve a policy decision. He pointed out that economies of scale allow large projects to carry capital costs that are problematic for small-scale community projects.

V. Public Comments

❖ Howard Carter, Saco wind power project

Mr. Carter provided information on the city of Saco's experience with a small scale wind power project. He noted that the city is exploring options for increased use of wind power to address local needs. Mr. Carter explained that Saco has installed and is operating a 1.8 kw unit, which has generated interest in the community and other towns in other potential wind power applications to serve local purposes. He explained that Saco is now planning a project which would use a 100ft. tower on Factory Island (with a combined turbine/tower cost of about \$150,000) and generate power at a cost of about \$4/kw. He noted that Saco considers the project to have public relations benefits and intends to gauge public acceptance.

VI. Task Force Discussion and Next Steps

Chair Alec Giffen briefed the Task Force on the status plans for a site visit to the Mars Hill project and conduct a public meeting in the area, likely in October 2007. Mr. Giffen indicated that Drew Parkin is seeking to schedule the meeting to maximize opportunity for Task Force members to attend.

Mr. Giffen indicated that, as previously decided, the next Task Force meeting on September 26th would focus on siting issues. He indicated that staff plans to develop and distribute background materials discussing wind power siting-oriented recommendations concerning Maine as well as other jurisdictions in advance of the meeting. Mr. Giffen explained that presentations by DEP and LURC regarding their processes, standards and information requirements applicable to wind power projects, and consideration of differences between the agencies' respective approaches would be central to the meeting. Commissioner Littell suggested that it would be useful to invite participants in the LURC and DEP processes, e.g., developers and conservation groups, to provide their perspectives as well. There was general agreement to defer until after the September 26th meeting decision on whether a subcommittee to address siting issues would be useful.

Chip Ahrens noted as examples of the agencies' different approaches LURC 's requirement of a permit for a meteorological tower in situations where DEP does not require a permit and LURC's two-stage (preliminary and final approval) process for rezoning an area to planned development zone in order to build a wind project, as contrasted with a single DEP permit process for a comparable project. At Jody Jones' request, there was general confirmation by the Task Force that its discussion is not premised on the assumption that either the LURC or DEP review process or standards need to be changed. Ms. Jones indicated that in consultation with other stakeholders she has been developing two documents that may be useful for the Task Force: a proposed protocol regarding wildlife studies, completion of which is on hold pending determination of the need for peer review and a siting guidance study, which is nearing completion for distribution.

Following discussion, the Task Force agreed to establish a subcommittee to follow up on issues identified and potential means to address impediments to small scale wind power development. Representative MacDonald agreed to convene and chair the subcommittee. The Task Force identified environmental permitting requirements applicable to small wind projects and potential related costs (e.g., avian and bat studies) as among the topics for consideration by the subcommittee. Ms. Jones indicated that Maine Audubon might have ideas useful in this inquiry.

The Task Force discussed the following as potential topics or information for further consideration:

- Transmission constraints
 - * Distinguishing regional utilities regulation-focused issues currently subject to other policy development processes from Maine-oriented wind power-specific issues which the Task Force may wish to explore further; and
 - * Consideration of Texas' approach to socializing certain of wind power's transmission related costs as a possible source of ideas
- Regional energy market
 - * Role and economic significance of renewable energy credits in financing grid-scale wind projects in Maine; and
 - * Additional information from PUC on targeted issues to ensure understanding of wind power's current and potential place in the regional and state energy mix
- Energy policy
 - * Efficacy of demand side reduction (energy efficiency and conservation) in addressing RGGI targets and its relationship to gauging the need for new wind power or other renewable generation
- Regulatory efficiency and certainty
 - * Exploration regulatory approaches in other jurisdictions to facilitate critique of and identification of options to improve Maine's current system

