

October 20, 2008

MEGAWATTS FROM MOUNTAIN TOPS: WHAT'S IN IT FOR MAINE?

by Peter Mills

Part 2: Capturing the Wind

Many of us remember the beautiful ballad by sixties folksinger, Donovan, “Try and Catch the Wind.”

*In the chilly hours and minutes of uncertainty, I want to be.....
Ah, but I may as well try and catch the wind.*

The song has been reprised as the soundtrack for a lush ‘ecomagination’ commercial to promote General Electric’s wind turbines in global markets. The ad, of a young boy running across a vast South American countryside with a glass jar filled with invisible air, does what great advertisements should. It stirs emotion, captures our curiosity and promises the magic of an incredible journey. It also, in the end, positions GE as the company to deliver on that promise. For those too young to remember Donovan, the ad, “Jar” is a favorite on YouTube.¹

Wind power has captured the imagination of many policy-makers, business executives, regulators, environmentalists and ordinary Maine people eager for clean, renewable and cheap energy. Will Maine reap benefits from wind power?

Maine’s intertwined public policies on energy, taxes and economic development are complex. In Part 2, we pose some difficult questions for which answers are urgently needed. Maine policy-makers must understand the limitations of these opportunities and make informed decisions, so - like another famous sixties song suggests, the answer is **not just blowing in the wind**.

WIND IN NORTHERN MAINE

The heads of regulatory agencies in Massachusetts and Connecticut have protested vigorously that their ratepayers should not have to share the cost of a 200-mile high-tension line to connect Aroostook County to the New England grid. In other regions of the country,



photo courtesy of Natural Resources Council of Maine

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the costs of transmission lines are divided between region-wide ratepayers and those who receive a more direct economic benefit. The line to Aroostook will benefit primarily a single wind developer, Aroostook Wind Energy (AWE), that plans to build 800 MW of new wind power to sell to southern Maine and the rest of New England. Maine Public Service says it has received connection requests for an additional 450 MW from other sources.

While Aroostook Wind and others are waiting for new transmission to be built to accommodate their projects, other wind developers have gone on ahead, most notably First Wind whose 42 MW of power on Mars Hill is already being sold locally or wheeled through New Brunswick. First Wind is also constructing 57 MW on Stetson Mountain in Washington County, this one with its own transmission line to the New England grid. Another company, TransCanada, is building 132 MW on Kibby Mountain in Franklin County and Portland's Competitive Energy Services is completing a 4.5 MW project in Freedom. Both these companies are paying for their own interconnections.

The Governor's Task Force on Wind Power Development set a goal of 2000 MW of installed wind power capacity in Maine by 2015 and 3000 MW by 2020, but nothing of this magnitude can be achieved without building new

transmission lines, regardless of who pays for them.

Obviously, the near term construction jobs for these projects will benefit Maine's economy; but once all the transmission has been built and the turbines are up and spinning, the question needs to be posed: What is the net benefit for Maine citizens and ratepayers?

No wind company will volunteer to give Maine a special rate just for hosting a wind farm site.

While the power itself is practically free, that benefit belongs primarily to the investors who put up the capital to install the turbines. In the New England power market, all the states have laws that require a premium to be paid for renewable power. Given these opportunities, no wind company will volunteer to give Maine a special rate just for hosting the site.

Because it takes remarkably little effort to maintain a turbine, there are few permanent jobs created by a wind power project. In Mars Hill 28 turbines are managed and maintained by only five people.

WIND TAXES

Real estate tax benefits are substantial but restricted to the jurisdiction with taxing authority – as they famously were in Wiscasset during the

time of Maine Yankee. Every megawatt of wind power capacity costs about \$1.5M in new capital investment; but the tax benefits diminish rapidly as the equipment depreciates in value over the 20-year life of each turbine.

If 1000 megawatts of wind power are built in the Unorganized Territories (UT), it will temporarily increase the

assessed value of the entire UT by \$1.5B or approximately 50%. The UT already has the lowest tax rates in Maine, and wind power could reduce them by a third more. But the benefit will accrue primarily to those who own land in the UT, the large out-of-state owners like Irving, Wagner and Plum Creek who already benefit from special "tree growth" tax treatment of their forest lands and who stand to gain substantially from leasing their ridge tops to the wind developers.

If the project falls within a small town, the benefit is extraordinarily narrow. For example, in Highland Plantation, 90% of the town is owned by Bayroot (Wagner) whose tax liabilities are already limited by "tree growth" tax treatment. They presently pay about 1/3 of the town's taxes, \$87,000 per year, for

25 square miles of land that includes five ridge tops suitable for turbines.

If a wind developer invests \$100M on Bayroot land, Highland's total valuation will rise from \$7.5M to \$107.5M in one year. The mill rate will drop to 1/14 of its present level for the benefit of one major landowner and 58 local residents. The developer will pay only 2 mills in taxes for the privilege of generating power for the Connecticut market. Property taxes paid elsewhere by Maine homeowners and small businesses average 17 mills.

TIFS

All three of the large-scale wind projects that have so far been approved have received benefits under Maine's Tax Increment Finance Law (TIF). In Mars Hill, these benefits were granted by the town. Stetson and Kibby are both in the UT where county commissioners control the decisions.

Under a TIF, the developer and the taxing jurisdiction may shelter some or all of the new assessed value to avoid the town's loss of school funding and municipal revenue sharing and to avoid having to pay an increase in county taxes. The developer still pays a tax on the sheltered value but the tax is often partly refunded as a "credit enhancement" to help pay for the project. The remainder may be kept by the town for the restricted purpose of economic development.

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In the Unorganized Territories, the amount reserved must be spent on economic development within unorganized portions of the affected county, but these are areas where LURC zoning forbids nearly all forms of development.

For the Stetson Mountain project, Washington County Commissioners gave back to the developer 60% of all real estate taxes for the first 20 years (estimated at \$5.6M). The remaining 40% (\$3.75M) will be retained for such projects as a revolving loan fund and development planning for the Washington County UT.

The Kibby Mountain project in Franklin County is over twice as large as Stetson. The commissioners agreed to return to the developer about 40% of the taxes for 20 years, which is tantamount to an \$8.8M subsidy to the New England power market. Amounts retained by the county (\$4M over 20 years) will be spent on scenic by-way improvements, a revolving loan fund and tourism marketing.

Advocates for both of these TIFs in the Unorganized Territories were clearly straining to find ways to spend the money. When owners of the next ridge top apply for a TIF within either county, the commissioners may be hard pressed to do anything but give the money back to the developer, a result that will primarily benefit either the company's owners or southern New England rate payers at Maine's expense.

SOVEREIGNTY AND DESTINY

While wind power in Maine creates economic and environmental benefits for New England - and for Maine as part of that region, it is difficult to define a substantial long term benefit that will accrue specifically to Maine people. Our power bills will not be noticeably cheaper; real estate taxes from these projects

NE when contracts come up for renewal in 2010 in hopes that we might reestablish more complete control of our T&D companies and the supply of power to Maine customers. Under a directive from the Legislature, this very issue is being litigated before the PUC with a decision due by January of 2009.

Even if Maine's utilities withdraw from ISO-NE or form an alternative alliance with

Maine would still have to contract with the New England power market to guarantee reliability as required by good management and by federal law. And Maine would lose the opportunity to socialize the cost of new transmission facilities. Those costs would have to be borne either by generators or by Maine ratepayers without financial participation from other states.

On the other hand, many argue that Maine should get out of ISO-NE while the getting is good. The Energy Policy Act of 2005 is irrationally biased in favor of high cost transmission; and the policies of ISO-NE have amplified those irrationalities to the point where costs may soon run amuck.

In addition, in its role as manager of the energy supply, ISO-NE recently imposed a substantial rate increase that will be used to encourage the building of new generators primarily in southern New England. Many feel that Maine's allocated share of that cost is too large.

SCALE OF THE ISSUE

Maine consumers presently pay about 15¢ for each kilowatt hour (10¢ for energy, 5¢ for T&D). Thus it costs only 15¢ to iron a few shirts, to watch television for an evening or to leave a couple of lights on all night. But every year Maine's homes and businesses burn through more than 12 billion of these little units at an aggregate cost of nearly two billion dollars.

Recommendations

1. Generators in Aroostook County and Canada should participate in paying for the 200-mile Maine Power Connection from northern to central Maine. Regardless of whether ISO-NE agrees to socialize the entire cost, Maine PUC has an independent judgment to make about who should pay. While it may run counter to Maine's short term economic interests to say so, the ratepayers of New England should not be saddled with the entire cost of building a line that serves primarily a single corporation, Aroostook Wind, a company that is partly owned by the Spanish utility, Iberdrola, which will soon be the sole proprietor of Central Maine Power.

2. Generators who want to build in Maine should be required to sign long term bilateral contracts for the benefit of Maine consumers through the standard offer. This is probably the only way for Maine to obtain special rate concessions. Approval of new transmission should be contingent on receiving favorable rates from the generators who have so much to gain from construction of power lines through our back yards.

will not be broadly beneficial; and the number of new jobs will be small.

Some have suggested that CMP and Bangor Hydro should be ordered to withdraw from ISO-

New Brunswick, generators in Maine would still have the right to sell their power in inter-state commerce over Maine transmission lines at a non-discriminatory rate.

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Recommendations

3. Maine needs to revamp its tax policies on wind power and the connecting transmission lines. The property tax is a clumsy way to extract value from Maine's wind power advantage. An excise tax either on the rated capacity or on the kilowatt hours produced would make sense - perhaps as a substitute for taxing the equipment. An excise tax would impose a uniform burden across all competing elements of the industry, regardless of location. The proceeds could then be broadly applied for the benefit of those regions where the power is sited.

4. The Tax Increment Financing law should be significantly amended as it applies to the Unorganized Territories and to those isolated communities adjacent to the UT. What serves for economic development in these regions is very different from what is needed in southern Maine. Rural towns and county commissioners responsible for the UT should have flexibility to spend TIF revenue on the acquisition of public lands, the creation of easements, the promotion of nature based tourism and other forms of development that are consistent with the LURC Comprehensive Plan.

that few of the proceeds are spent here. The money is used to buy natural gas, oil or nuclear power from people who may not be our friends, or it pays dividends to Spanish shareholders who are buying CMP.

In a dozen years, the free power that blows across our ridge tops may be equal in scale to 2/3 of Maine's total electrical load. It is an unprecedented opportunity. Because wind is intermittent and often blows at times of low electricity demand, it can only be exploited as part of a larger and more balanced market than what Maine alone can supply. Nevertheless, it will be a shame to allow the entire benefit to flow beyond our border - which is exactly where it is headed without the intelligent assertion of Maine's sovereignty



About the Author

Senator Peter Mills is a Skowhegan attorney who has served as a Republican member of the Maine Legislature for fourteen years, twelve of them in the Senate.

Endnotes

- 1 General Electric "Jar" Commercial
<http://www.youtube.com/watch?v=P3DSRTPIA2U>

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