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2019

## CLF and Acadia Center NECEC Settlement MOU EXECUTED VERSION W7100223x7AC2E

Acadia Center

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## MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (“MOU”) is made effective as of January 30, 2019 among Central Maine Power Company, a Maine corporation with offices located at 83 Edison Drive, Augusta, Maine, (“CMP”), Conservation Law Foundation, a nonprofit environmental advocacy organization with offices at 53 Exchange Street, Suite 200, Portland, Maine (“CLF”) and Acadia Center, a nonprofit environmental advocacy organization with offices in Rockport, Maine (“Acadia Center”). CMP, CLF and Acadia Center are hereinafter each referred to as a “Party” and collectively as the “Parties.”

WHEREAS, CMP proposes to develop the New England Clean Energy Connect (“NECEC”), a 1,200 MW high-voltage direct current (“HVDC”) transmission line that would permit H.Q. Energy Services (U.S.) Inc. (“HQUS”), an affiliate of Hydro-Québec, to deliver up to 1,200 MW of hydropower to the ISO-NE administered transmission system at the Larrabee Road Substation in Lewiston, Maine;

WHEREAS, pursuant to Section 83D of Chapter 169 of the Acts of 2008 of the General Laws of Massachusetts, as amended by Chapter 188 of the Acts of 2016, HQUS has entered into power purchase agreements (the “PPAs”), each dated as of June 13, 2018, with each of Unitil, National Grid and Eversource Energy (collectively, the “EDCs”) with respect to an aggregate of 1,090 MW of clean energy hydropower obtained by HQUS from its affiliate Hydro-Québec Production, a division of Hydro-Québec, CMP has entered into transmission service agreements (the “EDC TSAs”), each dated as of June 13, 2018, with each of the EDCs with respect to an aggregate of 1,090 MW of firm transmission service, each for a term of twenty (20) years commencing on the commercial operation date (the “COD”) of transmission facilities to be constructed by CMP (i.e., the NECEC), and CMP has entered into transmission service agreements with HQUS (the “HQUS TSAs” and, together with the EDC TSAs, the “TSAs”), each dated as of June 13, 2018, with respect to 110 MW of firm transmission service on the NECEC transmission line for a term of forty (40) years commencing on the COD and an aggregate of 1,090 MW of firm transmission service on the NECEC transmission line for a term of twenty (20) years commencing on the twentieth (20<sup>th</sup>) anniversary of the COD;

WHEREAS, the EDCs have petitioned the Massachusetts Department of Public Utilities (“MDPU”) for approval of the PPAs and the TSAs and the MDPU is conducting consolidated proceedings to review the PPAs and the TSAs in Dockets D.P.U. 18-64, 18-65 and 18-66;

WHEREAS, CMP has petitioned the Maine Public Utilities Commission (“MPUC” or the “Commission”) for a Certificate of Public Convenience and Necessity (“CPCN”) for the NECEC and the MPUC is conducting a proceeding to review CMP’s CPCN Petition in MPUC Docket No. 2017-00232;

WHEREAS, CMP has applied for all necessary environmental permits and approvals from the Maine Department of Environmental Protection (“MDEP”), the Maine Land Use Planning

Commission (“LUPC”) and the United States Army Corps of Engineers (“USACE”) to site and construct the NECEC and the MDEP, LUPC and USACE are conducting on-going reviews of CMP’s applications for such permits and approvals;

WHEREAS, CLF, which seeks to promote the reduction of greenhouse gas emissions and advocates for clean energy solutions to benefit communities in Maine and across New England, has a strong interest in the NECEC and is participating in the MPUC, MDEP and MDPU proceedings related to the NECEC;

WHEREAS, Acadia Center, whose overarching focus is developing a clean energy economy that offers real world solutions to the pending climate crisis, has a strong interest in the NECEC and is participating in the MPUC and MDPU proceedings related to the NECEC; and

WHEREAS, the Parties wish to articulate common principles they share and to set forth their respective agreements and commitments with respect to the NECEC;

NOW THEREFORE, in consideration of these premises and good and valuable consideration, the receipt of which are hereby acknowledged, the Parties agree as follows:

1. Statement of Principles:

- a. CMP, CLF and Acadia Center agree to the following principles:
  - i. It is imperative that greenhouse gas emissions from man-made causes be significantly reduced globally;
  - ii. For the Northeast Region of the United States and Canada to achieve such greenhouse gas reductions, the region will need to make greater use of clean and renewable energy resources that currently exist or that will be developed in the future in the region;
  - iii. To develop and make use of such clean and renewable generation resources, the development of transmission facilities in New England may be necessary; and
  - iv. The development of such transmission facilities should be done in a thoughtful and environmentally sensitive manner with significant stakeholder input to avoid, minimize and mitigate impacts to communities and sensitive resources.
- b. CLF and Acadia Center agree that the NECEC project advances the above principles and support the issuance of a CPCN from the MPUC for the project. The hydropower deliveries using the NECEC will contribute to the reduction of total climate-damaging greenhouse emissions across the entire Northeast region, provide needed energy from non-fossil fuel fired generation resources, reduce New England’s dependence on oil and natural gas, and provide other benefits to Maine and New England, including improved air quality and lower energy costs in Maine and across the New England region. The proceedings before the MDPU, MDEP, LUPC and the USACE have been and will continue to be open to input from

all stakeholders, including CLF and Acadia Center, to ensure that the NECEC project and its associated contracts shall comply with applicable laws and avoid, minimize and mitigate all impacts to the environment and natural resources. CLF and Acadia Center do not by this MOU waive or release any rights with respect to those proceedings, other than to acknowledge that impacts associated with the project are capable of avoidance, minimization, and mitigation in a manner that would be consistent with lawful issuance of required permits for the Project. CLF and Acadia Center further agree not to support any legislation proposed before the Maine Legislature that would (i) negatively impact or prevent the development of transmission facilities in Maine needed for the development or interconnection of clean and renewable generation resources or (ii) undermine the full and fair regulatory review of transmission projects proposed for development in Maine.

c. In furtherance of the above principles, CMP, on its behalf and on behalf of its affiliates within the Avangrid family of companies, agrees as follows:

- i. Maine’s Renewable Portfolio Standard (“RPS”) should be increased to include up to a 50 percent new renewable energy requirement by 2030 and an enhanced long-term contract renewable energy procurement obligation of no less than 20 percent of load by 2030;
- ii. Maine law governing the billing system for the distributed generation of electricity (known as net energy billing) and for community solar systems should be modified to contain provisions consistent with those of LD 1649 (2016), as amended by the House and Senate, a bill that was supported by a broad stakeholder group, including CMP, and was passed with bipartisan support by the 127<sup>th</sup> Maine Legislature but vetoed by Governor Paul LePage. Any such modification of Maine’s net energy billing statutes and regulations should also be consistent with the following principles:
  - (i) Protection of self-consumption for energy generated and consumed onsite;
  - (ii) New tariffs must be understandable to customers and provide fair opportunities for bill management;
  - (iii) Consistency with broader public policy goals for grid modernization and other initiatives; and
  - (iv) Robust community renewable energy programs that provide ample opportunity for participation.

Such modification of Maine’s net energy billing statutes and regulations should also take into consideration the following:

- i. the benefits and costs of distributed generation that can be directly quantified, including but not limited to energy and capacity market price suppression, avoided transmission and distribution costs, the value of reduced carbon emissions,

- reliability, resiliency, and avoided costs of compliance with environmental and public health requirements;
- ii. different net metering tariff and credit structures for (i) residential and small business customers and (ii) large commercial and industrial customers;
- iii. avoiding unjust and unreasonable cost shifting and bill impacts on all customers;
- iv. structures that reflect cost causation, including time-based rates and credits;
- v. the transmission and distribution utility's administrative processes and metering required to implement such net energy billing tariffs and related regulatory mechanisms;
- vi. equitable distribution of the benefits of incentive programs across all customer classes;
- vii. the MPUC's role in assessing and balancing benefits and costs on all customer classes; and
- viii. additional pilots of optional net energy billing tariffs and credit structures.

- d. Prior to the execution of the settlement stipulation contemplated in Section 2 below, an action plan for the furtherance of these principles before the 129<sup>th</sup> Maine Legislature shall be agreed to by CMP, CLF and Acadia Center.

2. MPUC Settlement Stipulation: CLF and Acadia Center will join in a settlement stipulation (Stipulation) in MPUC Docket No. 2017-00232 in which the settling parties agree that the Commission should grant a CPCN for the NECEC, subject to and consistent with the terms of that settlement stipulation. Such settlement stipulation shall include CMP's commitments set forth in Sections 3, 4 and 5 of this MOU.

3. Mitigating NECEC Project's Impacts on Transmission System and Existing and Future Maine Energy Resources:

- a. CMP (directly or through an Avangrid affiliate) agrees to complete the Network Upgrades determined by ISO-NE through the applicable studies (currently underway and scheduled for completion in Q-3 2019) for the NECEC under Section I.3.9 and the Capacity Capability Interconnection Standard of the ISO-NE Open Access Transmission Tariff (OATT) necessary to ensure a total transfer capacity at the Surowiec-South Interface of no less than 2,600 MW.
- b. In addition to the Network Upgrades described in Section 3(a) of this MOU, CMP shall actively participate in all ISO-NE studies to determine the thermal, voltage and stability ratings for the Surowiec-South interface and, consistent with good utility practice, advocate to ISO-NE to maximize the stability rating and the total transfer capacity at the Surowiec-South interface after the completion of the

NECEC transmission project so that such rating is as close as possible to the expected thermal and/or voltage limits (2812 MW and 2930 MW, respectively) for that interface. This advocacy (whether oral or in writing) will address the reasonableness of applicable study assumptions and planning criteria and the appropriate balance between system reliability and achievement of New England's clean energy public policy objectives and will occur through direct interaction with ISO-NE and at appropriate stakeholder and ISO-NE committee meetings.

- c. CMP (directly or through an Avangrid affiliate), CLF, Acadia Center and other interested stakeholders (to be chosen by a process agreed to by CMP, CLF and Acadia Center) will engage one or more mutually agreed-upon transmission consultant(s) to evaluate and report on a suite of potential transmission and non-wires solutions (including but not limited to large scale solar and storage), and their respective estimated costs, that would reduce existing and projected congestion at the Maine/New Hampshire Interface and at the Surowiec-South interface. The consultant(s) will be selected through a jointly developed request for proposals or other agreed upon method that establishes minimum consultant qualifications, services sought, scope of study and solutions to be analyzed. CMP (directly or through an Avangrid affiliate) shall pay for this study, the costs of which shall not exceed \$2 million, and the study shall be commenced once CMP receives all applicable permits and approvals for the construction of the NECEC transmission project in Maine and Hydro-Quebec receives all applicable permits and approvals for the construction of the interconnecting transmission facilities in Quebec.
- d. For any cost effective and commercially viable transmission and non-wires solution(s) identified in the Maine/New Hampshire and Surowiec-South interface report prepared pursuant to Section 3(c) of this MOU, CMP agrees (directly or through an Avangrid affiliate) to fully assess and pursue all available means of approval and cost allocation pursuant to the ISO-NE OATT, including but not limited to as a Reliability Transmission Upgrade, a Market Efficiency Transmission Upgrade or a Public Policy Transmission Upgrade, or as part of any future solicitation for clean energy and transmission capacity. To the extent a viable mechanism is determined to fund such solutions, CMP further agrees to, directly or through an Avangrid affiliate, propose such solution(s) in any applicable competitive solicitation, including without limitation any solicitation conducted under the ISO-NE OATT, and, if such proposal is selected in such solicitation, seek all necessary permits and approvals to implement such solution(s) in accordance with the then terms of the ISO-NE OATT. In pursuing the development of such cost effective and commercially viable transmission

and non-wires solution(s), CMP and Avangrid Networks agree to bear commercial risk associated with the development of the project.

- e. CMP (directly or through an Avangrid affiliate) shall create and make available an annual electric transmission and distribution system report for public notice (subject to CEII provisions) which analyzes system needs that may potentially be met by non-wires alternatives (NWAs). This report will detail capacity and load by substation or circuit and identify corresponding growth-related investments being planned for. This report will also include a detailed description of CMP's planning and decision-making processes related to NWAs during the year, including transparency into the application of its NWA suitability criteria. CMP will work to develop and implement systems and analysis that can provide heat maps that: (i) show where integration of distributed generation is least likely to require substantial upgrades (i.e., Hosting Capacity maps); (ii) show the electric load on the electric distribution system, including electric loads during peak electricity demand time periods; and (iii) highlight the most congested or constrained areas of the electric distribution system. Additionally, CMP will support policies and regulations that seek to evaluate NWAs against traditional transmission and distribution projects through (i) the use of competitive solicitations and (ii) the use of compensation mechanisms that create incentives to place NWAs on an equal footing from a ratemaking perspective.

4. Commitment to Long-term Planning for Regional Decarbonization:

- a. As part of a regional decarbonization collaborative comprised of CLF, Acadia Center, utilities and other stakeholders, CMP (directly or through an Avangrid affiliate) agrees to work with the collaborative to jointly select and hire a consultant to perform an analysis of the means by which the Northeast Region may achieve economy-wide decarbonization of zero emissions by 2050 as called for by the most recent report of the Intergovernmental Panel on Climate Change Special Report on Global Warming of 1.5°C. CMP agrees to contribute (directly or through an Avangrid affiliate) at least 50 percent of the cost of this study. This contribution to the study cost by or on behalf of CMP shall not exceed \$500,000. As a member of the collaborative, CMP (directly or through an Avangrid affiliate) will actively engage in a regional stakeholder process to introduce and receive input on the analysis and assess potential actions by which state policymakers could advance decarbonization in each sector.
- b. CMP agrees to work (directly or through an Avangrid affiliate) with CLF, Acadia Center and other stakeholders to research and develop a set of utility policies and actions, and state regulatory reforms, that can most effectively facilitate economy-wide decarbonization in the region, consistent with the analysis conducted pursuant to Section 4(a) of this MOU. CMP (directly or through an Avangrid affiliate), CLF and Acadia Center will work with this stakeholder group to develop a

consensus around these approaches, draft proposed regulatory and legislative provisions by which the consensus approaches can be authorized, and actively seek state approval and implementation of them.

5. Electric Vehicle Commitment:

- a. CMP agrees that any CPCN issued for the NECEC shall be conditioned on CMP's payment (directly or through an Avangrid affiliate) of \$5.0 million for a fund held by and managed pursuant to a written agreement between CLF and Acadia Center prepared in consultation with CMP for the purpose of expanding the numbers of electric vehicles ("EVs") in Maine and maximizing access and exposure to EVs and EV infrastructure (the "NECEC EV Fund"). Funding for the NECEC EV Fund up to this \$5.0 million funding level will be at the election of CLF and Acadia Center, either through a lump sum payment based on documented program needs or through alternative annual contributions, established by CLF and Acadia Center, beginning in the year in which CMP and Hydro-Quebec receive all necessary permits and approvals to construct the NECEC and the interconnecting transmission facilities in Quebec. In the event that CLF and Acadia Center elect that the NECEC EV Fund be funded by a lump sum payment, CLF and Acadia Center shall provide CMP with detailed written descriptions of any such initiatives or programs to be funded with any such lump sum payment, including details as to the magnitude and timing of the funding requirements of such initiatives or programs. The NECEC EV Fund shall be used to provide the following: (1) consumer rebates for the purchase of qualifying EVs; and (2) rebates to defray the cost of workplace, multi-unit dwelling and public vehicle charging installations. CMP, CLF, Acadia Center and other interested stakeholders shall jointly select a party to design the rebate program and/or administer the distribution of the NECEC EV Fund. CMP further agrees to reimburse the NECEC EV Fund up to \$50,000 for the charges for such program design and/or administration related work. In the event that the Stipulation or any other agreement to which HQUS or CMP is a party provides additional funds designated for EVs or EV infrastructure in an amount equal to or exceeding \$25 million, CLF and Acadia Center (in consultation with CMP) may elect to combine the \$5 million provided by CMP (directly or through an Avangrid affiliate) pursuant to this Section 5(a) with the additional funds generated by the Stipulation or other agreement or apply the funds provided pursuant to this Section 5(a) to a different program or initiative agreed upon by CLF and Acadia Center (in consultation with CMP) to promote and support decarbonization in Maine.
- b. The programs or initiatives funded by Section 5(a) shall, where applicable, be designed to:
  - i. facilitate competitive development of charging stations by third parties;



- ii. coordinate with other policy programs including VW settlement Appendix D expenditures;
- iii. include targeted initiatives to reach low- and moderate-income communities; and
- iv. exclude transmission and distribution utility ownership of end use charging stations, except in cases of market failure.

6. Conditions Precedent: CMP, CLF and Acadia Center understand and agree that their mutual commitments in Sections 3, 4 and 5 above are conditioned on (i) CLF and Acadia Center signing and submitting the settlement stipulation as set forth in Section 2 of this MOU, which stipulation the Parties believe represents a broad spectrum of interests in the MPUC proceeding, including but not limited to the Office of the Public Advocate; (ii) CMP receiving a CPCN for the NECEC; and (iii) CMP receiving all other necessary permits and approvals for the NECEC including, but not limited to, those issued by the MDEP, the LUPC, the USACE and the MDPU. CMP, CLF and Acadia Center also understand and agree that their mutual commitments in Sections 3 and 5 above are further conditioned on Hydro-Quebec receiving all applicable permits and approvals for the construction of the interconnecting transmission facilities in Quebec.

7. Legal Compliance: Nothing in this MOU requires any party to take any action that conflicts with existing law or regulation or any order of the MPUC. Furthermore, unless otherwise expressly stated, nothing in this MOU obligates any affiliate of CMP to take any affirmative action, provided however, that no affiliate of CMP will take any direct or indirect action before the Maine Legislature or the MPUC inconsistent with this MOU.

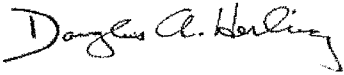
8. Governing Law: This MOU and any dispute or claim of whatever nature arising out of or in connection therewith shall be governed by, and this MOU shall be interpreted in accordance with, the laws of the State of Maine.

9. Entire Agreement and Amendments: This MOU constitutes the entire agreement among CMP, CLF and Acadia Center with respect to its subject matter and supersedes any and all prior oral or written agreements, expressions or understandings with respect to such subject matter. No change or modification of this MOU shall be valid unless it is in writing and signed by each Party hereto.

*[Signature page follows]*


IN WITNESS WHEREOF, the Parties have caused this Memorandum of Understanding to be executed and delivered by their duly authorized representatives as of the date first written above.

CENTRAL MAINE POWER COMPANY

By: 

Name: Douglas A. Herling

Title: President & CEO

By: 

Name: Eric N. Stinneford

Title: V.P., Treasurer, Controller

CONSERVATION LAW FOUNDATION

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

ACADIA CENTER

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

IN WITNESS WHEREOF, the Parties have caused this Memorandum of Understanding to be executed and delivered by their duly authorized representatives as of the date first written above.

CENTRAL MAINE POWER COMPANY

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

CONSERVATION LAW FOUNDATION

By:  \_\_\_\_\_

Name: Seza Mahoney

Title: Executive Vice-President

ACADIA CENTER

By:  \_\_\_\_\_

Name: Daniel L. Sosland

Title: President