

Long-Term Contracts for Hydropower

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Key Facts

- An out-of-state hydropower developer sought an opportunity to sell its power into Massachusetts to the state's electric distribution utilities
- Massachusetts law had not allowed its utilities to enter into long-term contracts with energy suppliers
- Legislation enacted in August of 2016 allowed the state's utilities to enter into long-term contracts for hydropower

The Situation

An out-of-state hydropower developer sought an opportunity to sell its power into Massachusetts to the state's electric distribution utilities. Because building dams requires large amounts of capital long before the project produces power, the developer would need a long-term contract to be able to finance its construction activity. Yet, for almost 20 years, as a residue of its electricity deregulation policies, Massachusetts law had not allowed its utilities to enter into long-term contracts with energy suppliers. Over that period, to minimize the capital put at risk, most new power plants were built to run on natural gas and the state became heavily dependent on natural gas as a fuel for electricity production. This created problems for the electric grid, especially in the winter when natural gas is heavily in demand as a fuel for space heating. The hydropower developer believed its power would be an ideal solution to that problem, but needed state law to allow developers, once again, to win long-term power supply contracts from its utilities. The developer turned to ML Strategies to persuade the legislature to make that change in law.

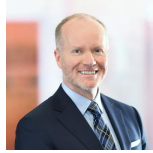
The Approach

ML Strategies developed a strategy aimed at building political support for the enactment of the necessary legislation. We formed a coalition of hydropower and renewable energy developers who shared the goal of enacting such legislation. We persuaded the members to hire a consultant to complete an economic analysis demonstrating that long-term contracts could produce major savings for the state's ratepayers. ML Strategies arranged for the developer to present its proposals to legislative leaders and helped draft the necessary legislative language. We expanded and mobilized support for legislative action through meetings with environmental organizations, the business community, and other stakeholder groups. We also helped arrange for the developer to be interviewed by members of the news media, which led to various favorable stories on the advantages of long-term contracts for hydropower.

The Outcome

After a robust debate on Beacon Hill, Massachusetts enacted legislation in August of 2016 allowing the state's utilities to enter into long-term contracts for hydropower. Eighteen months later, the developer was able to bid on a billion dollar long-term contract.

Professionals



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