



**MASSACHUSETTS
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**Council Energy Program Survives Enron Meltdown
Launches New Wireless Energy Technology**

**Energy a Hot
Policy Topic . . .**

Although overshadowed by the world events of recent months, energy has been a significant topic of debate over the past few years. From the California rolling blackouts, to skyrocketing gas prices, to the search for domestic oil supply in the Arctic Wildlife Refuge, to the high profile Enron implosion, newspaper headlines and politicians from coast to coast have kept the energy issue in the spotlight.

**Council Has
History as
Energy Pioneer . . .**

The Council has a strong track record on energy issues dating back to the legislative deliberations over electricity utility restructuring that began in 1995. In fact, **the Council initiated the state's first electricity load aggregation pilot program in 1996 and today comprises one of the largest programs in the nation, benefiting more than 50 participating member companies with approximately 1 billion kilowatt/hours of electricity usage per year.**

**Active on
Energy Policy
Front . . .**

The Council is also a founding member of the **Mass Energy Buyers Coalition**, which represents the interests of energy customers throughout Massachusetts. **Council President Chris Anderson** is an advisory board member on the **Massachusetts Renewable Energy Trust Fund**, a program administered by the **Massachusetts Technology Collaborative** to encourage fostering renewable energy advancements in Massachusetts.

**Enron Collapse
Threatened
Success of
Council Program . . .**

The high profile collapse of Enron was felt most profoundly in Houston and Washington, but it also managed to keep the High Tech Council busy. Approximately 30 members of the Council's Electricity Load Aggregation program bought their power from **Enron** at the time of their bankruptcy filing in December 2001, a result of Enron's purchase of contracts from **PG&E**, the Council's original supplier. The load aggregation program had been an unqualified success to the point Enron filed for bankruptcy. **Overall it had saved participating members a total of \$25 million since 1998.**

Legal Team Quickly Formed . . .	<p>The Council acted quickly in anticipation of Enron's bankruptcy filing by preparing a legal team to protect the interests of its members. Goodwin Procter was brought in as the lead counsel, with Choate Hall & Stewart representing another group of the members. With Enron's situation changing by the day, and evidence mounting that Enron could not provide assurances of their ability to make timely payments to the utilities, leading to the possibility of costly power shutoffs to members, the Council needed to act quickly and decisively. The Council developed a proactive strategy for terminating the existing energy contracts with Enron on terms controlled by the Council members, rather than waiting for Enron to dictate a timetable that would increase the future energy costs of Council members.</p>
Members Saved \$6 mil in Legal Fees . . .	<p>The Council's quick action assembling a comprehensive response strategy has saved members the time and expense of hiring their own counsel to represent them against Enron. If members were left to fend for themselves, the aggregate legal bill could have topped \$6 million.</p>
More Savings Through New Supply Contract . . .	<p>The upshot of the Council's response to the Enron situation is that Council members experienced no interruption in power, and now have the peace of mind of a new multi-year energy contract at fixed competitive supply prices that are below today's market prices. In fact, Council members will actually save more money over the next two years through their new supplier, AES NewEnergy, than they would have saved under the balance of the Enron contracts. The Council and AES NewEnergy have been working together since 2000 to provide electricity and natural gas savings to members.</p>
Thanks to a Team Effort . . .	<p>The Council would like to thank the participants in the energy program for their patience and cooperation during this trying situation. We would also like to thank the legal teams from Goodwin Procter and Choate Hall & Stewart for their quick response and thoroughness. In addition, AES NewEnergy's willingness to work closely with members to craft a fair new energy pact was crucial to getting the situation resolved. And finally, we would like to recognize the efforts of employees at the utilities, National Grid and NSTAR, for providing the information and assistance needed for members to enter their new supply contracts. In all, we are very pleased with the outcome of the transition from Enron to AES NewEnergy and look forward to continue bringing Council members new opportunities in the energy arena.</p>
MEA New Council Energy Breakthrough . . .	<p>In addition to the ongoing opportunities to purchase competitively priced electricity at lower costs, the Council is now poised to help its members enter a new age of energy innovation technology. On May 1, the Council co-sponsored the official launch of the Council's next breakthrough energy initiative, the Mass Energy Alliance, aimed at maintaining our leading-edge tradition of bringing members the first opportunity to further reduce and control energy expenses using a remarkable technology.</p>

**New Wireless
Technology Offers
Energy Solutions . . .**

Mass Energy Alliance (MEA) offers services that make use of wireless and web enabled technologies that monitor, measure, and manage energy consumption within residential, industrial and institutional facilities. MEA provides clients with a combination of integrated monitoring systems, energy consumption profiles and billing verification systems that deliver a comprehensive and cost effective energy management program. During the past 12 months, the High Tech Council has piloted this “first-of-its-kind” approach to positive results and we are looking forward to expanding the opportunities for Council members going forward.

**Will Provide
Future Energy
Savings . . .**

MEA not only provides a low-cost method for members to monitor and control crucial operational systems, but will allow the Council to create an energy profile for the participants of the Load Aggregation Program. This information will be beneficial when the current load aggregation contracts are up for renewal and should lead to opportunities for members to save even more on future energy costs. For more information, please visit www.mhtc.org for a link to the MEA website.

**Members Can
Save by Selling
Back Energy . . .**

Additional opportunities for significant savings will be announced later in May. For example, we will detail a teamed approach between NewEnergy, MEA and the Council to participate in this summer’s program with the **New England Power Pool Load Response Program**, which offers financial incentives to those who can curtail a portion of their electricity use during peak periods of demand throughout the region this summer.

Please note, the technology available through the High Tech Council’s initiative with Mass Energy Alliance will facilitate members’ ability to participate in the Load Response Program, which will provide payment to participating members for each voluntary reduction in electricity consumption this summer.

**Herald Endorses
Council Revenue
Growth Limit . . .**

On an unrelated topic, the Council has made progress in affecting debate on controlling the long-term rate of growth in the state budget. **The Boston Herald endorsed the Council’s Revenue Growth Limit Proposal in an editorial reprinted on page four of HTN.** This plan, filed as budget amendments by both **House Transportation Chairman Joseph Sullivan and Republican Leader Fran Marini**, has received positive interest -at least in concept - from **Governor Jane Swift and Speaker Tom Finneran.**

State Spending Limit Always a Good Idea

Boston Herald - 5/13/02

The glee on Beacon Hill that greeted passage of \$1 billion in tax increases by the House shows why Massachusetts needs a real restraint on spending. Politicians will never do it on their own, even when revenues fall - their self-esteem depends on satisfying the demands of interest groups.

Actually the commonwealth does have a spending restraint - which never did its job. In 1986 voters approved a law to limit the amount of tax revenue that may be spent, and to limit the annual growth in that amount to the average growth in wages and salaries in the state over the preceding three years. Through a quirk in the formula, it applied only in 1987. This year's tax collections would have to be 16 percent larger than they are for the limit to apply.

To avoid more tax reductions during the boom of the late 1990s, the Legislature resorted to gimmicks like making capital

expenditures out of the operating budget and accelerated retirement of the state's unfunded pension liability. Spending grew - and when the recession hit, couldn't be cut enough because of the psychology of the politician. We're in trouble now because spending grew too fast then.

A simple correction of the 1986 flaw sponsored by Rep. Joseph Sullivan (D-Braintree), House chairman of the Transportation Committee, could do the job. Acting Gov. Jane Swift made the same proposal last year, to no avail. The Massachusetts High Technology Council has asked lawmakers to support Sullivan's amendment. A group of Republicans has sponsored a very similar measure.

Had the Sullivan formula been in effect from 1986 on, the budget gap for next year would be about \$300 million instead of \$2 billion.

The council estimates that the revised limit would not be effective until 2005, by which time the economy should have recovered. Other things being equal, by 2009 the new formula should hold spending to \$1 billion less than available tax revenues. Current law requires the excess to be returned to taxpayers via income tax credits.

This is a good formula, but others are possible. Amazingly, House Speaker Tom Finneran, who engineered the tax increase bill, appears to agree with the concept of a limit: He has sponsored an amendment to the budget to hold growth in annual spending to 4 percent after 1 percent of available revenue has been put in the rainy-day fund.

How realistic is this? Well, it would have worked in the late 1990s. From 1996 to 2000, tax revenues increased by 6.8 percent per year despite various rate cuts.

There is no conflict with the income tax rate phase-down in the House tax package (a laughably slow process that will take six years at best to reach the 5 percent rate the voters approved in 1998).

The cynic will ask: What's the use? Legislators surely will evade, ignore or repeal another spending limit a nanosecond after it becomes inconvenient, will they not?

To which the reply is: Don't give up. After being hit by the two-by-four often enough, the mule eventually gives you his attention.