

Angus S. King, Jr.
15 Potter Street, Brunswick, Maine, 04011

January 23, 2013

Maine Public Utilities Commission
18 State House Station
Augusta, ME 04333-0018

To the members of the Commission,

It is my understanding that Statoil has submitted a revised term sheet in connection with its proposed pilot offshore wind project in the Gulf of Maine. After having reviewed the original proposal, the Chairman's stated reservations at the time of your earlier deliberations, and the new proposal, I would like to convey my enthusiastic support for the amended project.

Normally, I would not weigh-in on a matter of this nature but feel justified in doing so due to my active service on the Governor's Ocean Energy Task Force in 2008 and 2009. After more than a year of study, public hearings, and discussions, the Task Force unanimously recommended a series of steps to support and encourage the development of our off-shore energy resources, which recommendations were later enacted into law by the 124th Maine Legislature. One of the principle recommendations was the establishment of the RFP process (which was approved by the legislature) which is the basis of the proposal now before you.

I commend the Task Force report (https://www.maine.gov/doc/nrimc/mcp/downloads/finalreport_123109.pdf) to you for its extensive background on the economic, energy and environmental benefits to Maine of pursuing opportunities such as those offered by this project. Significantly, the report explicitly recognized the likelihood of above-market rates associated with such a project, but limited the permissible excess amount and found that the benefits to the State outweighed the costs, provided they were thus limited. (I should mention that I am not writing this letter in any official capacity but as a citizen and member of the Task Force).

Put most simply, I believe that this proposal represents a once-in-a-hundred-year opportunity for Maine—comparable to the founding of the pulp and paper industry in its long-term economic significance to the state. Although not without risk, the enormous potential pay-off more than justifies the state support entailed in the proposed above-market power sales agreement.

Here, in outline, is the basis of this conclusion:

1. When calculated on a Net Present Value basis, the difference between the value to the state of just the pilot project and the cost of the above-market rate over twenty years is approximately \$21 million (assuming a 7% discount rate for the NPV calculation). This is based upon an assumption of \$54 million in direct expenditures in Maine under the terms of the proposed contract (which would be made in the early years of the arrangement) compared to a NPV of \$75 million for the above-market segment of the power sales agreement. In other words, even if only the four-turbine pilot is built, more than two-thirds of the state's "bet" on the benefits of the project would be covered before the purchase of any power under the agreement.

2. On the other hand, the potential benefits to Maine if the pilot proves successful and a full-scale project is built off our shores would dwarf the original state investment. These benefits would be in the form of jobs in construction and maintenance, engineering, permitting, monitoring and all the ancillary employment associated with a multi-billion dollar capital project. The most immediate benefits would be realized along the coast, but supply-chain jobs would undoubtedly spring up throughout the State. And if the proximity of such a major project generates turbine, blade and supporting platform manufacturing infrastructure in Maine, the benefits are almost literally incalculable.

3. Even if the eventual full-scale project is built elsewhere on the East Coast, the terms of the proposal would require that substantial benefits return to Maine. This important provision mitigates the risk that the lessons learned in the pilot—supported by our ratepayers—would be transferred elsewhere and not accrue to Maine.

Maine has one of the great offshore energy resources in the world with winds that are higher in both speed and consistency than any on-shore site and most of those off-shore. The principle obstacles to the development of this enormous potential are regulatory and financial. Navigating the regulatory hurdles will require coordination, principally on the federal level, and the development of the knowledge-base necessary to fully assess the environmental risks. One of the major benefits of the proposed pilot is that it will produce data to support this process from a sizable project, but one whose environmental footprint would be limited.

The major obstacle, however, is financial—the current high cost of such an installation. But this is true of the development of any new technology; in reality, this project is high-level research and development. Eventually, the cost of such an installation will come down, just as has been the case with solar, on-shore wind and fossil fuel extraction, but such cost reductions can only occur through the experience gained from real-life deployments.

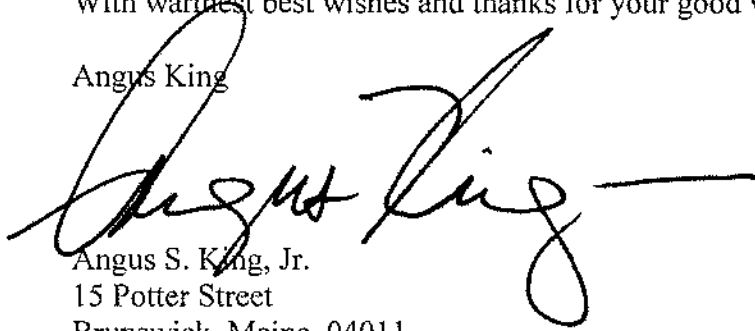
I have managed to get this far only discussing the raw economic benefit to Maine of the project, but the potential environmental benefits are equally large. A full-scale project could provide energy to heat Maine houses and power our vehicles as well as electricity for conventional uses—all produced without the consumption of fossil fuel and the related production of greenhouse gases.

We are currently in a blessed period of extraordinarily cheap natural gas which has lowered our electric rates and rejuvenated our industry, both in Maine and across the country. But if the last forty years have taught us nothing else, they have proven that what goes down can also go up, and that there are no insurance policies against price spikes in any form of fossil fuel. It is for this reason that I have no doubt off-shore energy will be developed—there is simply too much of it to ignore; the only question is where and when. I haven't the slightest doubt that if we reject this proposal, Statoil and their competitors will simply go elsewhere and we will read with regret of great projects, thousands of jobs, and renewed coastal economies in Scotland, Portugal, or (worse yet!) Massachusetts.

Yes, there are risks—which the Chairman has rightly pointed out—but I believe that they have been largely mitigated in this new proposal and that the potential benefits to Maine make them well worth taking.

With warmest best wishes and thanks for your good work on behalf of Maine,

Angus King

A handwritten signature in black ink, appearing to read "Angus King", with a long horizontal line extending to the right.

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