



THE COMMONWEALTH OF MASSACHUSETTS

EXECUTIVE DEPARTMENT

STATE HOUSE • BOSTON 02133

(617) 725-4000

MITT ROMNEY
GOVERNOR

KERRY HEALEY
LIEUTENANT GOVERNOR

June 24, 2006

To the Honorable Senate and House of Representatives:

Pursuant to the provisions of Section 5 of Article 63 of the Amendments to the Constitution, I am today signing House Bill 5057 "An Act Relative to Economic Investments in the Commonwealth to Promote Job Creation, Economic Stability, and Competitiveness in the Massachusetts Economy."

I am signing into law approximately \$385.4 million in line-item appropriations and transfers that will stimulate the economy including:

- \$200 million in bond funded capital improvements including the Massachusetts Opportunity Relocation and Expansion Jobs Program, targeting capital dollars towards infrastructure improvements to generate jobs and investments;
- \$55 million for infrastructure improvements around the Longwood Medical area and Kenmore Square;
- \$6.5 million for grants to promote the study of math and science; and
- \$1.5 million for the Commonwealth's In-State Sales Force.

I am vetoing a total of \$24.1 million in spending, and \$50 million in transfers from the General Fund from this bill. In addition, I am vetoing the historic rehabilitation income tax credit, which would increase the annual cap on credits from \$15 million to \$50 million. This provision will cost the Commonwealth up to \$44 million annually and is not tied to job creation or promoting technology industries.

Unfortunately, the Legislature included funding for several programs not recommended, which will provide very little stimulus to the economy and will not create a significant number of jobs. The Legislature also earmarked funds for special projects in



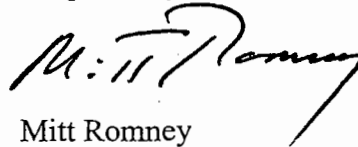
their own districts and distributed funding to entities that should rely on privately raised funds or compete through a grant process. Many of these projects were included through a political process rather than any needs based determination. Therefore, I am eliminating the funding for these items.

In addition:

- I am hereby reducing appropriation amounts in sections 2 and 2A of House 5057 enumerated in Attachment A of this message by the amount and for the reasons set forth therein;
- I am vetoing in their entirety those sections of House 5057 itemized in Attachment B of this message, for the reasons set forth in that attachment; and
- Pursuant to Article 56, as amended by Article 90, Section 3 of the Amendments to the Constitution of the Commonwealth, I am returning several sections with recommendations for amendment. My reasons for doing so and the recommended amendment is set forth in separate letter of even date which is hereby incorporated by reference and included with this message as Attachments C- J.

The remainder of the bill I hereby approve.

Respectfully submitted,

A handwritten signature in black ink that reads "Mitt Romney". The signature is written in a cursive style with a large, sweeping "M" and "R".

Mitt Romney
Governor



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ATTACHMENT D

June 24, 2006

To the Honorable Senate and House of Representatives:

Pursuant to Article LVI, as amended by Article XC, Section 3 of the Amendments to the Constitution, I am returning to you for amendment Sections 25, 26, 27 and 28 of House Bill 5057, "An Act Relative to Economic Investments to Promote Job Creation, Economic Stability, and Competitiveness in the Massachusetts Economy."

These sections amend the Renewable Energy Portfolio Standard (RPS). The RPS is a requirement for all retail electricity suppliers to provide a minimum amount of electrical power produced from renewable energy to end use customers each year. The statute at M.G.L. Ch. 25A, Section 11F requires that the RPS minimum percentage obligation increase each year. The definition of renewable energy that may be used to fulfill this requirement does not include hydroelectric power. Additionally, the renewable energy that may be used to fulfill this requirement must come from a new generating source that begins commercial operation after December 31, 1997, or that represents an increase in generating capacity at an existing facility after that date.

These sections as currently drafted add small vintage hydroelectric facilities and incremental new energy from existing hydroelectric facilities to the type of energy eligible for Renewable Energy Certificates (RECs) within the RPS program.

Section 25 defines incremental new hydroelectric generation to be based on improvements made since December 31, 1997. While this provision is consistent with the allowance for improvements made at other renewable energy facilities, the sudden inclusion of all such improvements made over the past nine years could cause the REC market prices to fall to levels too low to encourage any new renewable energy development, thereby defeating the very purpose of the law. Therefore, I propose to change this eligibility to improvements made at hydroelectric facilities from this year forward, consistent with the original statute when it was passed in 1997.

Section 26 defines vintage hydroelectric generation. As explained below, I do not support the inclusion of vintage hydroelectric generation in the RPS program, and have therefore deleted this section.

Section 27 adds small vintage hydroelectric facilities to the types of energy eligible for RECs within the RPS program, but attempts to limit this provision to those located within the Commonwealth. I am concerned about the inclusion of vintage generation in the RPS program which historically targeted only new renewable energy generation. In effect, it would provide a financial windfall to existing generating units that do not need it. Further, while inclusion of the amount of such vintage generation from within the Commonwealth will not have a major impact on the existing REC market or ratepayers, this limitation will likely be challenged under the Dormant Commerce Clause, in that it will affect interstate commerce within the regional power market. As such, this amendment could result in the inclusion of energy from hydroelectric facilities throughout New England and New York which would substantially increase the amount of eligible RECs in the program. This would flood the REC market, causing REC prices to fall to levels too low to encourage any new renewable energy development, thereby defeating the very purpose of the law.

Section 28 increases the total RPS requirements to offset the addition of vintage hydroelectric generation. While Section 28 might stabilize REC prices, it would have the effect of increasing overall compliance costs that must be paid by Massachusetts consumers as a result of purchasing up to twice the level of RECs now required. Our analysis suggests that the additional cost to Massachusetts ratepayers could exceed \$50 million annually, nearly all of which would flow as a windfall to already existing hydroelectric units located outside the Commonwealth.

I seek to maintain the legislation's addition of incremental new hydroelectric generation to the RPS program. To promote the generation of new renewable energy and to protect Massachusetts ratepayers from increased compliance costs, I propose to amend these sections by striking the inclusion of energy from vintage hydroelectric facilities but allowing incremental new hydroelectric energy for eligibility for RECs. My amendment to Section 27 moves the placement of the incremental hydroelectric provision to later in the statute so as not to disrupt the more general definition of renewable energy that is currently used by other programs. By supporting such expansion of our region's hydroelectric facilities, we will bring valuable new, clean, renewable capacity to our fuel mix. Our analysis shows that this additional generation can be assimilated into the RPS program and help moderate REC prices, while maintaining sufficient financial incentive for continued renewable energy development.

I therefore recommend that:

Section 25 of H.5057 be hereby amended by striking out "1997" and inserting in place thereof "2005";

Section 26 of H.5057 be hereby amended by striking out said Section 26 in its entirety;

Section 27 of H.5057 be hereby amended by striking out said Section 27 and inserting in place thereof the following section:-

SECTION 27. Subsection (b) of section 11F of said chapter 25A, as so appearing, is hereby amended in line 33 by inserting after the words "clauses (vi) and (vii) herein", the following: ", but shall include incremental new hydroelectric generation which does not involve pumped storage of water or any new impoundment or diversion of water, and where such facility meets the requirements for classification as low impact hydropower as certified by the Low Impact Hydropower Institute or as certified by the division in accordance with comparable environmental certification standards."; and

Section 28 of H.5057 be hereby amended by striking out said Section 28 in its entirety.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "M. Romney", written in a cursive style.

Mitt Romney
Governor