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Office of the Public Advocate Testimony NEITHER FOR NOR AGAINST LD 273 "An Act to Encourage and Enhance the Future of Waste-to-energy Facilities by Establishing a Portfolio Requirement for Electricity from Waste Energy Resources"

Chairman Dion, Chairman Woodsome and Members of the Energy, Utilities and Technology Committee,

The Office of the Public Advocate testifies NEITHER FOR NOR AGAINST LD 273, "An Act to Encourage and Enhance the Future of Waste-to-energy Facilities by Establishing a Portfolio Requirement for Electricity from Waste Energy Resources."

Overview:

- The decision to incentivize a particular type of resource over another is a policy decision for the Legislature.
- However, electricity ratepayers should only pay higher costs for policies that benefit them as ratepayers, not to achieve other policy goals.
- The cost (and rate impact) of this bill will be based on the alternative compliance payment set by the Public Utilities Commission, and cannot be estimated at this time.

We take no position on whether or not it is appropriate to include waste-to-energy facilities within the definition of "renewable capacity resource." This is a policy decision for the Legislature. While renewable portfolio standards (RPS) do not have a great track record in incentivizing the construction of new renewable facilities, they are effective at ensuring that particular resources receive an above market premium once constructed. That appears to be the intent of this bill. The bill is silent as to why waste-to-energy facilities in particular should be singled out for additional ratepayer subsidy through a designated RPS carveout, but presumably those who testify in support of this bill will offer a supporting rationale.

Since the "why" matters, we offer some recommendations to the committee in evaluating these reasons.

As a general matter the Office of the Public Advocate believes that electricity ratepayers should only pay higher costs for policies that benefit them as ratepayers. So for example, it may be reasonable to pay a premium for renewable resources if it will reduce customers' overall exposure to price volatility, or lower overall wholesale market prices. The Commission's recent value of solar study attempts to quantify many of the benefits of distributed solar to electric ratepayers. Similarly the state's energy efficiency programs impose additional costs on ratepayers but provide benefits to all ratepayers.

In contrast, we generally oppose efforts to use ratepayer funds for purposes that don't directly benefit ratepayers, such as economic development, or—as appears to be the case here—in service of particular waste management policies. Such initiatives should be evaluated—and paid for—as part of existing state and local funding mechanisms. There should not be a separate standard, evaluation process and pool of funds (*i.e.* ratepayer money) for projects that happen to involve electricity.

Aligning costs and benefits is generally good economic policy, but it is particularly important here because a surcharge on electricity use is a particularly regressive: it is a tax on a basic necessity of daily life. I urge you to keep this in mind when evaluating the reasons for paying a premium for waste-to-energy facilities.

Finally, while I would like to offer this Committee some information as to the likely ratepayer impact of legislation before them, this does not appear possible here. The bill establishes a carveout within Maine's Class II renewable portfolio standard, and a new alternative compliance payment for Class II RECs to be established by the Commission. This suggests that the sponsors believe that there may be less waste-to-energy capacity in Maine than is necessary to meet the 3.5% requirement, and our preliminary calculations based on the anticipated output of eligible facilities in Maine indicate this is likely. Demand for "waste-RECs" would exceed supply, and prices can be expected to be at or near the alternative compliance price set by the Commission. Without knowing what this price would be, it is impossible to estimate the likely ratepayer impact.

If the Committee moves forward with the bill, we would recommend some additional clarity regarding how this alternative compliance payment would be determined. It is unclear from the current statutory language.

The Office of the Public Advocate looks forward to working with the Committee on LD 273, and will be present at the work session to assist the Committee in its consideration of this bill.

Respectfully submitted,

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