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***Testimony of Representative Gerry Runte introducing  
LD 542, An Act To Comprehensively and Equitably Reform Electricity Rates  
Before the Energy, Utilities and Technology Committee***

Senator Lawrence, Representative Ziegler, and esteemed members of the Joint Committee on Energy, Utilities, and Technology, I am pleased to present to you LD 542, a bill that addresses two necessary reforms to Maine's rate regulatory structure: ensuring that electricity pricing in all rate classifications and net energy billing tariffs incorporate the time value of energy, and accelerating the use of 21<sup>st</sup>-century performance-based rate-making.

All utilities, including Maine's, have been regulated for over 100 years. The current regulation and rate designs were created to ensure monopoly providers, regardless of ownership, achieve established goals. Over the course of the 20<sup>th</sup> century, these rules successfully encouraged the buildout of economic electricity service using the economies of scale that the central generation model provides to:

- Encourage investment in large power plants
- Transmit energy to local distribution grids
- Deliver that energy to end users

The rules assumed a one-way delivery model, and cost of service ratemaking encouraged utility investments in plants and infrastructure to ensure that every citizen who needed electricity would have it.

Over the last 20 years, however, much has changed. Most utilities no longer generate their own power but only deliver it. New technologies emerged (and are emerging) that permit smaller scale generation to be sited much closer to the end user. Communications and metering technologies permit this legacy one-way system to operate as a multidirectional network. Additionally, this multi-directional interconnectivity allows for greater load management and a more efficient grid operation, further mitigating the need for the traditional large power plant and T&D assets.

The dilemma we face is that, for the most part, our current rate structure supports the old one-way grid system, a system that was never designed to accommodate the new technology and methods needed to modernize the grid, to build a system that can support electrification and the state's climate change goals. If we want to achieve a 21st-century multidirectional grid, that rules system, our rate regulatory structure, needs reform.

This bill addresses one of those reforms— the need to operate our distribution system based on the value and cost of the energy produced— by requiring the commission to investigate the feasibility of requiring time-of-use rates across all applicable rate classes, including the Standard Offer and the Net Energy Billing tariff. Maine does have a smattering of time-of-use rates, but they all deal with the delivery portion of cost and are limited. So why do this?

Pricing in the wholesale electricity market varies by time and location. In mid-March on a typical day our electricity demand peaks at 8 am and 8 pm; it is lowest at 3 am. Electricity cost at those peaks is much higher than at hours of lowest demand. Charging a single rate for electricity results in those that consume less expensive off-peak electricity are subsidizing users who consume expensive on-peak power. Time-of-use pricing allocates costs equitably and gives consumers more control over their electric bills. A single rate was the only option before the smart metering technology was available. Maine has sufficient smart metering technology deployed to implement time-of-use rate designs in major portions of utility service territories with more deployments planned.

Time-of-use rates allow for greater efficiency in system operations. By pricing the electricity closer to actual costs, consumers who opt for time-of-use rates have greater control over their bills by adjusting their use according to cost. And since peak power is generated by the most expensive sources with the highest GHG emissions, when consumers shift their usage off-peak, fewer of these units need to be operated.

Time-of-use rates would allow owners of storage devices (including batteries and electric vehicles) to charge at low rates and act as a power source during expensive peak periods, reducing the peak demand on the grid, providing a reliable source of standby power, and incentivize the market for storage technologies.

The bill also introduces time-of-use rate design to net energy billing tariffs to that ensure that the rate of compensation more accurately reflects the true value of the electricity.

The second area of reform addressed in this bill, is performance-based ratemaking. Greater automation and data availability, combined with integrated distribution planning, permits development of performance-based goals and standards, incentivizes utilities to meet these goals, and allows for the measurement and verification of a utilities' progress to goals and performance objectives. 13 states have already implemented variations of this more rigorous and granular reward system that encourages the utilities to meet ratepayer expectations.

LD 1959 initiated a scorecard for utility performance. This bill builds on LD 1959 by requiring the commission to assess annual performance in its multiyear rate plans and issue incentives or penalties based on previously established goals and performance standards. The commission will establish metrics for:

- Service quality, including but not limited to the reliability of service and timeliness of restoring service after outages.
- Customer service, including but not limited to timeliness and accuracy of bills.
- Field services, including but not limited to communication with and responsiveness to municipalities, businesses, and individuals; encouragement of distributed energy resources, including interconnection.
- Grid resiliency.
- Peak load reduction.
- Encouragement of beneficial electrification.

Performance-based ratemaking is particularly important now, but even if our utilities were better performing, a rigorous system of incentives and penalties would still be warranted.

As we move forward in our design of the state's electricity grid, rate regulatory reform is an essential enabling tool. It establishes the context and framework for how all of the various parts should work. LD 542 is a starting point for that process by addressing the time value of electricity and enhanced performance-based ratemaking.

Thank you for your consideration.

A handwritten signature in black ink that reads "Gerry Runte". The signature is written in a cursive, slightly slanted style.

Gerry Runte