



STATE OF MAINE
PUBLIC UTILITIES COMMISSION

R. Bruce Williamson
Randall D. Davis
COMMISSIONERS

Harry Lanphear
Administrative Director

May 16, 2019

Honorable Mark W. Lawrence, Senate Chair
Honorable Seth A. Berry, House Chair
Energy, Utilities and Technology Committee
100 State House Station
Augusta, Maine 04333

**Re: LD 1711, An Act To Promote Solar Energy Projects and Distributed
Generation Resources in Maine**

Dear Senator Lawrence and Representative Berry:

The Public Utilities Commission (Commission) testifies neither for nor against LD 1711, An Act To Promote Solar Energy Projects and Distributed Generation Resources in Maine. LD 1711 has four discrete components. First, LD 1711 would increase the allowed size of and number of participants in a given facility that would be eligible for net energy billing (NEB). Second, the bill would require the Commission by January 1, 2020 to examine options to promote the development of distributed generation (DG) resources, including a potential pilot program for up to 40 MW of DG resources. Third, the bill would require the Commission to conduct a series of procurement processes to obtain 125 MW of DG resources associated with commercial or institutional customer accounts and an additional 250 MW of "large-scale shared" DG. In the initial procurement round for the commercial/institutional and the large-scale programs, the highest bid received would set the "clearing price", which would be paid to all of the projects selected even if the project's offering (bid) price was lower than the clearing price. In each subsequent procurement block, the contract price for all projects selected would be equal to 97% of the price for the prior procurement block. Finally, LD 1711 would require the Commission, by October 2019, to conduct one or more competitive solicitations to acquire energy and RECs from up to 400 MW of solar projects. In the aggregate, thus, the bill authorizes long-term contracts for more than 800 MW of DG and solar projects.

Net Energy Billing

NEB was first developed in the 1980s and evolved into a means to promote small renewable generation for individual customers own use. Traditionally, NEB facilities were behind a customer's meter and owned by the customers. Over time, NEB expanded to facilities that are not behind the meter but are owned (or have a financial interest similar to ownership) by individual or multiple customers. LD 1711 would substantially expand NEB beyond its traditional purpose by including "power purchase agreements" as qualifying for the program. This would increase the number of customers that do not actually self-supply

their power with an eligible facility that could receive bill credits at the full retail rate. These credits result in lost revenue to the utility that is ultimately paid for by all ratepayers.

Distribution Generation Resources Study and Pilot

LD 1711 would require the Commission to examine options to promote the development of new distributed generation resources up to 2 MWs. The legislation authorizes the Commission to establish a tariff rate, up to the standard offer rate, for purchases from small distribution resources, with a program limit of 40 MW.

The Commission understands this legislation as requiring utilities to purchase generation from small distribution resources at above-market rates. The costs resulting from these purchases would be paid for all electricity ratepayers.

Commercial/Institutional and Large-scale Distributed Resources

LD 1711 requires the Commission to procure specific quantities of commercial/institutional and "large-scale" distributed generation resources through a series of procurement processes. The bill is quite prescriptive in terms of these programs and could prevent the public bid process from achieving competitive results. As written, resources could be procured at prices in excess of what sellers would actually be willing to contract for, which results in costs to ratepayers in excess of what would be required to meet the desired policy goal. In addition, the bill includes detailed and prescriptive requirements and processes related to a "standard buyer" which would be the counterparty to the contracts. The amount to be procured under these two procurement programs is 375 MW. LD 1711 also contains other very detailed requirements for these procurement activities including a variety of required rulemaking proceedings to be conducted by the Commission. Finally, this component of LD 1711 requires the Commission to oversee and regulate interconnection requests and processes. The Commission notes that, for larger projects, interconnection requests and processes are administered in accordance with ISO-NE rules subject to the jurisdiction of the FERC.

Solar Energy Long-term Contracts

LD 1711 directs the Commission to, by October 1, 2019, conduct one or more competitive solicitations to procure up to 400 MW from solar energy projects through long-term contracts of to 20 years in duration. As for the programs described above, the bill also contains detailed processes and requirements related to these solicitations. In contrast to the programs described above, however, this component of LD 1711 appears to establish a bid process that would be competitive, and also includes a provision that would require the benefits to ratepayers from any contract to exceed the costs to ratepayers.

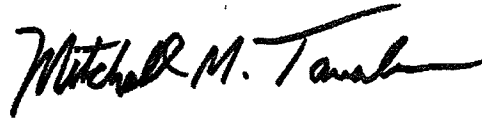
Administration; Commission Resources

The Commission concludes by observing that the requirements of LD 1711 are extensive and cannot occur within existing Commission resources. LD 1711 would require several full time equivalent positions to implement the various procurement processes, evaluate bids, negotiate contracts, establish and oversee the standard buyer, resolve consumer complaints, and conduct the various rulemaking proceedings. In addition, the Commission would likely require consulting budget funds for use for matters such as long-term electricity price forecasts.

May 16, 2019

The Commission looks forward to working with the Committee on LD 1711 and would be happy to respond to any questions the Committee has at this time. The Commission will also be present at the work session should the Committee have any additional questions in its consideration of this bill.

Sincerely,

A handwritten signature in black ink, reading "Mitchell M. Tannenbaum". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mitchell M. Tannenbaum
General Counsel

cc: Energy, Utilities and Technology Committee Members
Lucia Nixon, Legislative Analyst