



Natural Resources Council of Maine

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Testimony in Support of LD 542, An Act to Comprehensively and Equitably Reform Electricity Rates

By Rebecca Schultz, Senior Advocate for Climate and Clean Energy
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Senator Lawrence, Representative Zeigler, and members of the Joint Committee on Energy, Utilities and Technology, my name is Rebecca Schultz. I am a Senior Advocate for Climate and Clean Energy at the Natural Resources Council of Maine (NRCM). NRCM has been working for more than 60 years to protect, restore, and conserve Maine's environment, on behalf of our 25,000 members and supporters.

On behalf of our members and supporters, I'm grateful for the opportunity to present testimony in support of LD 542, which would enable the adoption of performance-based regulation (PBR) and time-of-use (TOU) rates by the Public Utilities Commission (PUC).

Our transmission and distribution (T&D) utilities occupy a central position in our response to climate change, being integral to both the electrification of the transportation and buildings sectors and the integration of clean renewable electricity at all scales across the grid. The clean energy transition represents a once-in-a-century growth opportunity for our T&D utilities, and how we regulate these monopoly companies will ultimately determine how quickly we can decarbonize and how much it will cost Maine ratepayers.

Performance-based regulation seeks to resolve the conflicts of interest inherent to traditional utility regulation, namely: the incentive to over-build infrastructure created by a guaranteed cost recovery for capital expenditure; and the disincentive to conserve electricity due to the resulting reduction in electricity sales. PBR aims to realign utility profit motivations by offering financial carrots and sticks for specific quantifiable outcomes related to utility performance and public policy goals over time. This approach to utility regulation is not new, it has a long track record in jurisdictions around the world and is widely considered an essential tool for harnessing the powerful profit-seeking behavior of a publicly traded company in service of the public good.

We support the sponsor's amendment in that it explicitly authorizes the PUC to adopt performance-based ratemaking and identifies areas of performance crucial to grid modernization and the clean energy transition, such as grid resiliency, grid security, distributed energy resource interconnection, peak load reduction, beneficial electrification, etc. However, we would caution against being overly prescriptive in legislation in favor of affording discretion to the PUC to devise the most relevant performance metrics and goals after data gathering through a rulemaking process, as well as to provide adequate long-term signals for utilities to shift investment strategies. By additionally requiring performance categories pertaining to equity, cost control and affordability, and environmental policies, LD 542 could help seize the opportunity recently missed in related proceedings at the PUC.

LD 542 also proposes a feasibility study for standard offer TOU rates. Well-designed TOU rates, ideally coordinated for supply and delivery components of the bills, and accompanying public education campaigns, can shift demand away from peak times, offering cost savings to the customer and to utilities through improved system efficiency. TOU rate reforms have the potential to advanced state decarbonization goals cost effectively and the proposed study would be complementary to ongoing proceedings at the PUC.

In conclusion, we urge you to vote Ought To Pass on LD 542 and thank you for your consideration of this testimony.