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Testimony of the Maine Public Utilities Commission

Neither for Nor Against

LD 698, An Act To Reduce the Cost of Energy in Maine and Reduce Greenhouse Gas Emissions Through the Effective Use of Bridge Fuels

March 8, 2023

Senator Lawrence, Representative Zeigler, and Distinguished Members of the Joint Standing Committee on Energy, Utilities, and Technology (Committee), my name is Deirdre Schneider, testifying neither for nor against LD 698, An Act To Reduce the Cost of Energy in Maine and Reduce Greenhouse Gas Emissions Through the Effective Use of Bridge Fuels on behalf of the Public Utilities Commission.

Background on the Act

The Maine Energy Cost Reduction Act (Act) was enacted during the First Regular Session of the 126th Legislature to address the natural gas and electricity price volatility, especially in periods of extreme cold, due to interstate pipeline capacity constraints into the State. The Act, which was further amended in the 127th Legislature, allowed the Commission to execute an energy cost reduction contract (ECRC)[1] or a physical energy storage contract (PESC)[2] and included requirements that the Commission would need to meet before executing either of these contracts. It allowed the Commission to execute a contract, or direct a transmission and distribution utility, a gas utility or natural gas pipeline utility, to execute an ECRC or PESC if during an adjudicatory proceeding certain determinations were made by the Commission. In 2016, in Docket No. 2014-00071, although there were two proposals the Commission found to meet the statutory requirements and would provide benefit to ratepayers, the Commission suspended further activities regarding the development and review of an ECRC pending future developments in other New England States, recognizing the projects could not realistically be viable with Maine's support alone..[3] In its order, the Commission also required project status reports every six months to assist the Commission in monitoring regional developments. The Commission's authority to execute a PESC contract terminated on June 1, 2017, and an ECRC on December 31, 2020.

LD 698

LD 698 proposes to amend the Act to include additional directives for the Commission and it repeals the limitation on the Commission's authority to execute an ECRC or a PESC. In unallocated language, it

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[1] An energy cost reduction contract means a contract executed in accordance with chapter 19 to procure capacity on a natural gas transmission pipeline, including, when applicable, compression capacity.
[2] A physical energy storage contract means a contract executed in accordance with chapter 19 for liquified natural gas storage capacity.
[3] The Commission findings of beneficial projects was conditioned on participation of other states in New England for those state's share of the load.

further requires the Commission to take specific actions in undertaking its responsibilities under the Act.

While the Commission agrees that electricity prices would be lower if Maine was not faced with natural gas constraints, we have some concerns with the language in LD 698. Several of the directives in LD 698 are for activities not within the Commission's jurisdiction or authority. Any development of interstate pipeline infrastructure is within the jurisdiction of the Federal Energy Regulatory Commission (FERC). Influencing permitting processes and decisions of other state agencies or local permitting authorities is outside of the purview of a quasi-judicial independent agency, such as the Commission. While the coordination efforts with other states required by LD 698 could be initiated by the Commission, other state entities may be better suited to do drive a regional policy initiative of this type.

LD 698 also requires the Commission to monitor proceedings at FERC. The Commission already undertakes this monitoring as it relates to the rate cases for interstate pipelines that serve Maine's local distribution companies for natural gas.

Lastly, we are concerned with the timing of the investigation, and research and planning requirements in section 5 of LD 698. To report back before February 1, 2024, on the possibility of constructing additional natural gas capacity after investigation through regional organizations; contracting with the University of Maine or another entity for a report on existing and near-term replacement energy sources for natural gas in commercial and industrial settings; and then to coordinate with the Governor's Energy Office, the Efficiency Maine Trust and other stakeholder and develop specific recommendations relating to these alternatives is not feasible to meaningfully complete in less than six months. A status update at that time would be more workable.

The Commission is happy to work with the sponsor and other stakeholders to better understand the expectations of the Commission in relation to LD 698 and perhaps refine the directives imposed upon the Commission by this proposed legislation.

I would be happy to answer any questions or provide additional information for the work session.