STATE OF MAINE
OFFICE OF THE GOVERNOR
1STATE HOUSE STATION
AUGUSTA, MAINE
04333-0001

JANET MILLS
GOVERNOR

DAN BURGESS
DIRECTOR OF GOVERNOR'S
ENERGY OFFICE

TESTIMONY BEFORE THE ENERGY, UTILITIES AND TECHNOLOGY COMMITTEE

An Act to Comprehensively and Equitably Reform Electricity Rates
L.D. 542

GOVERNOR'S ENERGY OFFICE
March 16, 2023

Senator Lawrence, Representative Zeigler, and Members of the Joint Standing Committee on Energy, Utilities and Technology (EUT): My name is Ethan Tremblay, and I am the Policy and Markets Program Manager for the Governor's Energy Office (GEO).

The GEO testifies neither for nor against L.D. 542.

The first three sections of this bill each amend portions of Title 35-A relating to utility ratemaking. The final section requires the Public Utilities Commission to conduct a study relating to standard offer supply rates and the commercial and industrial net energy billing tariff program. This testimony addresses each section of the bill individually in order to provide information that may be helpful to the sponsor and the committee.

As background, in 2022 Governor Mills proposed L.D. 1959, An Act Regarding Utility Accountability and Grid Planning for Maine's Clean Energy Future, which was voted out of this Committee and enacted with bipartisan support as Public Law 2022, Chapter 702. Among other provisions, that bipartisan legislation established requirements for the Public Utilities Commission to establish by rule minimum service standards for large transmission and distribution utilities, with specific, quantitative metrics measuring performance including but not limited to:

1) Service quality, including but not limited to reliability of service and timeliness of restoring service after outages;
2) Customer service, including but not limited to timeliness and accuracy of bills;
3) Field services, including but not limited to communication with and responsiveness to municipalities, businesses and individuals; and
4) Distributed energy resources interconnection.[1]

Beginning this year, Central Maine Power and Versant Power will provide quarterly report cards to the Commission and to all of their residential customers showing their performance on many of these important metrics. Furthermore, under that legislation the Commission must establish service standards, or minimum requirements, for performance regarding each metric, and must impose financial penalties for a utility's failure to achieve these requirements.

[1] 35-A M.R.S.A. §301 sub-§1-A, paragraph A

L.D. 542 would build upon those requirements. Section 1 of the bill provides that the Commission may establish, for any transmission and distribution utility with more than 50,000 customers, a multi-year rate plan that includes rate-adjustment mechanisms, including but not limited to positive and negative financial incentives relating to the success or failure of the utility in meeting goals. The specific goals would include:

1) Goals based on the metrics enacted by P.L. 2021 ch. 702, listed above;
2) Standards established by the Commission by rule pertaining to utility operations and activities in the following categories:
    1) Efforts to increase grid resiliency including but not limited to facilitating the development and interconnection of distributed generation resources and grid security;
    2) Measures taken to encourage peak load reduction and beneficial load-shaping;
    3) Measures taken to encourage carbon reduction, beneficial electrification and energy efficiency including but not limited to electric vehicles; and
    4) Any other standards the Commission determines to be necessary.

The Commission has broad authority under section 35-A M.R.S.A. §3195 to promote transmission and distribution utility efficiency by establishing or authorizing any reasonable rate-adjustment mechanisms. Our interpretation of the intent of this proposed section is to clarify the metrics and standards the Commission must incorporate into any multi-year rate plan it approves, while preserving the Commission's broad authority to evaluate any proposed multi-year rate plan proposed by a large transmission and distribution utility.

To the extent this section refers to the minimum performance metrics established by P.L. 2021 ch. 390, the Committee may wish to consider whether additional clarification is warranted with respect to any threshold the Commission may consider for a positive financial incentive. Satisfaction of a minimum standard is not equivalent to exemplary performance worthy of a performance incentive.

Furthermore, the Committee may wish to consider whether any multi-year rate plan should be approved by the Commission without satisfying the requirements of this legislation. If this is the intent, Section 1 of the bill may need to be amended to rule out the possibility of a multi-year rate plan that does not conform to the criteria in the first sentence.

Section 2 of the bill amends 35-A M.R.S.A. §3195, sub-§1 to conform to the new language contained in Section 1.

Section 3 of the bill amends the requirements established in 35-A M.R.S.A. §3212, sub-§6 to require consumer-owned transmission and distribution utilities to offer an optional time-of-use rate to their retail customers. In general, the GEO is supportive of retail rate options that enable customers to make informed energy use decisions that can benefit the customer and others – including time-of-use rates, which can provide useful price signals encouraging electricity consumption during beneficial periods, such as when generation costs are lower. The GEO is not aware of whether the consumer-owned utilities in the state possess access to sufficient resources and capabilities to comply with such a requirement.

Section 4 of the bill directs the Commission to investigate and submit a report with its results and any findings and recommendations to the Committee no later than January 15, 2024 regarding:

1) The feasibility of requiring standard-offer service to include a time-of-use rate option;
2) The effect a standard-offer time-of-use rate would have on the tariff rate under the Maine Revised Statutes, Title 35-A, section 3209-B, subsection 5 and options for utilizing a standard-offer time-of-use rate in establishing a new tariff rate; and

3) The feasibility of requiring all investor-owned transmission and distribution utilities to offer a time-of-use rate for the delivery of electricity for all customer classes that would complement a time-of-use supply rate.

Regarding the first study item, as the Committee may be aware, the Commission recently initiated an inquiry regarding rate structures for standard offer service, including time-of-use rate structures.[2] Standard offer service is the residential supply service utilized by most residential customers in the state. Electricity supply comprises about half of a typical Maine household's electricity bill. A time-varying supply rate could increase the price signal for customers to shift consumption to time periods during the day when the cost to provide supply is lower. This could be helpful in increasing electric affordability by more effectively utilizing existing infrastructure and avoiding costly upgrades. Well-designed time-of-use rates can also align with Maine's energy goals, as time-varying rates could help to achieve greenhouse gas emissions reductions by avoiding peak load and reducing the amount of generation required from peaker plants typically powered by fossil fuels. Reductions in greenhouse gas emissions from time-of-use rates are especially pronounced if the time-of-use period development explicitly considers the generation fuel mix at different times.

Regarding the second study item, the standard offer supply rate applicable to small commercial customers determined through the Commission's annual standard offer procurement is also used to calculate the commercial and industrial net energy billing program tariff established in 35-A M.R.S.A. §3209-B (the "original tariff program"). This program, as reformed through P.L. 2021 ch. 390 (LD 936) and P.L. 2022 ch. 659 (LD 634), is no longer available for enrollment by new distributed generation resources except those one megawatt or less or collocated with 50% of their subscribed load. It is not clear from the language of this bill whether the Commission would be studying the use of a time-of-use standard offer rate to determine the annual tariff rate for all generators enrolled in the program, or for generators participating in the program after a certain date.

Regarding the third study item, Central Maine Power and Versant Power both currently provide certain time-of-use rate options to various customer classes. As part of its ongoing rate case, which includes a proposed multi-year rate plan, Central Maine Power has also proposed a range of new time-of-use rate options for customers.

The GEO would be pleased to work with the sponsor, the Committee, and other interested parties regarding this legislation.

Thank you for your consideration. I would be happy to answer any questions from the Committee.

Ethan Tremblay, Policy and Markets Program Manager
Governor's Energy Office

[2] See Notice of Inquiry dated February 3, 2023 in Maine PUC docket 2023-00019, Inquiry Regarding Rate Structure for Standard Offer Service. https://mpuc-cms.maine.gov/CQM.Public.WebUI/Common/ViewDoc.aspx?DocRefId={1D318DEF-701D-4C32-BF36-E8DCFF8F0088}&DocExt=pdf&DocName={1D318DEF-701D-4C32-BF36-E8DCFF8F0088}.pdf