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PUBLIC UTILITIES COMMISSION

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Testimony of the Maine Public Utilities Commission

Neither For Nor Against

LD 1895, An Act Regarding the Procurement of Energy from Offshore Wind Resources

May 18, 2023

Senator Lawrence Representative Zeigler, and Distinguished Members of the Joint Standing Committee on Energy, Utilities, and Technology (Committee), my name is Dendre Schneider testifying neither for nor against the sponsor's amendment to LD 1895 An Act Regarding the Procurement of Energy from Offshore Wind Resources on behalf of the Public Utilities Commission (Commission)

The Commission recognizes that offshore wind energy will play an important role in the achievement of the State's climate goals LD 1895 proposes a phased procurement schedule to procure 1,000 megawatts of floating extraterritorial winds projects by February 1, 2030, and 2,800 megawatts by February 1, 2035 While the Commission understands the importance of diversifying our renewable energy portfolio, we do have some initial concerns with the bill, particularly in relation to the competitive procurement process

The procurement process proposed in LD 1895 does not provide the flexibility needed to ensure ratepayer exposure is limited It provides that when evaluating bids, a weight of 60% is given to ratepayer benefits, 25% to economic development and community benefits, and 15% to natural resource benefits It includes details on what ratepayer benefits may include and what benefits must be included in relation to economic, community and natural resource benefits It has been the Commission's experience when weighting occurs in this manner it can at times tip the scales so that projects that are not truly in the benefit of ratepayers may be selected unless a particular proposal is exorbitant in price in comparison to other bids Furthermore, while it provides that the Commission may reject all proposals received in a solicitation if they are not in the public interest, if bids include all the required elements, it may make it difficult to reject those bids on a cost basis alone Indeed if all statutory criteria are met, it would seem to be in the public interest as defined by the law which explicitly limits the role of cost and ratepayer benefit to 60% of the analysis

Additionally, the timeframe of competitive solicitation occurring no less than once every two years and the detailed elements to be achieved through a solicitation may limit the Commission's ability to take advantage of regional partnerships to offset Maine ratepayer's share of the cost In a solicitation as large as this we would want the ability to capitalize on regional efforts, especially with those states that have more spending power and encompass a larger share of the regional energy load Moreover, the bill has numerous very specific requirements that may make it difficult to do a joint procurement particularly if those requirements have significant additional costs that other states do not wish to pay for as part of their purchase of offshore wind power

The Commission also has concerns with how mechanically the selection of proposals would work as proposed in LD 1895. While it requires the Commission to conduct the competitive solicitation, it specifies that the Governor's Energy Office (GEO) in coordination with the Commission shall select projects. In past solicitations, Commission staff conducts the analysis of the bid proposals and the Commissioner's deliberate on the proposals and render a decision. It would be difficult to move another agency into this process without more specific details on how this process would work.

It is important to recognize that we are still in a period where the cost for the development of floating offshore wind energy is high. The Department of Energy (DOE) currently has an initiative called the Floating Offshore Wind Shot that aims to accelerate breakthroughs across engineering, manufacturing, and other innovation areas in order to reduce the cost of floating offshore wind energy by more than 70% by 2035, however, LD 1895 would have the State procuring all 2,800 MW¹ by 2035. The DOE timeline recognizes that additional efficiencies are needed in the development of this technology, as well as the development of necessary port and transmission infrastructure. We are concerned that the timing of this bill may result in us paying at the high end of the cost curve when it will be most expensive. Ultimately, we would recommend thinking about how to leverage Maine's relatively small buying power as part of procurements where other, larger states could participate and make much larger purchases. Such procurements are primarily a financing tool, and Maine and the region will benefit regardless of who is entering into the contracts.

The Commission looks forward to engaging in conversations with the sponsor and stakeholders on this proposal.

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

¹ To put the size of this procurement into context, the ISO-NE CELT Forecast of the expected energy demand net of PV and EE in Maine is ~14,000 GWh in 2030. 2,800 MW of offshore wind would produce about 12,000 GWh (assuming 50% Capacity Factor for OSW).