



STATE OF MAINE
PUBLIC UTILITIES COMMISSION

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Testimony of the Maine Public Utilities Commission

Neither For Nor Against

LD 568, An Act to Modify the Process for Standard-offer Contracts with the Public Utilities Commission

March 6, 2025

Senator Lawrence, Representative Sachs, 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 568, An Act to Modify the Process for Standard-offer Contracts with the Public Utilities Commission on behalf of the Public Utilities Commission (Commission).

During the 131st Legislature, there were differing proposals that contemplated alternative approaches to the procurement of standard-offer service.¹ As a result of discussions on these proposed bills, Resolves 2023, chapter 39 was enacted directing the Commission to initiate a proceeding, within 30 days of the effective date of the Resolve, to develop a procurement strategy and consider other measures that could be used to increase rate stability for residential customers that receive standard-offer service, including the use of varied contract lengths and terms to reduce price volatility from year to year.² At that time, the Legislature, by enacting the Resolve, clearly indicated it preferred the stability of pricing over the volatility of pricing, even though with volatility there could be lower rates for standard-offer service during certain times of the year.

LD 568 specifies that the maximum duration for a standard-offer contract is six months and specifies that if at the expiration of the contract all bids for service are rejected by the Commission, the expiring contract must continue until new bids are accepted by the Commission. It further requires that if a current standard-offer provider bids in a new procurement and the bid is for a rate higher than the rate in the expiring contract, the provider must justify the rate increase.

A procurement schedule of every six months as proposed in LD 568 would increase the volatility of rates for standard-offer service as prices would vary greatly between winter months and summer months, with winter rates likely being significantly higher. Furthermore, if providers are required to continue to provide standard-offer service after the expiration of the six-month contract at the same rate as the rate in the expiring contract, it would likely lead to the inclusion of additional risk premiums because a provider could be required to furnish service for an undetermined length of time after a contract expires at a price that does not represent market conditions or their actual costs. Additionally,

¹ LD 987, An Act to Promote Electricity Price Stability for Standard-offer Service. LD 1727, An Act to Protect Northern Maine Standard-offer Ratepayers

² The Commission issued a Notice of Inquiry in response to the Resolve on October 5, 2023, in Docket No. 2023-00258 (The Resolve had an effective date of October 25, 2023).

this could have the effect of decreasing the number of bidders in a procurement for standard-offer service due to the uncertainty of the length of time a contract could be continued after expiration.

While the price for supply has been higher over the last several years, due in large part to higher natural gas costs, it is important to recognize that the process Maine has utilized to procure standard offer service has resulted in supply prices that have been, on average across the entire year, on the lower end as compared to other New England states, which procure standard offer service in six-month increments or multiple times per year(see attached). The Commission's current practice of procuring residential standard-offer service for a one-year term is intended to promote State policy by offering customers market-based rates, but also to provide some level of rate stability through one-year contract terms (as opposed to prices that vary more frequently).

The Commission cautions against a proposal that may limit the Commission's ability to change procurement strategies based on market conditions. What may seem like a sensible approach today may not be the best approach in the future. By specifying only one methodology to procure standard-offer service, the Commission has no flexibility to make decisions on the procurement of standard-offer service, which may in the long run be to the detriment of ratepayers. The Commission is actively engaged in assessing the best approach to take to procuring standard-offer supply. Over the last two years, the Commission has procured supply on separate days, to help mitigate potential market risks associated with single-day pricing for a large load. Electricity prices in New England are volatile due to our reliance on natural gas, and no other state has yet found a procurement method that consistently produces significantly lower prices than we have in Maine.

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

Supply Pricing in New England 2022-2025

	2022												2023												2024												2025																																															
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec																																				
CT																																																																																				
Eversource Energy																																																													12.05				24.172				13.822				14.714				8.995				11.19			
United Illuminating																																																													10.62				21.94				14.3344				17.0625				11.9101				13.5683			
MA																																																																																				
Eversource Energy (East)	15.764												17.871				25.776				16.078				17.251				15.772								13.347																																															
Eversource Energy (West)	13.731												15.348				21.991				14.854				15.845				14.023								11.825																																															
National Grid													11.491				33.891				14.115				18.213				16.055								14.672																																															
Unitil													13.436				17.859				21.206				19.338				19.304								15.599																																															
ME																																																																																				
Central Maine Power	11.8161												17.631												10.8363												10.6128																																															
Versant Power (BHD)	11.684												16.438												10.763												10.5628																																															
Versant Power (MPD)	11.0873												14.879												11.285												11.653																																															
NH																																																																																				
Eversource Energy	10.203												21.986				19.633				12.582				8.285				10.403								8.929																																															
Liberty Utilities	10.337												22.228				22.007				12.612				9.758				10.976								8.416																																															
Unitil													10.117				25.925				13.257				10.718				10.506								8.306																																															
RI																																																																																				
Rhode Island Energy													7.81				17.785				10.341				17.741				10.377				16.387																																																			
VT																																																																																				
Green Mountain Power													18.035												18.989												19.988																																															