



STATE OF MAINE
PUBLIC UTILITIES COMMISSION

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Testimony of the Maine Public Utilities Commission

Neither For Nor Against

LD 204, An Act to Reduce the Cost of Electricity by Removing the 100-megawatt Limit on Renewable Resources of Energy

LD 371, An Act to Expand Hydroelectric Development by Removing the 100-megawatt Cap

LD 638, An Act to Create Equal Opportunity Access to Clean Energy by Removing the 100-megawatt Limit on Clean Energy Sources

March 20, 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 204, An Act to Reduce the Cost of Electricity by Removing the 100-megawatt Limit on Renewable Resources of Energy¹, on behalf of the Public Utilities Commission (Commission).

General Description of Portfolio Requirements

A resource portfolio requirement, also typically referred to as a renewable portfolio standard or an RPS, is a market mechanism used to encourage the development and operation of legislatively designated types of generating facilities (usually renewable resources). Generally, the purpose of a renewable resource portfolio requirement is to promote renewable resources and resource diversity in a competitive generation market. It does so by creating an additional source of revenue over electricity wholesale market prices for resources that might not otherwise be developed or operated. The mechanism works by creating a mandatory demand for designated resources by mandating that pre-specified percentages of a retail electricity provider's load must be served by the designated resources. The market then operates to meet this legislatively created demand at the lowest cost. The result of the portfolio requirement mechanism is that a premium over wholesale electricity market prices is created for the designated renewable resources. This premium is paid for by electricity ratepayers through the supply portion of their bills. The specific amount of the premium varies over time depending on the supply/demand balance for the Maine RPS as well as the RPSs in other New England states.

Maine's Portfolio Requirements

Maine currently has four portfolio requirements:

1. A new renewable capacity resources requirement (referred to as Class I);

¹ This testimony also applies to LD 371 and LD 638.

2. A new renewable capacity resources requirement other than a resource that for at least 2 years was not operated or was not recognized by the ISO-NE as a capacity resource and, after September 1, 2005, resumed operation or was recognized by ISO-NE as a capacity resource (referred to Class IA);
3. An eligible resource requirement (referred to as Class II); and
4. A thermal renewable energy credit requirement (referred to as TREC).

Maine's original restructuring legislation included a 30% eligible resource² portfolio requirement that became effective in 2000 (35-A M.R.S. § 3210(3)). In 2007, the Legislature enacted a new renewable resource portfolio requirement that defines eligibility as a renewable resource that began service, resumed operation, or was substantially refurbished after September 2005 (35-A M.R.S. § 3210(3-A))³. The percentage requirement started at one percent in 2008 and increased in annual one percent increments until it reached ten percent in 2017 and remains at ten percent thereafter. In 2019, the Legislature enacted a new resource portfolio requirement for Class IA resources. The percentage requirement started at 2.5% in 2020 and increases annually until it reaches 40% in 2030 and remains at 40% thereafter. The statutes limit portfolio requirement resource eligibility to generation facilities that are 100 MW or less, except for wind and solar facilities for Class I and Class IA eligibility.

For the most part, suppliers demonstrate compliance with Maine's portfolio requirement by obtaining renewable energy credits (RECs) that are created and tracked by the New England Generation Information System (GIS)⁴. This system allows for the trading of the renewable attribute separate from the energy commodity. Eligible generators receive RECs from the GIS and may sell the RECs to retail electricity suppliers at market driven prices, thus creating a premium over market prices for the generators. Suppliers then use the purchased RECs to satisfy the portfolio requirements in Maine and the other New England states.

LD 204, LD 371 and LD 638

LD 204 and LD 371 would amend the portfolio requirement statute to remove the 100 MW eligibility cap for all generators for both the Class I, Class IA and Class II requirements.⁵ The primary effect of this change would be to allow large hydro facilities (likely to be located in Canadian provinces) to qualify for Maine's portfolio requirements. The determination of the specific types of resource, such as large Canadian hydroelectric facilities, that should be designated as eligible for a state's portfolio requirement (and thus receive a ratepayer funded premium above market prices) is an issue of general energy policy that should be determined by the Legislature. As described above, a portfolio requirement creates a premium above market prices that is paid for by all ratepayers in the State through their electricity bills. Thus, a portfolio requirement generally applies to specific resources that the Legislature determines are both desirable from an energy policy perspective and require ratepayer funded support to be developed or operated. Accordingly, these bills raise the energy policy issue as to whether large hydro facilities located outside of the State should be provided with Maine ratepayer support.

The Commission notes that Maine REC prices for Class I have consistently increased since 2019; however, since 2022 there has been a decrease in the REC prices for Class IA and Class II. Currently:

² Class II

³ Class I

⁴ Northern Maine uses the North American Renewable Registry, a REC tracking system similar to the ISO-NE GIS system and run by the same company.

⁵ LD 638 only removes the 100 MW eligibility requirement for hydroelectric generators and also makes several amendments relating to the DEP permitting processes.

- Maine Class I RECs have a value in the range of \$30 -35/MWh.
- Maine Class IA RECs have a value in the range of \$20-25/MWh;
- Maine Class II RECs have a value in the range of \$5-8/MWh; and
- Maine TRECs have a value in the range of \$20-25/MWh.

The expansion of the portfolio eligibility requirements to large generating facilities could have the effect of increasing the eligible supply for Maine's portfolio requirements, thus placing downward pressure on prices for Maine RECs which could simultaneously reduce costs for electricity consumers and reduce the value of the RPS to renewable facilities.

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