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04333-0001

JANET MILLS
GOVERNOR

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ENERGY OFFICE

TESTIMONY BEFORE THE ENERGY, UTILITIES AND TECHNOLOGY COMMITTEE

An Act to Provide That Portfolio Requirements for Renewable Electricity Resources Apply Only to Actual Retail Sales
L.D. 1250

GOVERNOR'S ENERGY OFFICE
April 9, 2025

Senator Lawrence, Representative Sachs, and Members of the Joint Standing Committee on Energy, Utilities and Technology (EUT): My name is Caroline Colan, and I am the Legislative Liaison for the Governor's Energy Office (GEO).

The GEO opposes L.D 1250.

Maine's renewable portfolio standard (RPS) establishes the portion of electricity sold in the state that must be supplied by renewable energy resources. In 2019, Governor Mills signed bipartisan legislation (P.L. 2019 Ch. 477) that increased Maine's RPS to 80 percent by 2030, an increase from 40 percent, and set a goal of 100 percent by 2050. By 2030, 50 percent of Maine load must be satisfied by new renewable resources (Classes I and IA) and 30 percent by existing renewable electricity generation (Class II). RPS policies are common, with 29 states plus the District of Columbia applying such requirements.

Renewable and efficient generators obtain certification from the Public Utilities Commission (PUC) enabling the renewable energy certificates generated by those facilities to be used for compliance with the RPS. Load serving entities, which include competitive electricity providers and the suppliers for Standard Offer Service, comply with the RPS requirements by purchasing and retiring RECs from those certified generators. This year, in 2025, 59 percent of electricity sold in Maine is required to be supplied by renewable energy resources.

In the 131st Legislature, GEO was directed to submit a report to the EUT Committee by March 31, 2024, and every 3 years thereafter, on the status and impacts of the implementation of Maine's RPS policy, including the impacts of the policy on energy prices and an assessment of benefits, including, but not limited to, greenhouse gas emissions and the economy of the State. As directed by law, GEO submitted a report to the legislature last March (the 2024 RPS Assessment).[1] The 2024 RPS Assessment found that the RPS has been an important policy tool to convey the state's policy objectives and accurately account for renewable energy attributes. Maine's RPS has supported renewable development and operation

[1] *An Assessment of Maine's Renewable Portfolio Standard.* Prepared for the Maine Governor's Energy Office, in collaboration with the Public Utilities Commission. Sustainable Energy Advantage, LLC. March 31, 2024. Available at https://www.maine.gov/energy/sites/maine.gov.energy/files/inline-files/Maine-RPS-Impacts-and-Procurement-Policy-Options-Report-Master-FINAL.pdf

resulting in over $100 million in direct investment, approximately $900 million in operations and maintenance spending, and over 1,000 full-time equivalent jobs between 2008 and 2022.

For electric ratepayers, the net annual average benefit has been approximately $21.5 million between 2011 and 2022. Maine's RPS compliance costs an average of $17.5 million per year, and the energy associated with RECs used for compliance yielded wholesale price reduction benefits averaging $39 million per year. Maine has also derived significant economic and price suppression benefits from state energy procurements and hosting renewable energy facilities used to satisfy RPS policies in other states, which are additive to the results described in the 2024 RPS Assessment and were not the focus of the March 2024 report. The 2024 RPS Assessment also details significant emission reduction benefits resulting from Maine's RPS policy by year.

This bill would amend Maine's RPS requirements to narrow them such that they only apply to "actual retail sales," effectively reducing the amount of renewable energy used in Maine and thereby undermining the cost savings and other important benefits provided by the RPS.

This would occur in at least two ways: first, the bill would overturn the "Lincoln Rule," an important precedent established by the PUC a decade ago that ensures cogeneration plants and net energy billing facilities which benefit from designation as RPS suppliers comply with the RPS in their own facilities' or subscribers' electricity consumption; and second, it would exempt line losses from the RPS, undermining the statutory objective to encourage the generation of electricity from renewable and efficient sources by enabling load serving entities to exclude generation that is purchased but not sold at retail from renewable compliance.

The "Lincoln Rule"

In 2009 the PUC certified Lincoln Tissue and Paper's biomass boiler (Lincoln) as a Class I RPS generator.[2] With this certification, qualified electricity generated by Lincoln – whether used on site or exported to the grid – would also generate renewable energy certificates eligible for sale or retirement to comply with Maine's Class I RPS requirements.

Lincoln's petition for certification raised a number of novel issues for the Commission, including the application of RPS requirements to behind-the-meter consumption. In its Order, the Commission stated "we conclude that Lincoln must retain GIS certificates [RECs] or otherwise obtain GIS certificates necessary to satisfy Maine's RPS (both the original 30% and the "new" requirement) for that portion of its load that is served by the facility. The rationale for certifying the Lincoln facility as a Class I resource is that it is a newly refurbished renewable facility that serves Maine load. Therefore, the service of that load should comply with the RPS requirements as would occur if that load was served by a competitive

[2] *Lincoln Paper and Tissue, LLC, Request for Certification for RPS Eligibility,* Docket No. 2008-00173, Order Granting New Renewable Resource Certification (Jan. 27, 2009).

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electricity provider or if Lincoln chose to sell its generation into the market and purchase all of its electricity needs."

The PUC has continued to apply this precedent, known informally as the "Lincoln Rule," when certifying a number of other cogeneration facilities to participate as RPS suppliers. More recently, the Commission has also applied the Lincoln Rule when granting RPS certification to net energy billing facilities that serve load behind-the-meter or provide kilowatt-hour credits to customers. This precedent ensures that load which is served by Maine-based generation – specifically, generators that benefit from access to the REC market that certification brings – complies with the RPS in the absence of a typical retail transaction.

Line losses

Line losses refer to the portion of electric energy that is lost as heat during the process of delivering the electricity to load. Because some electricity will always be lost during delivery through the transmission and distribution systems, the amount of output generators produce is slightly larger than the amount of electricity consumers actually use. Load-serving entities are responsible for purchasing electricity generation sufficient to cover the line losses associated with the load they serve, but this is a wholesale transaction, not retail. As explained in the 2024 RPS Assessment, the actual RPS obligation – the amount of load for which a load serving entity must satisfy the RPS – is calculated by "subtract[ing] exempted load from total load (including the line losses required to serve retail load) and then multiply[ing] by the applicable percentage target for each Class." The report goes on to explain "If the calculation of RPS-obligated load does not include line losses, then a state with a 100% RPS or CES will never achieve its objective. Maine correctly includes line losses in the calculation of RPS-obligated load."[3]

The statutory objective of the RPS established in 35-A M.R.S. §3210 is to "encourage the generation of electricity from renewable and efficient sources." Narrowing the applicability of the RPS as proposed in this bill would undermine this objective, and disproportionately shift compliance requirements to residential and small business classes while enabling cogeneration facilities and net energy billing facilities to benefit from, without participating in, the RPS. For these reasons, the GEO opposes LD 1250.

Thank you for your consideration.

Caroline Colan

Caroline Colan, Legislative Liaison
Governor's Energy Office

[3] 2024 RPS Assessment at page 4.