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TESTIMONY BEFORE THE ENERGY, UTILITIES AND TECHNOLOGY COMMITTEE

An Act Regarding the Participation of Transmission and Distribution Utilities with ISO-New England L.D. 2038

DEPARTMENT OF ENERGY RESOURCES
January 22, 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 Department of Energy Resources (DOER).

The DOER testifies in support of L.D. 2038.

When Regional Transmission Organizations (RTOs) were forming in the 1990s to administer wholesale markets and ensure reliable grid operations, the Federal Energy Regulatory Commission (FERC) established rules permitting utilities to receive an incentive payment or adder as a percentage of their return on equity (ROE) to encourage them to join these organizations. All New England investor-owned utilities have since become members of ISO-NE, the RTO for New England, with Central Maine Power and Versant Power having both been members for years. Recently, two federal courts have held that if a state requires its utilities to join an RTO by statute, it can prevent its utilities from collecting this incentive from its ratepayers.

Enacting the simple change this bill proposes—requiring Maine’s two investor-owned utilities to be members of ISO-NE—would end this “bonus” on ROE and save ratepayers several million dollars per year in the near term.

This is not a new issue—it has been one that the state has been advocating at FERC to address over the last several years through its participation in the New England States Committee on Electricity (NESCOE), a non-profit entity that advocates for the priorities of the six New England states on regional electricity matters. In several letters, NESCOE has urged FERC to limit the incentive to a finite period of time (such as three years) or to end it altogether, highlighting the resulting savings to ratepayers.

Following recent court rulings on this topic, utility regulators from 35 states including Maine and the Regional State Committees representing retail regulators in all four of the FERC-jurisdictional multi-state RTOs, sent a letter to FERC urging it to finally eliminate the incentive altogether, arguing that “it is not just and reasonable to continue granting this incentive in perpetuity.”¹ This letter also argued that the

¹ https://elibrary.ferc.gov/eLibrary/filelist?accession_number=20250627-5115&optimized=false



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Federal Power Act does not require RTO incentives to take the form of an ROE adder, further supporting a change in policy from the status quo.

We are glad that Representative Kessler and the Public Advocate have put forward this approach given FERC's failure to act. Other New England state Legislatures are also seeking to pass similar bills to drive cost reductions for electric ratepayers. If several states succeed in passing this language, the cost reductions to the region will be greater.

Finally, we'll note that while there is no silver bullet to addressing energy affordability, this proposal is a good example of a straightforward, low-lift change that can be made to chip away at millions of dollars that show up on our electricity bills. We, along with the Public Advocate, and the Public Utilities Commission remain committed to engaging at the regional level to scrutinize costs and advocate for efficiencies where possible.

We urge you to support this bill.

Caroline Colan, Legislative Liaison
Department of Energy Resources