

Office of Policy and Legal Analysis

Date: March 2, 2021
To: Joint Standing Committee on Energy Utilities and Technology
From: Deirdre Schneider, Legislative Analyst
Re: LD 9, An Act To Promote Renewable Energy by Authorizing a Power-to-Fuel Pilot Program

Summary

This bill requires the commission to establish and oversee a power-to-fuel pilot program.

The commission is required to approve up to 2 power-to-fuel projects between January 1, 2022 and December 31, 2027, each up to 10 megawatts in production capacity, that convert renewable energy to hydrogen gas, methane gas or other fuel.

Under the pilot program, sales of renewable energy to a power-to-fuel project are exempt for a period of 15 years from the date of operation of the power-to-fuel project from:

- Distribution charges;
- Charges associated with the procurement of energy efficiency resources; and
- Renewable portfolio standards.

The bill requires the commission to submit a report on the pilot program by November 1, 2023 to the joint standing committee of the Legislature having jurisdiction over energy and utility matters that a description of the participating project or projects and the amount of renewable energy converted into hydrogen gas, methane gas or other fuel by the participating project or projects.

Sponsor Amendment (attached)

Like the bill, the amendment requires the commission to establish a power-to-fuel pilot program. It specifies that beginning January 15, 2022, and annually thereafter, the commission must conduct a competitive solicitation for power-to-fuel projects over a period of not more than 2 months (unless the commission determines additional time is needed). It requires to commission to annually conduct a competitive solicitation until 2 power-to-fuel projects have been approved or until January 14, 2028, whichever is sooner. It specifies that that commission only allow a project if it is located in the service territory of an investor-owned transmission utility.

It also clarifies the definition of renewable energy to include electricity generated from a renewable capacity resource.

It adds additional requirements for a power-to fuel project including requiring that:

- The project is in the public interest and is reasonably likely to create only insignificant new costs for gas or electric ratepayers;
- The project demonstrate site control;
- The project sponsor demonstrate technical and financial capacity to construct, operate and decommission the project;

- The project pay all interconnection costs; and
- The project acquire and retire renewable energy credits equivalent to the amount of electricity consumed by the facility

Lastly, it only allows exemptions for sales of electricity to a power-to-fuel project to be extended beyond 15 years if the commission finds an extension is in the public interest.

List of People that Submitted Written Testimony and/or Spoke at the Hearing

Proponents: Senator Lawrence (Sponsor); Kurt Adams, Summit Utilities; Dan Burgess, GEO; Jeremy Payne, MREA;

Opponents: Deb Hart, Dirigo Electric Cooperative; Steve Hudson, IECG; and Clayton McKay

Neither for nor against: Garrett Corbin, PUC; Versant Power; Steve Zuretti, Brookfield Renewable

Possible Amendments

- **Dan Burgess, GEO** – Require a proposed project to provide the estimated greenhouse gas emissions that are then confirmed by a 3rd party, or by a method supported by the commission through a public process.

Notes

- Multiple policy considerations were offered in testimony –
 - Garrett Corbin, PUC
 - If intent is for only renewable energy to be used by the power-to-fuel facility, the committee may want to clarify this
 - If the facility is to only make use of renewable generation that would otherwise be curtailed or not generated, the committee may want to expressly state this;
 - The committee may want to clarify whether there needs to be a direct connection between the renewable generator and the power-to-fuel facility;
 - The committee may want to evaluate whether a total exemption for 15 years from all distribution charges regulated by the commission is necessary for the development of a project – the committee may want to consider an approach whereby the utility negotiates a special rate contract;
 - The exemption from charges associated with the procurement of energy efficiency resources by T&D utilities may not be necessary since the bill already exempts all T&D charges regulated by the commission.
 - Steve Zuretti, Brookfield Renewable
 - The committee may want to consider whether the 10 MW project limit is appropriate or should be reduced;
 - A pilot program should include defined metrics to assist the commission in determining the viability of the program and guide proper selection.
 - The committee should consider whether providing an exemption from distribution charges to a specific technology would be choosing technological winners and

losers.

- Versant Power
 - The committee will need to weigh the potential benefits of these projects receiving a 15 year exemption from distribution charges against the fact that such an exemption means those costs would be spread among other ratepayers.

Fiscal Impact

- A preliminary fiscal impact statement has not yet been issued – the committee amendment to LD 2017 last session had a fiscal note due to minor cost increases -other special revenue. Those costs were likely to be able to be absorbed within existing budgeted resources.

Committee: EUT
LA: DS
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New Title?: N
Add Emergency?: N
Date: February 23, 2021

Proposed Amendment (Senator Lawrence) to LD 9, An Act To Promote Renewable Energy by Authorizing a Power-to- fuel Pilot Program

Amend section 1, paragraph C of the bill as follows:

C. "Renewable energy" means electricity generated from a renewable resources, or renewable capacity resource including, but not limited to, wind, solar and tidal power.

Replace section 1, paragraph D of the bill with the following:

D. "Renewable capacity resource" has the same meaning as in section 3210, subsection 2, paragraph B-3.

Insert in section 1 of the bill, paragraphs E-G as follows:

E. "Renewable energy credit" has the same meaning as in section 3210, subsection 2, paragraph B-2.

F. Renewable resource" has the same meaning as in section 3210, subsection 2, paragraph C.

G. "Thermal renewable energy credit" has the same meaning as in section 3210, subsection 2, paragraph E.

Replace section 2 of the bill as follows:

2. Power-to-fuel pilot program; criteria. Beginning January 15, 2022, and annually thereafter, the commission shall conduct a competitive solicitation for power-to-fuel projects under this section over a period of not more than 2 months unless the commission determines additional time is needed to facilitate the solicitation process. The commission shall continue to annually conduct such a competitive solicitation until 2 power-to-fuel projects have been approved or until January 14, 2028, whichever is sooner. In implementing a power-to-fuel pilot program under this section, the commission shall:

A. Limit the capacity of a power-to-fuel project's peak electricity demand to 10 megawatts;

B. Prioritize power-to-fuel projects with lower greenhouse gas emissions or which advance the viability of technology to reduce greenhouse gas emissions;

C. Prohibit the purchase or sale of thermal renewable energy credits in relation to fuel produced by a power-to-fuel project;

D. Authorize a power-to-fuel project only if the commission finds it is in the public interest and is reasonably likely to create only insignificant new costs for gas or electric ratepayers;

E. Require that a power-to-fuel project demonstrate site control;

F. Require that the sponsor of a power-to-fuel project demonstrate technical and financial capacity to construct, operate and decommission the project;

G. Select a power-to-fuel project only if it is located in the service territory of an investor-owned transmission and distribution utility;

H. Require that a power-to-fuel project pay all interconnection costs; and

I. Require that a power-to-fuel project acquire and retire renewable energy credits equivalent to the amount of electricity consumed by the project facility.

Amend section 3 of the bill, lines 30-32 as follows:

The exemptions provided under this subsection begin on the date of operation of a power to-fuel project and end 15 years after that date, except that the commission may approve continuation of the exemptions beyond 15 years on the basis of project need upon a finding that such continuation is in the public interest.

SUMMARY

This amendment does the following:

1. It clarifies the definition of renewable of energy to include electricity generated from a renewable capacity resource;
2. It clarifies the process the Public Utilities Commission must utilize in order to select a power-to-fuel project under the power-to-fuel pilot program;
3. It adds additional requirements for a power-to fuel project including requiring that the project is in the public interest and is reasonably likely to create only insignificant new costs for gas or electric ratepayers; that the project demonstrate site control; that the project sponsor demonstrate technical and financial capacity to construct, operate and decommission the project; that the project pay all interconnection costs; and that the project acquire and retire renewable energy credits equivalent to the amount of electricity consumed by the facility; and only allow the commission to select a project if it is located in the service territory of an investor-owned transmission and distribution utility; and
4. It allows exemption for sales of electricity to a power-to-fuel project to be extended beyond 15 years if the commission finds an extension is in the public interest.

