

## OFFICE OF POLICY AND LEGAL ANALYSIS

Date: March 1, 2022  
 To: Joint Standing Committee on Energy, Utilities and Technology  
 From: Lindsay J. Laxon, Legislative Analyst  
 Re: **LD 1202 An Act To Establish a Wood-fired Combined Heat and Power Program**

Public Hearing: April 15, 2021

**BILL SUMMARY**

The bill establishes the wood-fired combined heat and power (CHP) program to be administered by the PUC. This program is established to encourage the development of CHP projects, which are facilities that generate electric heat and power used for industrial or space heating purposes using wood residue from wood product manufacturing or other biomass derived from trees or other woody plants grown or processed domestically.

- To participate in the program: participants are subject to limits on net generating capacity (between 3-10 MW, inclusive), must be connected to the electrical grid, and have an in-service date after 10/01/21.
- The program, in total, may not exceed 50 MW; however, this amount may be modified by the PUC based on program experience.
- CHP projects are subject to any otherwise applicable regulatory reviews, and this bill does not limit the authority the state to use public resources in CHP programs.

**Long Term Contracts**

- The bill allows the PUC to direct investor owned T&D utilities to enter into long term contracts, not to exceed 20 years, with CHP program participants for energy, capacity resources, or renewable energy credits.
  - Consumer owned T&Ds may elect to enter into long term contracts with CHP program participants.
  - Energy, capacity resources, or renewable energy credits contracted through long term contracts with CHP programs may be sold into the wholesale market in conjunction with solicitations for standard offer supply bids or solicitations for green power offer bids. The PUC is required to develop procedures for long term contracts for T&D utilities having the same legal and financial effect as the procedures used for standard-offer service.
  - The PUC shall establish a contract price for all CHP project contracts entered into by T&D utilities that may not exceed the tariff rate for commercial and institutional NEB projects in the year the contract price is established plus annual cost escalators adopted by the commission.
  - PUC shall ensure that costs and benefits for IOT&D are allocated to electricity consumers in accordance with 3210-F.
  - Contracts for capacity and related energy must provide that payments are made after the energy has been provided and the PUC is required to ensure that ratepayer protections are put into place.
  - The PUC is required to adopt rules to implement the chapter (routine technical).

**Tracking and Reporting**

- The PUC shall develop a system to track CHP projects and shall provide a biennial report to the committee including the progress of CHP project development, an assessment of the

program with respect to encouraging sustainable development of CHP projects in Maine, and recommendations to improve the program. The first report is due by 01/01/22.

### **Standard Offer**

The bill also allows the PUC to incorporate energy generated by CHP projects into the supply of the standard offer, and it requires the PUC to encourage Maine based entities to participate as a standard offer provider if they are not already.

### **Electricity for State Buildings**

The bill also allows the State, in purchasing electricity supplied by renewable resources, to give preference to electricity generated by CHP projects, as the state is already allowed to do for electricity generated by community-based renewable energy projects.

## **LIST OF PEOPLE THAT SUBMITTED WRITTEN TESTIMONY AND/OR SPOKE AT THE PUBLIC HEARING**

- Proponents:** Representative Wadsworth (sponsor), Representative Zeigler (cosponsor), Dana Doran (Professional Logging Contractors of Maine), Anthony Hourihan (Irving Woodlands and Irving Forest Products), James Robbins (Robbins Lumber Inc. and Georges River Energy), Patrick Strauch (Maine Forest Products Council), Melissa Winne (GEO), Eric Kingsley (Innovative Natural Resource Solutions LLC), Charlotte Mace (DECD), Kevin Hynes (Hancock Lumber), Christopher Nichols (Aroostook Energy Association), Don Tardie (Ashland Area Economic Development Corporation)
- Opponents:** Tony Buxton (IECG), Steven Hudson (IECG), Ernest Grolimund (Resident)
- NFNA:** Garrett Corbin (PUC), Barry Hobbins (Public Advocate)

### **NOTES/ISSUES FROM TESTIMONY**

- Suggestions to include requirement that CHP facility be highly-efficient, incorporate a greenhouse gas reduction requirement, and lower the program limit (currently 50MW)
- Suggestion to refine the definition of wood fuel
- Concern about costs associated with long term contracts and question of whether long term contract rates set by the commission must be at market rates or above market rates.
- PUC stated that it would “likely refrain from interfering in the competitive wholesale market for purposes of procuring standard offer service.”

### **ISSUES FOR CONSIDERATION**

- The committee may wish to update the dates in the bill:
  - In-service date after 10/01/21
  - Reporting date of before 01/15/22

### **INFORMATION REQUESTS**

- Representative Berry requested information regarding up-front versus ongoing fuel costs associated with CHP facilities between 3-10 MW (Professional Logging Contractors of Maine)

- Representative Foster requested a comparison of CHP to solar or wind with respect to land area requirements for 3-5MW of generation. (Maine Forest Products Council)
- Representative Foster noted the suggestion of a requirement for “highly efficient” facilities and requested a proposed definition and clarification of whether GEO recommends that it apply to energy generation or the whole process. (Governor’s Energy Office)
- Representative Grohoski requested information regarding alternative definitions of “wood fuel” from the Climate Council and others (Governor’s Energy Office)
- Representative Berry requested information regarding biomass classification with respect to carbon emissions for Maine and other states (Governor’s Energy Office)

**FISCAL IMPACT**

- Preliminary fiscal impact statement not yet received