



STATE OF MAINE
PUBLIC UTILITIES COMMISSION

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Testimony Neither For Nor Against

**LD 1202 – An Act To Establish a Wood-fired Combined Heat and Power
Program**

April 15, 2021

Senator Lawrence, Representative Berry, honorable members of the Committee on Energy, Utilities, and Technology, the Public Utilities Commission (Commission) testifies neither for nor against LD 1202, *An Act To Establish a Wood-fired Combined Heat and Power Program*. This Act establishes a combined heat and power program that would be administered by the Public Utilities Commission.

The proposed limit for participation in the program is 50 megawatts of net generating capacity across all projects, and each individual project would be required to fall within a range between 3 and 10 megawatts of net generating capacity. The Act also authorizes the Commission to direct investor-owned transmission and distribution utilities to enter into long-term contracts not to exceed 20 years in duration or the tariff rate established by the Commission for commercial and institutional net energy billing projects in price, as determined by the year the contract price is established, plus annual cost escalators adopted by the Commission. Consumer-owned transmission and distribution utilities would be voluntary, and the Commission is charged with establishing mechanisms that protect ratepayers while the contracts are in place. The Commission would also be required to report biennially to your Committee regarding the implementation and effectiveness of the program and development of combined heat and power program projects in Maine. The Commission would also be authorized to prioritize electricity generated by combined heat and power projects when purchasing electricity for the State, and to incorporate energy generated by combined heat and power projects into the supply of standard-offer service.

Section 2

Section 2 of the Act states that the Commission may incorporate energy generated by combined heat and power (CHP) projects into the supply of standard offer service. The same provision also mandates that the Commission encourage Maine-based entities that are not otherwise a standard-offer service provider to participate in supplying energy from CHP and power projects.

The Commission notes that its periodic solicitations for standard offer service are extremely competitive and are provided by sophisticated entities that participate in the wholesale electricity markets to provide competitive standard offer bids at the lowest level possible. In the Commission's view, standard offer bidders would likely consider adding CHP as an additional risk to their bid. Normally, adding risk to a procurement increases costs and therefore may increase the standard offer price. Although the provision is permissive, the Commission would likely refrain from interfering in the competitive wholesale market for purposes of procuring standard offer service.

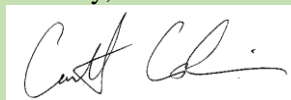
Section 3 of the Act

Section 3 of the Act creates a new wood-fired CHP promotional program through long-term contracts with transmission and distribution (T&D) utilities. To participate in the program, the CHP facility may not be less than 3 MW or more than 10 MW, and the total capacity of all program participants is limited to 50 MW. The Act provides little guidance regarding the implementation of the Act. For example, rather than directing a competitive procurement to minimize ratepayer costs, the Act seems to contemplate that the Commission would administratively establish prices that would be the same for each project. The Act does not specify that such contracts be at market rates or that above-market contracts are contemplated; with such above market costs to be funded by the utility's ratepayers. The only restriction contained in the Act is that the contract prices may not exceed the tariff rate for net energy billing projects. These tariff rates are significantly above market rates.

The Committee may want to consider amending the bill to provide specific guidance on the application of the CHP program to ensure that any above market costs impacts to ratepayers are minimized.

The Commission welcomes any questions and will be present for the work session.

Sincerely,



Garrett Corbin
Legislative Liaison

cc: Energy, Utilities, and Technology Committee Members
Deirdre Schneider and Daniel Tartakoff, Legislative Analysts