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TESTIMONY BEFORE THE ENERGY, UTILITIES AND TECHNOLOGY COMMITTEE

An Act To Establish a Wood-fired Combined Heat and Power Program
L.D. 1202

GOVERNOR'S ENERGY OFFICE
April 15, 2021

Senator Lawrence, Representative Berry, and Members of the Joint Standing Committee on Energy, Utilities and Technology (EUT): My name is Melissa Winne and I am the Energy Policy Analyst for the Governor's Energy Office (GEO).

The GEO testifies in general support of the concept of L.D. 1202.

Combined heat and power (CHP), sometimes referred to as cogeneration, is the production of both electricity and thermal energy, at the same location of the energy consumption. Where typically the heat produced by electricity generation is lost to the air, CHP facilities utilize the heat byproduct for on-site activities, resulting in increased overall efficiency. The captured heat from electricity generation can be used to provide steam or hot water for use in space heating and cooling, water heating, and industrial processes. CHP avoids energy waste, reducing the need for additional energy consumption to accomplish heating and industrial processes.

The proposed legislation establishes a combined heat and power program for 50 MW of net generating capacity, administered by the Public Utilities Commission (PUC) to encourage CHP projects that use wood fuel. Investor-owned transmission and distribution utilities would be authorized to enter into long-term contracts, and consumer-owned utilities would have the option to also enter into long-term contracts. Additionally, it would authorize the State to give preference to electricity generated by CHP projects when purchasing electricity for the State, as well as authorizing the PUC to incorporate energy generated by CHP projects into the supply of standard-offer service. The PUC would be required to report biennially regarding the implementation and effectiveness of the CHP program and overall development of CHP projects in the State.

In December 2020, the Maine Climate Council released the four-year climate action plan, *Maine Won't Wait.*[1] There are at least two recommendations that include the utilization of combined heat and power. The first is recommendation 3 to "Accelerate Emissions Reductions of Industrial Uses and Processes." Within this recommendation there is recognition that achieving deep emissions reductions in the industrial sector would require significant shifts away from fossil fuels. One example of an opportunity that can be cost-effective and reduce emissions is increasing efficiencies through combined heat and power (CHP) technologies. Additionally, and even more directly related to CHP, recommendation 4 to

[1] https://www.maine.gov/future/sites/maine.gov.future/files/inline-files/MaineWontWait_December2020.pdf

"Encourage Highly Efficient Combined Heat and Power Facilities" includes the strategy to "analyze policies, including the potential for long-term contracts, needed to advance new highly efficient combined heat and power production facilities that achieve significant net greenhouse gas (GHG) reductions." This recommendation specifically mentions that in particular for sawmills and paper mills that produce wood chips, sawdust, and residuals during their manufacturing process, the best option for that material may be a highly-efficient combined heat and power production facility.

The GEO is supportive of considering CHP production facilities and encouraging their development through a combined heat and power program administered by the PUC. However, the GEO has a number of areas for further discussion that we would like to be considered.

- **Require Facilities to be Highly-Efficient:** During discussions of the Energy Working Group of the Maine Climate Council, there was general agreement that if CHP projects are supported by the state, they should be required to be 'highly-efficient.' This bill language should require any CHP facility to be highly-efficient, which could either be defined within this legislation or during the rulemaking procedure at the PUC.

- **Consider GHG Reductions:** The Energy Working Group also grappled with the idea of including a requirement related to greenhouse gas emissions. There was not agreement on exactly what the requirement language should be. One idea was to "require CHP facilities to produce fewer GHG emissions from electric, heating, and process load at the host than would have been produced by the hosts "replaced" system, including electricity sourced from the grid, over the first 10 years of operation."[2] The GEO is open to discussion regarding whether or not this is the right approach, but recommends consideration of some GHG reduction requirement for these facilities.

- **Limit Program to a Smaller MW Amount, Existing Procurements, Thermal RECs:** The GEO would like to see the program limited to a lower amount than 50 MW, with the potential for additional projects in the future. This would help to better understand the cost implications for future program development, while simultaneously supporting CHP project development and continued support of the forest products industry. Additionally, the GEO would like to better understand how this would interact with current and potential new procurements required at the PUC as well as the new thermal REC requirements.

- **Refine Definition of Wood Fuel:** The GEO would like to work with the sponsor and stakeholders to ensure that the definition of 'wood fuel' in this program is primarily for utilizing wood residue, as we believe was the intent of the proposal.

- **Standard Offer and Cost Containment:** The GEO would like to work with the project sponsor, proponents and the PUC to better understand the cost containment opportunities. The current bill suggests a ceiling price of the net energy billing tariff rate and the GEO notes that this program is actively being considered by this Committee now and may not be the right mechanism. Additionally, the GEO would like to work with the PUC to understand the potential impacts of the standard-offer requirements of the bill.

[2] https://www.maine.gov/future/sites/maine.gov.future/files/inline-files/EnergyWG_FinalStrategyRecommendations_June2020.pdf

The GEO looks forward to working with the bill sponsors and interested parties on this proposed program.

Thank you for your consideration and I welcome any questions.

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