2022 Electric Price Increase of 80% Is Partially Avoidable

Renewable Amendment Will Mitigate Electricity Costs to Mainers, the Economy, Ratepayers, Taxpayers

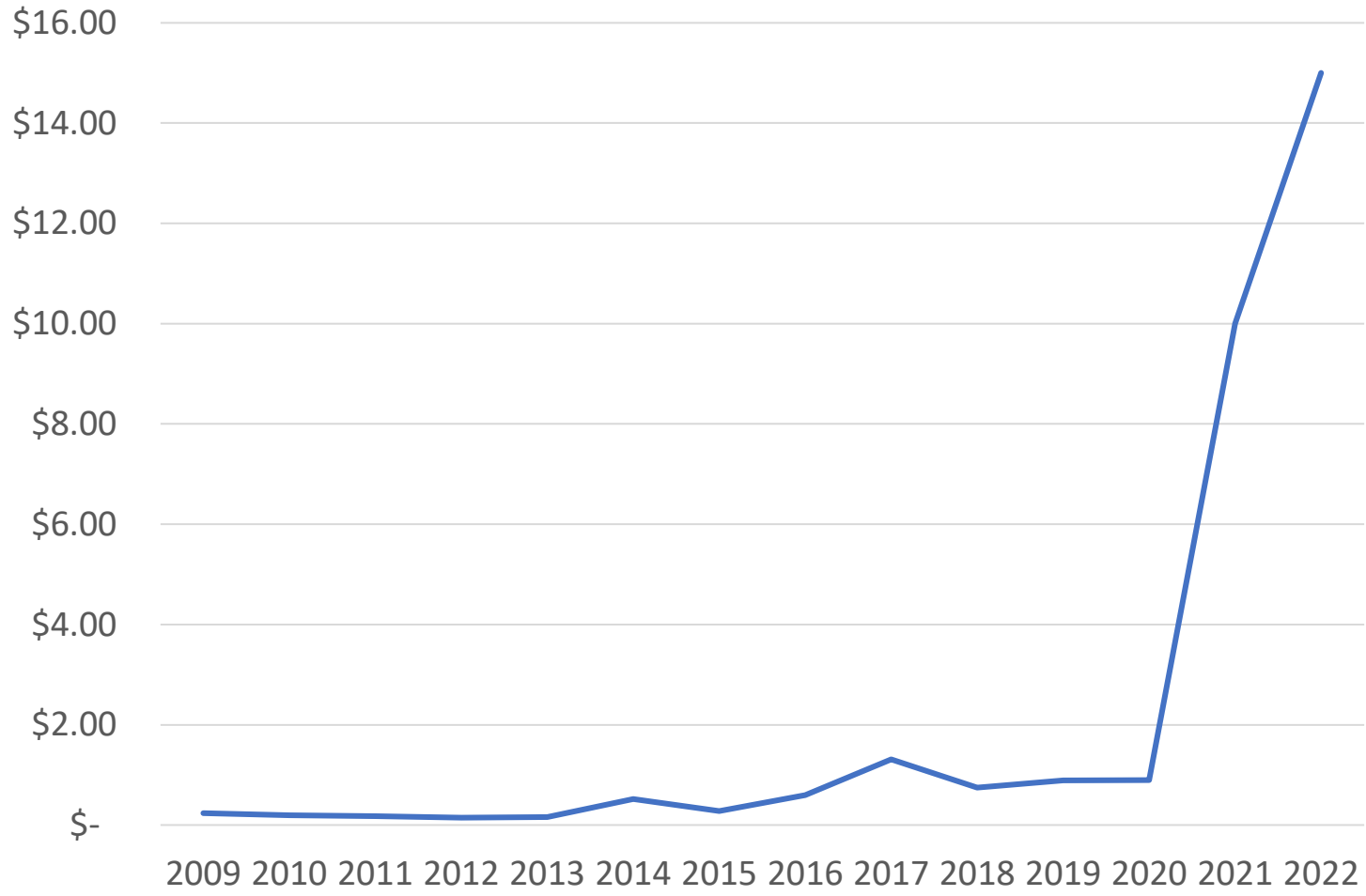
Maine Power, LLC

- MPUC's RFP Lowest Cost Provider
- Bangor Based Small Business
- 90+ Years Combined Utility Experience
- Standard Offer Supplier Starting in 2017
- Large Customer Class Only

What Happened & Why?

- 2022 Standard Offer prices almost doubled
- Standard Offer prices drive CEP prices, too
- NE natural gas price forwards basically doubled
- Renewable Energy Credit prices skyrocketed
- The only portion of these increases that the Legislature can influence is the price of RECs

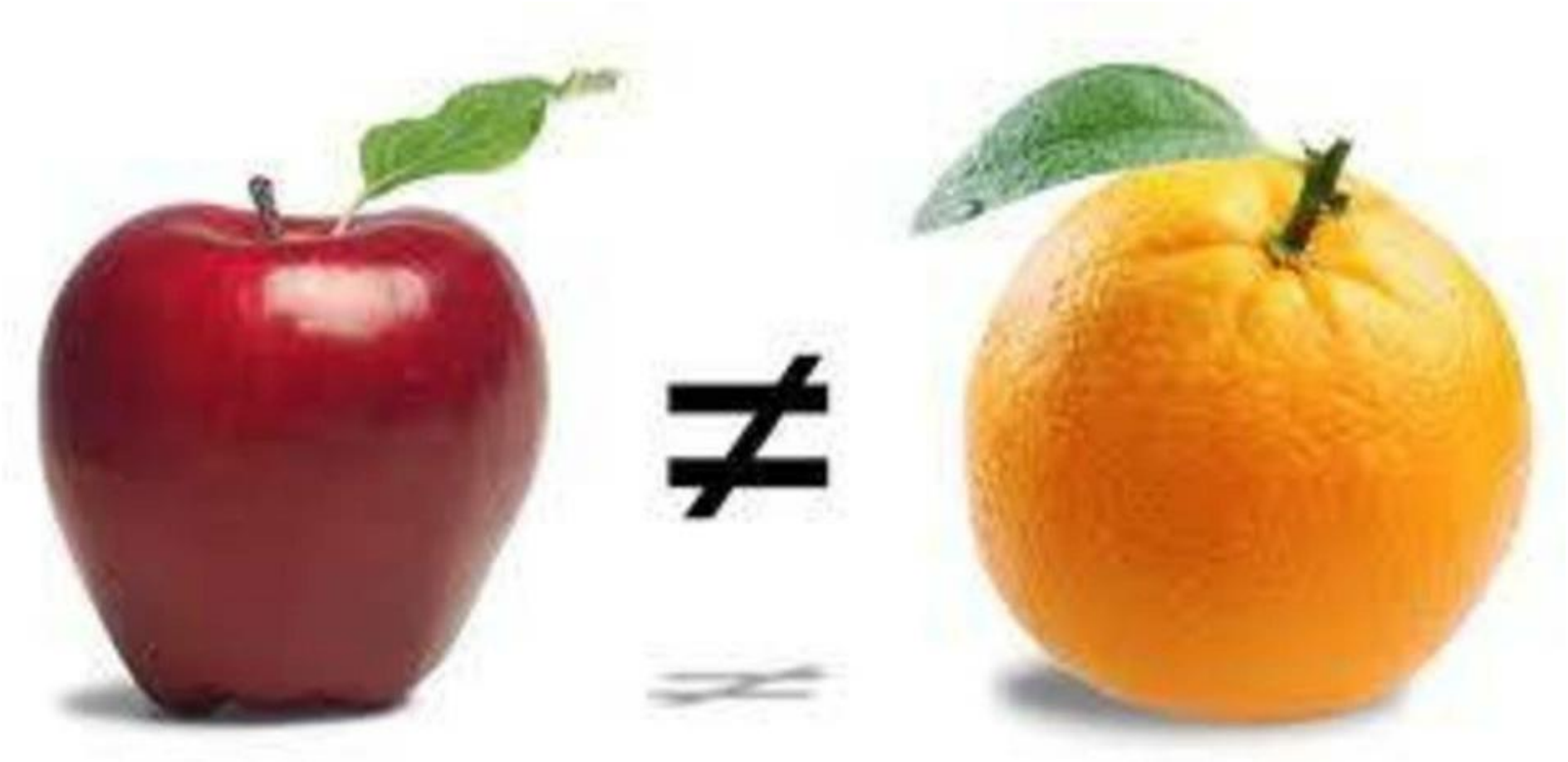
ME Class II REC Prices



Old/Existing REC Prices Increased 12x

- ME Uses roughly 10,000,000,000 kWh/year
- 10,000,000 MWh/year x 30% RPS =
- 3,000,000 RECs Required
- 2009-2020 Prices were $1/MWh = $3 million/year
- 2021 - $4/MWh = $12 million/year
- 2022 - $12/MWh = $36 million/year
- 2023? - $50/MWh = $150 million/year

New RECs are not like old RECs



New Class I/IA/IA Thermal

Old Class II

Types of Renewable Energy Certificates

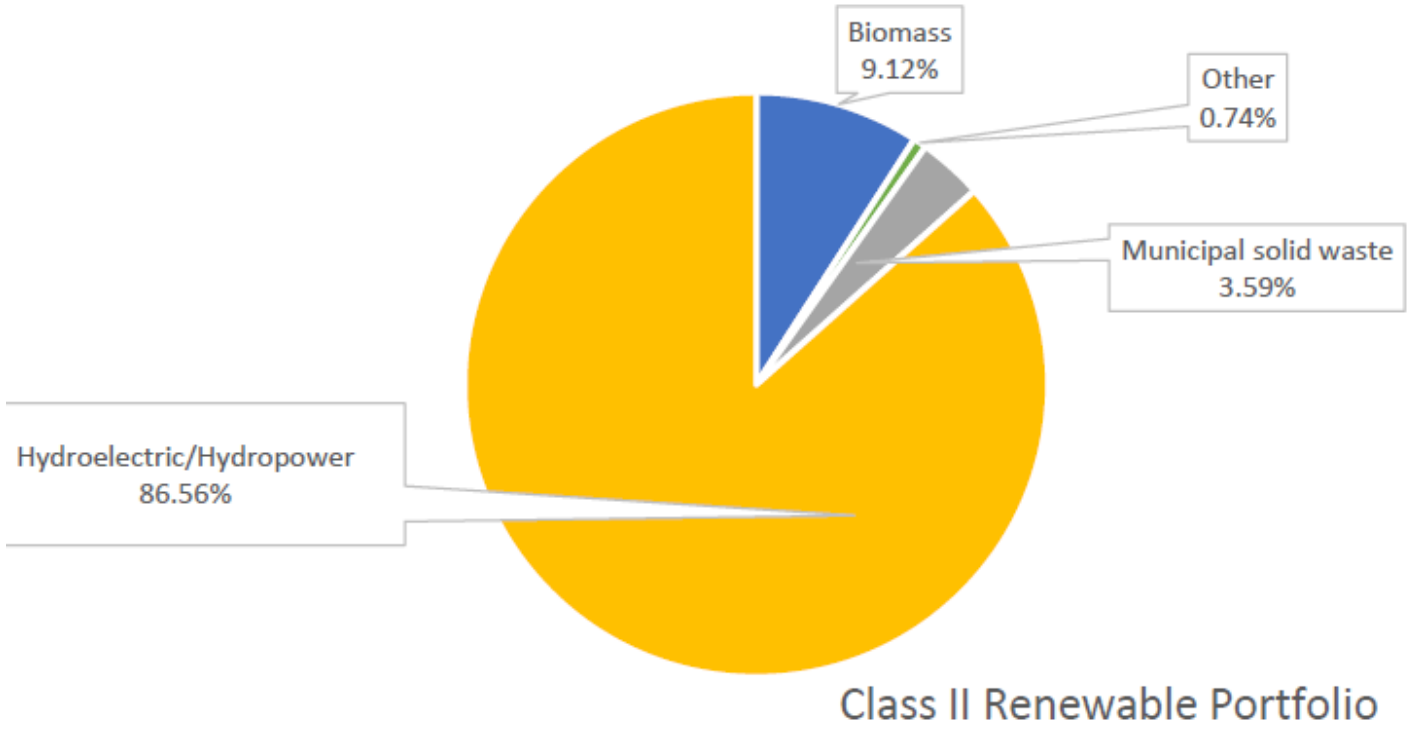
- Class I – 10% - “New, Restarted, or More Efficient” After 9/1/2006 ($50 Price Cap)
- Class IA – 8% - “New, Refurbished, or More Efficient” After 9/1/2006 ($50 Price Cap)
- Class IA Thermal – 0.8% - ME Thermal Equiv. Only, After 7/1/2019 ($25 Price Cap)
- Class II – 30% - “Old” or Existing <100 MW

  (**BUT NO PRICE CAP**)

One Problem Was:

- Class II (Old) RECs do not have a limit on price
- Supply is shrinking (conversion to I/IA, etc.)
- Demand is increasing (voluntary market, etc.)
- Shortage Resulted
- No way to increase supply

Where Did the Money Go?



How to Solve?

- Alternative Clearing Mechanism (ACM)
- Other Maine RECs have price caps
- All other NE states have price caps
- Old Renewable language inconsistent with new
- Add an ACM for Class II RECs

What is an appropriate price?

	ACP	Equivalent	Energy Burden
	$/MWh	% RPS	$/MWh
MA CES-E	$5	20%	$ 1.00
RI Existing	$74	2%	$ 1.48
CT MSW	$25	4%	$ 1.00
NH Class IV	$31	1.5%	$ 0.46
VT Tier I	$10	22%*	$ 2.20
Average			$ 1.23
Proposed	$15	30%	$ 4.50

*55% RPS but is 60% satisfied by NYPA and HQ not eligible in Maine.

Proposed Language

- Amend Section 3210 Renewable Resources

- Specifically, add a a Section 9. D.

- “The Commission shall set the alternative compliance payment rate for Class II certificates by rule, which may not be greater than $4.00, and shall publish the alternative compliance payment rate by January 31st of each year. This alternative compliance payment rate shall take effect upon enactment.”

Questions?

Jeffrey Jones
Bangor
LD 1350

Testimony of Maine Power, LLC in support of LD 1350, An Act To Expand Maine's Clean Energy Economy
PROPOSED COMMITTEE AMENDMENT - Offered by Sen. Vitelli
Before the Joint Standing Committee on Energy Utilities & Technology - March 17, 2022

Good afternoon, Senator Lawrence, Representative Berry, and members of the Energy, Utilities & Technology Committee. I am Jeff Jones and I currently run Maine Power, the Large Standard Offer Supplier for CMP and Versant's Bangor Hydro districts.
I appreciated IECG's testimony on March 15, 3021 at the EUT, particularly the comments on what would be an appropriate level for a Class II REC Alternative Compliance Price (effectively a price cap) in LD 1350. I was disappointed when the bill was tabled, maybe because of so many items in there and particularly now with high electricity prices. However, adding a Class II REC price cap is a sorely needed change immediately which will affect electricity prices and really all of Maine's economy.
We think that the appropriate price for a Class II ACP is no more than $4 or $5. The first and main reason is that the Massachusetts Clean Energy Standard – Existing (CES-E) $5 is the closest thing in the market to our requirement. Second, when adjusting for cost impacts, it is consistent with the other more-or-less comparable old RECs in New England. We agree with IECG that it should be closer to the historical price (about $1 per REC per the updated graph below). There is precedent for using historical prices to set a windfall profits limit. I'm thinking about the windfall profits tax implemented on oil back in 1980. It was based on historical prices, not prevailing prices at the time. As a matter of fact, another has just been proposed last week in Congress with a $66 per barrel historical oil price trigger.

What is an appropriate Class II ACP?

	ACP $/MWh	Equivalent Energy Burden % RPS	Equivalent Energy Burden $/MWh
MA CES-E	$5	20%	$1.00
RI Existing	$74	2%	$1.48
CT MSW	$25	4%	$1.00
NH Class IV	$31	1.50%	$0.46
VT Tier I	$10	22%*	$2.20
Average New England			$1.23
Proposed	$10	30%	$3.00
Better	$4	30%	$1.20

*55% RPS but is 60% satisfied by NYPA and HQ not eligible in Maine.

ME Class II REC Prices Graph:

(See Slide 4 of the attached slides.)

Where a $10 ACP would suggest an equivalent energy burden greater, over twice the New England average and many times historical prices, it makes sense to be no higher than the equivalent New England average, an ACP of $4.
I suggest that if it is too hard to pass all elements of LD 1350, you strip out everything else in the bill but for the Class II REC price cap and let that move ahead. More explanation is provided in the attached slides, and I would be glad to answer questions at the work session. Thank you for your attention and all of your work on these issues.
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