



April 20, 2021

The Hon. Mark Lawrence, Co-chair
The Hon. Seth Berry, Co-chair
Joint Select Committee on Energy, Utilities and Technology
State House
Augusta, Maine 04330

Re: Testimony in Support of L.D. 1350, “*An Act To Expand Maine’s Clean Energy Economy*”

Dear Senator Lawrence, Representative Berry, and members of the EUT Committee:

On behalf of Longroad Energy, I am writing to provide testimony in support of L.D. 1350, “An Act To Expand Maine’s Clean Energy Economy,” sponsored by Senator Vitelli.

Longroad develops solar and wind energy projects throughout the United States, including Weaver Wind, which in December became the most recent grid-scale wind project to begin operations in Maine. We have 15 employees based in Portland and are developing several solar projects and one wind project in the state. Longroad’s 24x7 operations center is in our Portland office, from which our team of Maine Maritime Academy graduates and U.S. military veterans operates hundreds of renewable energy power plants across the country.

L.D. 1350 Would Continue Process of Acquiring Cheap and Clean Power

In 2019, the Legislature enacted “An Act To Reform Maines Renewable Portfolio Standard”¹, also sponsored by Senator Vitelli. It directed the Public Utilities Commission (Commission) to conduct two competitive solicitations to procure, in total, an amount of energy or renewable energy certificates from Class 1A resources equal to 14% of retail electricity sales in Maine. The first solicitation concluded last September, with the Commission selecting 17 renewable energy projects for long-term contracts. The Commission is currently conducting the second solicitation, where the deadline for bids occurred last month.

The average price of wholesale power in Maine in the last 10 years has been approximately \$39 per megawatt hour (MWh).² The average starting contract price for the winning bids in last year’s procurement was approximately \$35/MWh. **Clean and affordable electricity is here.**

¹ Public Law 2019, Chapter 477

² 2011-2020 average real-time wholesale electricity price for Maine Zone, according to ISO New England

While there have been individual grid-scale renewable projects in the past that could compete in the wholesale market, the results of last year's procurement show that the ability to deliver affordable clean power from new resources is now the rule, not the exception. At this point, only the Commission knows about the response to the current solicitation, but it is fair to say that long-time observers of this market would be extremely surprised if it were anything other than a very robust competition. If the Legislature were to extend the program by passing L.D. 1350 to authorize additional solicitations, all signs point to continued competition and favorable pricing for consumers.

L.D. 1350 Is Necessary to Unlock Further Investment and Economic Opportunity

The competitive solicitation of long-term contracts for new renewable energy projects has been a very successful tool in Maine and other states in delivering on the goals of getting clean power projects built and growing the economy. The reason why the long-term contracts – also referred to as power purchase agreements (PPAs) – are needed is that financial institutions generally will not provide the financing to construct a grid-scale electricity generation facility unless there is a fixed-price contract in place to sell the electricity over a period of many years.

In many markets, including New England, this is true regardless of what type of generation facility it is, or whether it is renewable or fossil. A bank is lending against the facility's future revenue, so they need revenue to be known for many years. With renewables like solar and wind that have no variable fuel cost to operate, a developer knows at what price they can sell their electricity and renewable energy certificates for years into the future. This creates an opportunity for Maine to buy energy at a favorable price, encourage more clean power to be generated, and spur the creation of jobs and economic activity through the development, construction and operation of these projects. The procurement mechanism that would be expanded by L.D. 1350 includes specific emphasis on economic benefits to the State in both project selection and future administration of the resulting contracts.

L.D. 1350 Would Make Useful Improvements to Procurement Process

Longroad supports the provision in L.D. 1350 that would require increased consideration of project viability during the process by which the Commission selects projects. We would also support enhanced financial security requirements, which the bill would authorize the Commission to adopt. These mechanisms are important to ensure that projects selected by the Commission to receive PPAs will be completed in a timely fashion to deliver the benefits promised to Maine ratepayers and the state as a whole.

Financial security is a tool to encourage the timely completion of selected projects, by requiring the developer to post a significant amount of either cash or a letter of credit as security for non-

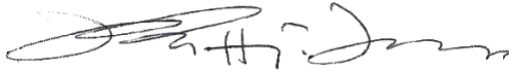
performance in achieving commercial operation for the project by a contractual deadline. In this way, the required financial security makes a developer put real money at risk as support for the developer's representations concerning the viability of the project – in other words, “to put its money where its mouth is” – and at the same time provides ratepayers some remedy if the developer fails to perform. A sufficiently sized security placed at risk at the time of contract execution can help to eliminate highly speculative projects and ensure the success of the solicitation in delivering the promised benefits without major delays.

Longroad Strongly Supports Passage of L.D. 1350

In summary, in light of the affordability of renewable power and the competitiveness of the marketplace, now is an excellent time for Maine to procure additional long-term supplies of renewable energy, as proposed by L.D. 1350. Passage of this legislation would diversify the electric supply and lessen over-reliance on natural gas, help accomplish Maine's climate and clean energy objectives, lead to major investments in renewable energy projects in Maine, and grow our economy. Longroad strongly supports L.D. 1350 and thanks Senator Vitelli for proposing it.

Thank you for the opportunity to share our views on this matter.

Sincerely,



Matthew T. Kearns
Chief Development Officer