



STATE OF MAINE
PUBLIC UTILITIES COMMISSION

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**Testimony Neither For Nor Against
LD 1634 – An Act To Create the Maine Generation Authority**

May 5, 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 [1634](#), *An Act To Create the Maine Generation Authority* (Authority). The Act would establish a state authority to finance and own renewable generation and storage projects. The Act requires that the Authority develop and own 2,000 gigawatt hours (approximately 1000 MW based on an assumed capacity factor for solar facilities) of renewable energy and 100 MW of energy storage capacity by the end of 2033. The Authority would sell its energy output and associated Renewable Energy Credits (RECs) into the regional wholesale market.

Authority Funding

The Act allows the Authority to borrow \$1 million from the Efficiency Maine Trust (EMT) to fund startup costs. The Authority is authorized to issue revenue bonds to fund its operations. These bonds are backed by Maine's electricity ratepayers.

Under the Act, the Authority's Board would determine its revenue requirements (debt payments and operating expenses) and the Commission would be required to authorize a surcharge on the bills of all electricity customers in the State to pay for the Authority's expenses. Maine's electricity ratepayers would pay for the Authority's operations regardless of the prudence of its decision-making and future wholesale market prices. Depending on the costs of the projects and market prices, the Authority could create value for ratepayers or the Authority could create significant costs for ratepayers. What is clear is that the State's ratepayers would bear all the risks of the Authority's decision making and operations.

Ratepayer Risks

The ratepayer risk in funding the Authority as specified in the Act is different from that which occurs through long-term contracts at specified prices. Such contracts, by their nature,

allocate risks among the State’s ratepayers as well as project developers. Under such contracts, the ratepayers are exposed to the risks of market price fluctuations, while the project developers bear the risk of cost overruns and operating expenses.

Moreover, as a basic economic principle, a competitive bid process is the means by which developers can recover their actual costs while minimizing the rate impact to ratepayers. The approach contained in LD 1634 is contrary to the use of competition to reduce consumer costs.

The Commission further notes that the introduction of a government agency into the competitive renewable development market may have negative consequences through actual or perceived competitive advantages to a governmental agency. This could lead to less competition from renewable resource developers for projects in Maine, potentially increasing overall costs.

Overall State Energy Policy

The Commission suggests that the Committee consider this bill in the context of the State’s overall policies regarding renewable energy development in Maine.

The Commission is in the process of conducting its second of two required solicitations for renewable generation as directed by Public Law 2019, Chapter 477, (codified into law in Title 35-A, section 3210-G). Pursuant to this legislation, the Commission is required to procure approximately 800 MWs of renewable generation. In addition, the NEB program has over 1000 MW of projects with NEB Agreements and, as of early April, an additional 1200 MW in the Central Maine Power Company and Versant Power interconnection queues as noted in the chart below.

Net Energy Billing Operational and Proposed Projects			
(As of January 31, 2021)			
	MWs		
	CMP	Versant	Total
Projects in Operation	89	15	105
Projects with NEB Agreement (but not Operational)	888	206	1,094
Projects with NEB Application Filed (but no Executed NEB Agreement)	158	61	219
Additional Projects in the Queue	945	267	1,211
Total of Operational and Proposed Projects	2,080	548	2,628

The Commission also notes that Maine’s peak load is approximately 2100 MW and Maine currently has 4,500 MW of generating capacity in the State. Much of the energy produced by these plants is in excess of Maine’s demand and thus serves load in other states in the region. Maine has a been a net exporter of power for many years. The picture is further complicated by transmission constraints, which create the potential for negative market prices and/or periodic curtailment of operations with a significant influx of new resources. Such negative pricing would increase above-market costs for ratepayers under existing long-term contracts. Given transmission constraints, it

will be important to get the timing of development right, factoring in realistic estimates of load growth and possible transmission expansion.

The Commission urges the Committee to carefully consider how the creation and operation of the Generation Authority might impact the State's long-term strategy to meet its renewable energy goals and how it fits within the broader context of Maine's energy policy.

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

Sincerely,



/s/ Philip L Bartlett II
Chair

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