REVISION ENERGY

February 6, 2024

Senator Mark Lawrence, Chair
Representative Stanley Paige Zeigler, Chair
Committee on Energy, Utilities, and Technology
100 State House Station
Augusta, Maine 04333

Re: Testimony on LD 2172, “An Act to Enhance Electric Utility Performance-based Ratemaking”

Senator Lawrence, Representative Zeigler, and members of the Energy, Utilities, and Technology Committee:

Founded right here in Maine twenty years ago, ReVision Energy is a local, employee owned, certified B Corporation with over 480 employees across our seven branches in New England, with 268 staff in Maine at our Montville and South Portland locations. Our mission is to make life better by building our just and equitable electric future. As a company with considerable interest in the current and future state of electricity transmission and distribution here in Maine, we wish to offer a few comments relevant in your consideration of LD 2172.

As you know, in our current structure, investor owned utilities (IOUs) are guaranteed a specific monetary return on their investments. Essentially, in exchange for the monopoly benefit, utilities are subject to regulation controlling their overall rates. However, in exchange for accepting that regulation, absent fraud or truly gross incompetence, they are guaranteed a specific rate of return on any dollars they invest. Utilities come before their regulators in a rate case to make the case for how much money they need to run their business and make a reasonable profit. Regulators guarantee these utilities a rate of return, typically 9% to 10%, on their infrastructure expenditures. Not surprisingly, as for-profit business, utilities respond to this incentive structure, and it drives action and investment. It is much easier for utilities to play it safe by relying on business-as-usual scenarios they know will make a profit, instead of innovating to build the grid we need to meet the challenges of today—and tomorrow. Right now, utilities are incentivized to build big; managers at IOUs literally have a fiduciary obligation to maximize shareholder returns. Under the current structure, the bigger the investment, the bigger the rate of return. This can result in misaligned incentives between the utilities and their customers, and leaves little to no value in focusing on efficiency, non-wire alternatives or even repair.

Establishing a system to reward performance instead of capital intensive infrastructure development—investments that are not always beneficial to ratepayers and/or the grid—is critical to our transition to a clean energy future. Rewarding performance aligns the utility business model with the necessary shift to a distributed clean energy grid. It allows the utility to instead be rewarded for metrics such as efficiency, customer service, and greenhouse gas emissions reductions. Understanding the critical nature of the systemic change necessary to build the grid of the future, as of 2022, more than 17 states across the country had adopted or were considering adoption of performance based ratemaking regulation. This means regulators can borrow from a growing set of documented and implemented guidelines in other jurisdictions. This policy change results in the creation of new utility of sources of revenue and therefore business opportunity. For that reason, multiple utilities across the United States have proactively convened stakeholders to collaborate on the implementation of performance based ratemaking metrics.

To achieve our clean energy future, and meet increased demand from beneficial electrification, it will be critical to redirect our IOU system to a framework where profit is driven by achievement of delivery of an affordable, reliable, clean power system. Such a framework will bring forward opportunities to increase integration low-cost renewable generation and distributed energy resources. For that reason—as a company with a mission to build our just and equitable electric future—one that can serve all populations while mitigating climate damage—we strongly support this legislation and Maine's consideration of proposing a performance based ratemaking opportunity to maintain existing infrastructure and ensure a resilient grid that delivers clean and affordable energy. Given the opportunity to realign business motive around the needs of ratepayers regarding reliability and cost control, we think this is an important effort for the state to investigate.

We appreciate your consideration of our perspective, and we invite you to reach out with any questions. Thank you.

Sincerely,

Lindsay Bourgoine
Director, Policy & Government Affairs
ReVision Energy