



STATE OF MAINE
PUBLIC UTILITIES COMMISSION

THOMAS L. WELCH
CHAIRMAN

DAVID P. LITTELL
MARK A. VANNOY
COMMISSIONERS

April 24, 2013

Honorable John J. Cleveland, Senate Chair
Honorable Barry J. Hobbins, House Chair
Energy, Utilities and Technology Committee
115 State House Station
Augusta, Maine 04333

Re: LD 1085, An Act To Establish the Renewable Energy Feed-in Tariff

Dear Senator Cleveland and Representative Hobbins:

The Public Utilities Commission (Commission) testifies neither for nor against LD 1085, An Act To Establish the Renewable Energy Feed-in Tariff. This bill would establish a comprehensive Commission-administered feed-in-tariff program. A feed-in-tariff is essentially a pre-established above-market long-term contract price for which utilities are required to purchase the electricity output of small renewable facilities.

Community-Based Renewable Energy Pilot Program

A feed-in-tariff bill similar to LD 1805 was introduced during the 2009 legislative session. That bill, combined with other proposed legislation, resulted in the enactment of An Act To Establish the Community-based Renewable Energy Pilot Program (Act).¹ The Act established a pilot program to encourage the development of community-based renewable energy projects.² Generally, the Act provides incentives in the form of above-market long-term contracts with utilities or a 150% renewable energy credit (REC) multiplier for renewable energy projects that are below 10 MW. The long-term contract rate is capped at 10 cents/kWh and the program is limited to a total of 50 MW of eligible generation. Pursuant to the Act, the pilot program will terminate on December 15, 2015. For a more detailed discussion of the Community-based Renewable Energy Program, please refer to the Commission's report on the program that was submitted to the Committee on January 15, 2013.

¹ P.L. 2009, Ch. 329.

² 35-A M.R.S. §§ 3601-3609.

Because of the availability to obtain above-market long-term contracts with utilities, the Community-based Renewable Energy Program is essentially a feed-in tariff program. Accordingly, the Committee may want to wait until the current pilot project has concluded and has been evaluate before it considers an alternative feed-in-tariff program.

LD 1085

LD 1085 would enact a comprehensive feed-in-tariff program to be administered by the Commission for renewable technologies of up to 500 kW. The legislation would require the Commission to conduct proceedings to establish a long-term contract price for each of the renewable technologies listed in the bill based on each technology’s actual cost of production. This would involve a substantial amount of effort that, would in effect, be similar to a utility rate case for each applicable technology.

The prices for long-term contracts under this process can be expected to be significantly above wholesale market prices and thus the program essentially represents a renewable resource incentive subsidy that is ultimately paid for by the general body of ratepayers. The Commission notes that the bill contains no limits on the total amount of generation that could qualify or on the resulting amount of ratepayer subsidy. The bill would also require the Commission to establish a long-term contract price premium above the cost of production based on specified economic development criteria.

In particular, the bill would require the Commission to establish standards for the interconnection of small renewable electric generators to the distribution systems of transmission and distribution (T&D) utilities;³ adopt standard contracts for each technology; establish contract rates, charges, surcharges and incentives for each technology; and establish a periodic program review process. The decision to enact a feed-in-tariff program as contemplated by LD 1085 is a fundamental energy policy decision for Legislative consideration. The Commission notes, however, that LD 1085 would involve the devotion of a substantial amount of Commission resources.

The Commission looks forward to working with the Committee on LD 1085 and I would be happy to respond to any questions the Committee has at this time. The Commission will also be present at the work session to assist the Committee in its consideration of this bill.

Sincerely,



Paulina McCarter Collins, Esq.
Legislative Liaison

cc: Energy, Utilities and Technology Committee Members
Jean Guzzetti, Legislative Analyst

³ The Commission notes that it has already established detailed rules for small generator interconnections to a utility’s distribution system—Chapter 324 of the Commission’s rules.