



State of Maine
Office of the Public Advocate
112 State House Station, Augusta, Maine 04333-0112
(207) 624-3687 (voice) 711 (TTY) www.Maine.gov/meopa

Janet T. Mills
GOVERNOR

Barry J. Hobbins
PUBLIC ADVOCATE

March 19, 2019

Chairman Lawrence, Chairman Berry and Members of the Energy, Utilities and Technology Committee,

The Office of the Public Advocate (“OPA”) testifies neither for nor against LD 1027 “An Act To Eliminate the 100-megawatt Limit on Hydroelectric Generators under the Renewable Resources Laws” which removes the 100-megawatt capacity limit for a hydroelectric generator that meets all state and federal fish passage requirements applicable to generators to qualify as a renewable capacity resource and for a hydroelectric generator to qualify as a renewable resource for the purpose of meeting the State's renewable resource portfolio requirement.

For those of you who may not be aware LD 1027 is the resurrection of LD 532 which was heard in the 128th Legislature which was the resurrection of LD 132 which was heard in the 127th Legislature. I was the House Chair when the prior Public Advocate testified in support of LD 132 and he also later testified in support of LD 532. After many prior attempts the OPA believes the 100-megawatt figure should be reviewed and reassessed.

A renewable resource portfolio requirement has two primary purposes. It offers a way for a state to “keep score” about where its electricity comes from, and ensure that it is meeting identified renewable energy goals and promotes development of renewable resources by providing a premium over electricity wholesale market prices for resources that might not otherwise be developed or operated based on wholesale market pricing alone.

A renewable portfolio standard (“RPS”) does both by mandating that a certain percentage of a retail electricity provider's load comes from renewable resources. This creates demand for renewable energy that is satisfied through tradable renewable energy credits (RECs) created for each MWh of renewable energy production. Suppliers purchase enough RECs to meet their statutory obligation. The market for these RECs functions to meet this legislatively created demand at the lowest cost, so that the price of the REC reflects the premium associated with renewable energy. Electricity suppliers pass the cost of purchasing RECs on to their customers, who pay through the supply portion of their bills.

Maine has two renewable portfolio standards, one for renewable resources constructed since September 1, 2005 (Class I), and one for resources constructed prior to that date (Class II). Together, these two requirements now require that 40% of Maine’s energy supply comes from renewable resources. This bill broadens the category of renewable resources that “count” for score-keeping purposes of Maine’s Class I renewable portfolio requirement to include hydro-electric resources greater than 100 MW (the current standard excludes such resources). The question of what should count is a policy question for the Legislature, on which the OPA takes no position.

If this bill were to be enacted it is virtually certain to lower electricity costs for Maine ratepayers. The OPA does support this aspect. The price of Maine renewable energy credits, and thus the overall cost of the renewable portfolio standard is set by supply and demand. Demand, in this case is set by the percentage of Maine’s load which must be met by new renewable capacity resources. Supply is determined by the number of facilities that meet the eligibility requirements. The bill would increase the supply of renewable energy credits by expanding the eligibility requirements to include hydro facilities greater than 100 MW. We can reasonably expect that the result of this increase in supply will be a decrease in the cost of Maine Class I RECs, and in the

overall cost of compliance with the Class I Renewable Portfolio Standard, possibly to near zero.

The example of the Maine Class II renewable standard is instructive here. Supply of Class II renewable resources exceeds the demand (30%) established by statute, so the average price of a Class II REC for the 2011 compliance year was \$0.18 per MWh, for a total cost of \$627,094. Increasing supply by the change in definition proposed in this bill is likely to have a similar impact on the price of Maine Class I RECs.

Maine's RPS does a poor job of achieving the second goal of an RPS: it is largely irrelevant to the construction of new renewable energy generation in Maine. This is true for the hydro facilities that would be added to the RPS under the bill: they have been and will be built regardless of what Maine elects to do with its Class I RPS Standard. Because of decisions both inside and outside of Maine, the price of Maine's Class I RECs has dropped sharply compared to neighbor states, though they rebounded in 2016.

Because of this volatility, Maine Class I RECs do not provide a predictable revenue stream that can be used to finance the substantial up-front investment associated with new renewable generation. This is a general weakness of RPS's in restructured markets: even states with comparatively high REC prices such as Massachusetts, Connecticut and Rhode Island have concluded that long term contracts are a more cost-effective way to meet their renewables and carbon emission goals. Reducing the overall cost of compliance by expanding supply would more closely align the cost of the program with the benefits received by ratepayers. The cost of the Maine Class I Renewable Portfolio Standard for the 2014 compliance year was more than \$6.9 million, a number that is likely to rise significantly as prices have rebounded.

It might be that Maine's RPS is intended to achieve third purpose, other than the two described above. While the Maine RPS has not incented the construction of new renewables, it has provided consistent revenue to Maine biomass producers, and by extension served to support Maine's forest products industry.

Let me reiterate a few points as a general overview of this bill as the OPA sees it:

If enacted this bill is virtually certain to lower electricity costs for Maine ratepayers;

The proposed changes would increase the supply of Maine Class I Renewable Energy Credits by allowing large scale hydro from outside New England to qualify, which would decrease the overall cost of meeting the Class I Renewable Portfolio Standard (RPS);

Maine's RPS does not incentivize the construction of renewable generation in Maine or New England. Reducing the overall cost of compliance by expanding supply would more closely align the cost of the program with the benefits received by ratepayers; and

Maine RPS does provide a meaningful revenue stream for Maine-based biomass generators.

Thank you for your time, attention and consideration of this testimony. The Office of the Public Advocate looks forward to working with the Committee on LD 1027, and will be present at the work session to assist the Committee in its consideration of this bill.

Respectfully submitted,



Barry J. Hobbins
Public Advocate