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Date: (Filing No. S-)

ENERGY, UTILITIES AND TECHNOLOGY

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**STATE OF MAINE
SENATE
128TH LEGISLATURE
SECOND REGULAR SESSION**

COMMITTEE AMENDMENT “ ” to S.P. 726, L.D. 1896, Bill, “An Act To Improve Efficiency through Electric Rate Design and Advanced Technology”

Amend the bill by striking out the title and substituting the following:

'An Act To Create an Electric Rate Design To Lower Maine's Energy Costs and Carbon Dioxide Emissions'

Amend the bill by striking out everything after the enacting clause and before the summary and inserting the following:

'Sec. 1. 35-A MRSA §3152, sub-§1, as amended by PL 2013, c. 369, Pt. F, §§2 to 4, is further amended to read:

1. Increased efficiency. The Legislature declares and finds that improvements in transmission and distribution utility rate design and related regulatory programs have great potential for reducing the cost of electric utility services to consumers, for encouraging energy conservation and efficient use of existing facilities and for minimizing the need for expensive new electric transmission capacity. It is the purpose of this chapter to:

A. Require the commission to relate transmission and distribution rates more closely to the costs of providing transmission and distribution service, including consideration of fixed customer charges to the extent practicable and economically efficient;

C. Require the commission to consider the ability of low-income residential customers to pay in full for electric services as transmission and distribution rates are redesigned consistent with these policies; and

D. Require the commission to set rates, including transmission and distribution rates that vary by time of day and season and by other relevant cost drivers, to the extent practicable to achieve economic efficiency.

Sec. 2. 35-A MRSA §3153-A, sub-§1, as corrected by RR 2009, c. 2, §103, is amended to read:

COMMITTEE AMENDMENT

1 **1. Proposals and programs developed.** The commission, ~~as it determines~~
2 ~~appropriate, shall~~ may order investor-owned transmission and distribution utilities to
3 develop and submit specific rate design proposals and related programs for implementing
4 ~~energy conservation and energy efficiency techniques and innovations, either in~~
5 ~~conjunction with or independent of any rate-making proceeding pending before the~~
6 ~~commission.~~ The proposals, as the commission determines, must be designed to
7 ~~encourage energy conservation, minimize the need for new transmission and distribution~~
8 ~~capacity, minimize costs of transmission and distribution service to consumers~~ improve
9 equity among customers, minimize transmission and distribution rates ~~over the long term~~
10 ~~or short term~~ and take into account the needs of low-income customers. ~~In approving a~~
11 ~~proposal under this section, the commission shall give equivalent consideration to the~~
12 ~~goals of minimizing costs and minimizing transmission and distribution rates to~~
13 ~~consumers.~~ Proposals must include, but are not limited to, proposals that provide for the
14 development and implementation of:

15 A. ~~Load management techniques;~~

16 B. Rates that reflect marginal costs of services at different voltages, times of day ~~or,~~
17 seasons of the year or other relevant cost drivers, including short-run and long-run
18 marginal costs associated with the construction of new transmission and distribution
19 facilities;

20 D. Rates or other regulatory policies that ~~encourage~~ maintain transmission and
21 distribution utility system reliability;

22 E. Transmission and distribution utility financing or subsidization of capital
23 improvements undertaken by ratepayers to ~~conserve~~ optimize electricity used usage
24 by the ratepayers in the future. This paragraph applies to future programs for utility
25 financing of energy conservation or load management as long as the goal of such
26 programs is to economically defer or eliminate the need for transmission and
27 distribution plant upgrades. In addition to programs undertaken pursuant to this
28 paragraph, programs may be undertaken pursuant to section 10110 to achieve goals
29 other than that identified in this paragraph;

30 F. ~~As defined by the commission by rule, cost-effective conversions of electric space~~
31 ~~heat systems to systems relying on other fuels and other techniques for enabling~~
32 ~~homeowners and tenants to replace on-peak, winter period electric usage with less~~
33 ~~expensive sources of heat;~~

34 G. Rates or bill payment assistance programs for residential customers who have
35 been certified eligible for state or federal fuel assistance that take into account the
36 difficulty these customers have paying in full for electric service or that target
37 assistance to these customers in the most efficient manner, taking into account the
38 necessity of maintaining electric service; and

39 H. Rates or programs that ~~allow~~ encourage incremental use or maintenance of
40 existing use when those rates uses serve to minimize rate levels for all transmission
41 and distribution customers. In approving any proposal for rates or programs that
42 ~~allow~~ encourage incremental use or maintenance of existing use, the commission
43 shall seek to ensure that rates for all customer classes will be lower than they would
44 have been had the commission not approved the proposal.

1 **Sec. 3. 35-A MRSA §3154, sub-§1**, as amended by PL 1999, c. 398, Pt. A, §59
2 and affected by §§104 and 105, is further amended to read:

3 **1. Rate design and conservation improvements.** The commission shall mandate,
4 after notice and hearing on the proposed schedule, a scheduled phasing-in of the
5 improvements in transmission and distribution utility rate design and related regulatory
6 programs submitted and approved under section 3153-A and is authorized to order
7 utilities to implement transmission and distribution utility rate design improvements
8 approved by the commission ~~on a temporary, pilot and experimental basis~~, affecting
9 either a portion or all of any class of consumers of any utility as the commission may
10 determine is appropriate to carry out the purposes of this subchapter, and order other
11 energy conservation techniques, programs and innovations relating to transmission and
12 distribution utility service that, in the commission's judgment, are practicable, just and
13 reasonably related to fulfilling the purposes of this chapter. In ordering any rate design
14 improvements or any other programs for implementing energy ~~conservation~~ efficiency
15 techniques and innovations referred to in section 3153-A, the commission shall consider
16 rate design stability and shall ensure the revenue requirements of the utility.

17 **Sec. 4. 35-A MRSA §3209, sub-§5** is enacted to read:

18 **5. Supply rates.** To the extent cost effective and practicable, the commission shall
19 implement policies and practices to encourage competitive electricity providers to offer
20 residential and commercial customers electricity supply pricing reflective of real-time
21 market price variations.

22 **Sec. 5. 35-A MRSA §10110, sub-§10**, as amended by PL 2013, c. 369, Pt. A,
23 §24, is further amended to read:

24 **10. Funds held in trust.** All funds collected from electricity consumers pursuant to
25 this section are collected under the authority and for the purposes of this section and are
26 deemed to be held in trust for the purposes of benefiting electricity consumers. In the
27 event funds are not expended or contracted for expenditure within 2 years of being
28 collected from consumers, the commission shall ensure that the value of those funds is
29 returned to consumers, except that funds targeted for low-income residential transmission
30 and distribution consumers pursuant to subsection 2, paragraph B, subparagraph (1) that
31 are not expended or contracted for expenditure within 2 years must be returned to low-
32 income residential transmission and distribution consumers.

33 **Sec. 6. Rate design proposals.** Notwithstanding the Maine Revised Statutes,
34 Title 35-A, section 3153-A, subsection 1, the Public Utilities Commission shall order
35 investor-owned transmission and distribution utilities to develop and submit specific rate
36 design proposals and programs for implementing energy efficiency techniques and
37 innovations in accordance with section 3153-A by January 1, 2019.

38 **Sec. 7. Stakeholder group to evaluate options and prepare**
39 **recommendations.** The Office of the Public Advocate shall convene a stakeholder
40 group to discuss and frame for legislative consideration options and recommendations for
41 the efficient and effective functioning of a single, independent smart grid coordinator.
42 The group shall, at a minimum, address issues raised in the order dated December 15,
43 2017 and the examiners' report issued in the Public Utilities Commission's proceeding
44 Docket No. 2016-00049 including, but not limited to:

1 1. The qualifications an entity should possess in order to qualify as a smart grid
2 coordinator and the criteria the Public Utilities Commission should use in selecting a
3 smart grid coordinator;

4 2. The approach to be employed regarding costs and incentives related to
5 implementing the provisions of the Maine Revised Statutes, Title 35-A, section 3143 and
6 considering nonwires alternatives in proposals made pursuant to Title 35-A, sections
7 3132 and 3132-A, including:

8 A. Addressing financial disincentives for transmission and distribution utilities to
9 promote smart grid functions, including recovering the costs of contracted nonwires
10 alternatives and the limitations, if any, on utilities owning generation assets as
11 nonwires alternatives under Title 35-A, section 3204, subsection 6; and

12 B. The financial incentives appropriate for the smart grid coordinator and how
13 operating costs of the smart grid coordinator should be recovered;

14 3. The roles of the Office of the Public Advocate, the Public Utilities Commission,
15 the Efficiency Maine Trust, as established in Title 5, section 12004-G, subsection 10-C,
16 and transmission and distribution utilities in meeting the goals of Title 35-A, section 3143
17 while:

18 A. Ensuring independence in the analysis, procurement and dispatch of nonwires
19 alternatives; and

20 B. Minimizing redundancy in the functions of these parties and in the uses of
21 systems and operations that are paid for by ratepayers;

22 4. The specific process to ensure the efficient, timely review and approval of
23 traditional transmission and distribution projects and nonwires alternatives and the
24 process and approach to be employed in order for the Public Utilities Commission to
25 retain the appropriate authority over the procurement and operation of nonwires
26 alternatives and utility investment decisions; and

27 5. The additional legislative authority or directives needed to ensure the efficient and
28 effective establishment of any smart grid coordinator, promotion of the goals under Title
29 35-A, section 3143 and development of nonwires alternatives to achieve grid reliability at
30 the lowest cost to ratepayers.

31 The stakeholder group must be open to all interested parties. Reasonable costs to
32 facilitate the group must be determined by the Office of the Public Advocate and may be
33 paid from revenues received pursuant to Title 35-A, section 10109 by the Efficiency
34 Maine Trust.

35 The Office of the Public Advocate shall submit by February 1, 2019 a report that
36 summarizes the discussions and recommendations from the stakeholder group to the joint
37 standing committee of the Legislature having jurisdiction over energy and utility matters.
38 The committee may report out a bill based on the recommendations in the report to the
39 First Regular Session of the 129th Legislature.

40 **Sec. 8. Public Utilities Commission consideration of rate proposals.** Until
41 90 days after adjournment of the First Regular Session of the 129th Legislature, the
42 Public Utilities Commission may not implement any final decisions related to any rate
43 proposals received from any transmission and distribution utility pursuant to the

1 commission's order of December 15, 2017, in the Public Utilities Commission's Docket
2 No. 2016-00049, that puts wires and nonwires solutions on equal footing for rate-making
3 incentive purposes.

4 **Sec. 9. Stakeholder group to consider expanding Efficiency Maine Trust**
5 **expenditures of electricity conservation funds.** The Public Utilities Commission
6 shall convene a stakeholder group to discuss and frame for legislative consideration
7 options and recommendations related to the possibility of expanding the Maine Revised
8 Statutes, Title 35-A, section 10110 to allow the Efficiency Maine Trust to use funds for
9 electricity conservation programs for low-income residential consumers to promote the
10 placement of high-efficiency ductless heat pumps into qualified low-income homes by
11 allowing the trust in its cost-effectiveness test to account for all energy savings derived
12 from a high-efficiency ductless heat pump, including nonelectric savings.

13 The stakeholder group must be open to all interested parties.

14 The Public Utilities Commission shall submit by February 1, 2019 a report that
15 summarizes the discussions and recommendations from the stakeholder group to the joint
16 standing committee of the Legislature having jurisdiction over energy and utility matters.
17 The committee may report out a bill based on the recommendations in the report to the
18 First Regular Session of the 129th Legislature.'

19 **SUMMARY**

20 This amendment, which is the minority report of the committee and replaces the bill,
21 specifies that the purposes of the law regarding rate design are to require the Public
22 Utilities Commission to consider fixed customer charges, to the extent practicable and
23 economically efficient, and to set transmission and distribution rates that vary by time of
24 day and season or other relevant cost drivers, to the extent practicable, to achieve
25 economic efficiency. Like the bill, the amendment does the following:

- 26 1. It requires investor-owned transmission and distribution utilities to submit specific
27 rate design proposals to the commission by January 1, 2019;
- 28 2. It removes the requirement that transmission and distribution utilities' proposals
29 include cost-effective conversions of electric space heat systems;
- 30 3. It removes the requirement that rate design changes implemented pursuant to the
31 Maine Revised Statutes, Title 35-A, section 3153-A be implemented on a temporary,
32 pilot or experimental basis and requires the commission to implement policies and
33 practices to encourage competitive electricity providers to offer residential and
34 commercial customers supply prices reflective of real-time market price variations;
35 and
- 36 4. It provides that Efficiency Maine Trust funds targeted to low-income residential
37 transmission and distribution consumers that are uncommitted 2 years after having
38 been collected must be returned to those consumers.

39 The amendment also directs the Office of the Public Advocate to convene a
40 stakeholder group to evaluate options and prepare recommendations for certain issues
41 related to the efficient and effective implementation of smart grid policy, including
42 addressing costs and financial incentives of transmission and distribution utilities and the

1 smart grid coordinator and describing roles for the Public Advocate, Public Utilities
2 Commission, Efficiency Maine Trust and transmission and distribution utilities with
3 regard to nonwires alternatives and other smart grid functions. It also prohibits the Public
4 Utilities Commission from implementing any final decisions related to rate proposals
5 received pursuant to the commission's order of December 15, 2017 in the Public Utilities
6 Commission's Docket No. 2016-00049 from any transmission and distribution utility until
7 90 days after adjournment of the First Regular Session of the 129th Legislature.

8 Lastly, it requires the Public Utilities Commission to convene a stakeholder group to
9 discuss allowing the Efficiency Maine Trust to use funds for electricity conservation
10 programs for low-income residential consumers to promote the placement of high-
11 efficiency ductless heat pumps into qualified low-income homes by allowing the trust in
12 its cost-effectiveness test to account for all energy savings derived from a high-efficiency
13 ductless heat pump, including nonelectric savings.

14 **FISCAL NOTE REQUIRED**

15 **(See attached)**