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Testimony of Central Maine Power Opposing

L.D. 1127, An Act to Expand Community-based Solar in Maine
Before the Joint Standing Committee on Energy, Utilities & Technology
March 27, 2019

Senator Lawrence, Representative Berry and Members of the Energy, Utilities & Technology Committee, my name is Jim Mitchell and I am here today on behalf of Central Maine Power (CMP) testifying in opposition to L.D. 1127, An Act to Expand Community-based Solar in Maine.

The bill before you, L.D. 1127, would require the Public Utilities Commission (the "Commission") to direct investor-owned transmission and distribution utilities to enter into long-term contracts with community based solar photovoltaic energy generating facilities.

L.D. 1127 seeks to provide incentives to community-based solar by requiring investor owned utilities to enter into long-term contracts for solar resources under terms and conditions that are beneficial to the owners of the solar resources. The Committee should note that 35-A M.R.S.A. §3210-C and §3210-F and the Commission's Rules and Regulations that developed those provisions (Chapter 316 of the Commission's Rules and Regulations) already address in a comprehensive manner the Commission's authority to direct investor-owned transmission and distribution utilities to enter into long-term contracts for capacity resources (including renewable energy capacity resources), energy associated with such capacity resources, as well as renewable energy credits. We are unsure of the justification for departing from the standard long-term contract provisions, by adding a new sub-§3-A to 35-A M.R.S.A. §3210-C.

In particular, the Committee should note the results of the Commission's most recent long-term contract solicitations pursuant to Section 3210-C. As a result of the Commission's 2018 Request for Proposals (RFP) issued on July 24, 2018, the Commission in Docket No. 2018-00137 approved the term sheet for a long-term contract for a generation project under development by Three Rivers Solar Power, LLC (Three Rivers Solar). The term sheet with Three Rivers Solar provides for an energy-only contract with a term of ten years at a price of \$35/MWh in the first contract year, with a 2.5% annual price escalation thereafter.

In addition, subsequent to its February 2, 2015 RFP, on December 17, 2015, the Commission issued an Order approving the term sheet for the Dirigo Solar, LLC (Dirigo) proposal in Docket

No. 2015-00026.¹ The final approved contract is a 20-year contract, under which Dirigo will sell 100% of the energy and 50% of the capacity from the various arrays to be installed for a bundled price of \$34/MWh in the first contract year, with a 2.5% annual escalation thereafter. As demonstrated by both the 2015 and 2018 RFPs conducted by the Commission, solar projects were the only types of projects which the Commission found would provide positive economic benefits to customers. The accepted pricing set forth in both the Three Rivers Solar and Dirigo Solar proposals demonstrates that solar projects are very cost-competitive without the need for any incentives.

An additional point of note is that it is unclear whether L.D. 1127 affords the protections to customers by 35-A M.R.S.A. §3210-C and §3210-F and Chapter 316 of Commission's Rules and Regulations, under the new proposed sub-§3-A. These provisions are necessary to ensure that the utility enter into cost effective contracts and that customers are protected from the risks associated a proposed procurement. Although the legislation adds a new subsection 3-A to Section 3210-C suggesting the provisions to apply, the bill goes on to say "The commission shall, by rule, establish provisions to protect the interests of customers of investor-owned transmission and distribution utilities over the term of the contracts entered into pursuant to this subsection" bringing into question the applicability of the protections. CMP opposes removal of protection of customers already present in 3210-C.

Overall, CMP is concerned that L.D. 1127 does not contain provisions aimed at protecting customers, and sets forth economic terms that likely benefit the owner of the generation resource, in this case solar facilities. In this regard, the bill provides that long-term contracts shall have a fixed rate and sets the price cap at 9 cents per kilowatt-hour. No justification is provided as to the reason for such fixed price requirement and the considerations that lead to the determination of the price cap. The rates in recent long-term contracts for solar resources have been as low as 3 cents per kilowatt-hour, far below the cap. In addition, contrary to the current 35-A M.R.S.A. §3210-C sub-§3, which provides that the price paid by the investor owned utility for renewable energy credits must be lower than the price received for those renewable energy credits at the time they are sold by the investor owned utility, the new sub-§3-A does not include any limitation on the price of renewable energy credits.

With this in mind, we believe it is fair to assume that, if the proposed legislation passed, the rates under such long-term energy contracts for solar resources will be above market. Respectfully, we do not believe this to be in the best interest of customers and would at the very least suggest a competitive RFP process to procure this sort of resource without a price cap.

We, therefore, respectfully, urge the Committee to vote ought not to pass on LD 1127.

Thank you for your consideration.

¹ The Order was for the purchase of capacity and associated energy from up to 75 MW of newly developed solar PV arrays located in the CMP or the Emera Maine, Bangor Hydro District service territories.