CENTRAL MAINE POWER

Testimony in Opposition to LD 1252
An Act to Improve Maine's Economy and Energy Security
With Solar and Wind Energy
April 24, 2013

Senator Cleveland, Representative Hobbins, and members of the committee, my name is David Allen. I'm here on behalf of Central Maine Power Company to testify in opposition to LD 1252.

This bill has two components, both of which we oppose. The first amends the Community-based Renewable Energy Act by increasing the amount of renewable energy that qualifies for high-priced energy contracts. It also includes a set aside for solar energy and increases the prices utilities would have to pay for those contracts. The price cap for renewable energy other than solar would increase automatically according to the Consumer Price Index from the current 10 cents per kilowatt hour. The price cap for solar energy would start at 15 cents per kilowatt hour and would also automatically increase according to the Consumer Price Index.

The bill also extends the sunset on this legislation from December 2015 to December 2017. The original bill was intended to be a pilot program as indicated in statute, and it seems very early to extend the pilot until we see more results from the current program. Therefore, CMP opposes, for now, an extension of the program beyond the current sunset of December 31, 2015.

We also oppose increasing the 50 MW cap. The pilot program allows for up to 50 MW of capacity to qualify for the program. Currently, less than half of that cap has been reached, so there is no need to lift the cap at this time.

Finally, as to this section, we also oppose increasing the cap on how much utilities can be forced to pay for these long term contracts. Even at the 10 cent cap, utilities are paying about twice the market price for electricity. When a utility sells the energy we are required to purchase at auction, the difference between what we pay for the energy and what we receive is passed on to our customers.

For instance, for the four contracts that Bangor Hydro has signed, the commission has estimated that Bangor Hydro customers will pay an extra $16 - $20 million dollars in their utility bills over the life of the contracts.

For the anticipated five contracts in the CMP territory, the generators will apparently opt for the Renewable Energy Credit 150% multiplier. The above market costs attributable to those generators is difficult to estimate and will be paid by our customers on the energy portion of their bills.

The second portion of the bill is apparently designed to "reinstate" a solar and wind energy rebate program that expired in 2010. Once again, people who want to install solar panels or wind turbines on their properties want someone else – CMP's customers - to help pay for them. The majority, if

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not all of these customers will most likely seek further subsidies from other customers by enrolling in the net-energy billing program.

We think it's unfair to our customers – especially our low-income customers – to force them to help pay for solar panels or wind turbines at other customers' homes and then continue to subsidize them through the net-energy billing program.

CMP is enrolling customers in this program virtually every month, and we have over 1000 customers participating now. The program has been growing quickly without the need for rebates.

Whether by accident or design, the amount designated for this program is far greater than the previous program. The program that expired in 2010 raised about $4.5 million per year. The program called for in this bill would raise about $45 million per year.

I urge the committee to give this bill an ought-not-to-pass report.

CENTRAL MAINE POWER

Testimony in Opposition to LD 1085
An Act to Establish the Renewable Energy Feed-in Tariff
April 24, 2013

Senator Cleveland, Representative Hobbins, members of the Committee on Energy, Utilities and Technology my name is David Allen. I am here today on behalf of Central Maine Power Company to testify in opposition to LD 1085.

I'm sure that by now committee members get it. CMP is opposed to any and all bills that require us to sign long term contracts on behalf of our customers that require the company to purchase energy at above market prices and then raise our electric delivery rates to pay for them.

This bill goes even further than other long-term contract bills that you have or will hear. It requires the commission to establish rates for contracts of no less than 20 years that are high enough to cover the following costs:

The capital costs of installing a system – including loans and interest
The operating and maintenance costs
A contingency reserve fund equal to 25% of the operating budget
Any and all other reasonable costs and expenses
A minimum annual profit of between 3% and 10%

The bill has no cap on the amount that utilities must buy. It has no cap on the amount that utilities must pay. In other words, this bill represents a blank check to those who want to make money by installing a renewable energy system with no risk and a guarantee that it will make a profit. Our customers could face millions of dollars of additional costs per year if this bill should pass.

I'll remind the committee again that when the restructuring bill was passed in 1997 it specifically forbade utilities from signing new long term contracts for renewable energy, primarily because of the bad experiences we had in the 1980's and 1990's. Unfortunately, the lessons learned from those experiences were forgotten, and we continue to see bills like this.

A few other states have initiated feed-in tariffs, and they have been popular in Europe as well. In every case, the price for energy from generators who take advantage of feed-in tariffs have been very high – usually in the range of 20 cents/kwh to 30 cents/kwh, far above the market price of electricity – last year around 5 cents/kwh.

Obviously, the supporters of the bill expect electricity prices to rise because of this bill since they have included section 4. That section requires every utility customer to pay a nonbypassable surcharge on his or her electric bill to pay for the feed-in tariff program.

Lest you be swayed by the so-called "success" of programs in Europe, I have attached an article published in October of 2012. You will note the astronomical increases in electricity prices attributable to the feed-in tariff program. Interestingly, this program is designed to allow the EU to reach its goal of 20% renewable energy – a level passed by Maine many, many years ago.

I urge you to give this bill an ought-not-to-pass report.

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Germany Rethinks Green Subsidy Regime as Consumer Costs Soar

Fresh questions are being asked about Germany's green subsidy regime after the government said last week that household consumers will have to pay 47% more to support renewables development — particularly solar power — in 2013, after a 6.2% rise last year and a 72% hike in 2010.

Under the German Renewable Energy Act, or EEG, power companies have to buy solar and wind energy from producers at fixed prices, which are much higher than for coal- or gas-fired plants. As electricity prices for industry are heavily subsidized, households are left paying most of the difference between the fixed price, and the price utilities get for selling the renewable electricity on the German EEX exchange, through a surcharge. This surcharge has been skyrocketing, largely because of a massive expansion in solar capacity: From €8.3 billion ($10.9 billion) in 2010, it is projected to total €14.1 billion this year and €20.4 billion next year.

Germany has to keep building more domestic green capacity or linking up with other countries to meet its EU targets (WGI Jul.11 '12). Under the EU Renewables Directive, the country is supposed to derive 18% of its primary energy from renewables by 2020, which means renewables' share of electricity generation will have to climb from around 20%-25% now — of which solar production accounted for 3% in 2011 and 5.3% in the first half of 2012 — to at least 35% over the next eight years. Reliance on renewables will also increase as a result of the government's decision last year to phase out nuclear power in the wake of the Fukushima disaster in Japan.

Germany, like other EU countries including Italy, has seen runaway growth in solar capacity, which has been increasing by 5-7 gigawatts annually in recent years (WGI Oct.3 '12). Earlier this year it introduced a cap on the amount of solar capacity that qualifies for subsidies, but set the ceiling at 52 GW, 23 GW above existing capacity, which would leave consumers having to fork out more in surcharges over the next few years (EI NE, Aug.16 '12).

But with the subsidy regime's political unpopularity growing, the government of Chancellor Angela Merkel — which faces general elections next autumn — is under growing pressure to rethink the scheme. The challenge is to keep promoting green development without over-subsidizing certain renewables such as solar power, and without imposing too heavy a financial burden on households.

Berlin has already started looking at alternatives, including "green quotas." These mandate power companies to buy a certain amount of renewable electricity, but allow them to choose whichever type they prefer. Advocates say this system would be cheaper. Environment Minister Peter Altmaier recently put forward a list of proposals to overhaul the EEG, including adopting a green quota system, and introducing new caps on the amount of wind, solar and biomass capacity qualifying for subsidies. Altmaier said Germany needs a fundamental long-term solution to the problem, rather than quick-fix measures such as lower subsidies. Industry groups including BDEW, the Energy and Water Association, are also urging comprehensive reform, while economy minister Philipp Roesler has called for immediate action.

Developments in Germany are watched closely by the rest of the EU — 20 of whose 27 members use a similar feed-in tariff scheme — as they try to find the most cost-effective way of reaching the EU goal of having renewables account for 20% of bloc-wide primary energy supply by 2020. The UK and Italy already use a combination of feed-in tariffs and green quotas, while Belgium, Sweden, Poland and Romania only use green quotas.

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