

**Renewable Energy Sources Act**

**Renewable Energy Sources Incentive Program**

An Act to Establish the Renewable Energy Sources Incentive Program.

Be it enacted by the People of the State of Maine as follows:

Sec. 1, 35-A MRSA Chapter 36 is enacted to read:

**CHAPTER 36**

**Renewable Energy Sources Incentive Program**

**§3601 Purposes.**

This statute shall be construed to achieve the following purposes:

1. Enable the rapid and sustainable development of the State's abundant renewable energy resources for the clean generation of electricity;
2. Enable and encourage the development of State-based renewable energy technology industries;
3. Place the State at the forefront of North America's renewable energy revolution;
4. Stabilize electricity costs by securing long term contracts to produce clean renewable electricity;
5. Lessen the impact of the drastically increasing global demand for fossil fuel and the likely increase in cost of fossil fuel based electricity generation;
6. Stimulate the development of new jobs, technologies, and industry;
7. Stimulate renewable energy industries particularly in counties with average weekly wages below the weekly mean wages for the State;
8. Protect the State's atmosphere from air pollution;

9. Help protect the State's climate from global climate change by reducing net carbon additions to the atmosphere;
10. Help protect the State's climate from global climate change by reducing emissions of methane into the atmosphere;
11. Improve grid reliability by creating more dispersed power producers.
12. Help protect the State's natural resources by reducing the threat posed by global climate change to the forestry, fishing, shellfishing, and tourism industries and other industries that rely on our natural resources;
13. Encourage all citizens to participate in renewable electricity generation; and
14. Create a State marketplace for the development of renewable energy;

**§ 3602 Definitions.**

As used in this act:

1. "Commission" means the Maine Public Utilities Commission.
2. "Eligible electric generator" means a system for the generation of electricity that contributes no net carbon to the atmosphere, and is fueled by the following renewable energy resources in this State:
  - a. solar photovoltaic panels, solar thermal or concentrating solar system;
  - b. wind power project;
  - c. geothermal project;
  - d. hydroelectric system;
  - e. generators fueled by methane from sewage treatment facilities, landfills, or agricultural waste.

- f. generators fueled by combustion of biomass;
  - g. tidal power projects;
3. “Grid operator” means transmission and distribution utility that distributes electricity to consumers.
  4. “Net Carbon Addition” means an addition of carbon to the atmospheric carbon cycle that was previously sequestered in a form of petroleum, fossil gas, coal or any waste or byproduct thereof.
  5. “Renewable Energy Opportunity County” means a County where the average annual income is below the mean annual income for the State as defined by the average of the ten most recent year of Maine Department of Labor Statistics
  6. “Renewable resource” means a source of electrical generation as defined in Section 3210(c).
  7. “Utilized Public Property” means:
    - a. A building owned by the State, or a County, or Municipal government;
    - b. School or school property that obtains the majority of its funding through tax payer dollars;
    - c. Other property owned by a governmental unit that is not managed as a historic site, public reserved land, State Park.
  8. “Biomass” means a sustainably harvested or collected material generated by plants or animals, including sewage and industrial byproducts, but does not include wood, unless the wood is a by-product or waste product of another manufacturing process or demolition waste, or part of landfill waste. Biomass does not include any petroleum derived products.

9. “Value Added” means a monetary total of all labor and materials added to a product at each stage prior to sale to a wholesaler or consumer.

### **§ 3603 Connection to Grid Operators’ Distribution System**

A grid operator shall connect an eligible electric generator to the electricity distribution system within 90 days of such a request by an eligible electric generator.

1. Interconnection Standards. The Commission shall establish reasonable standards for the interconnection of eligible electric generators with the distribution systems of grid operators.

The standards shall be consistent with generally accepted industry practices and guidelines and shall be established to ensure the reliability of electric service and the safety of customers, grid operators’ employees, and the general public.

2. Costs. The costs associated with the interconnection shall be included in the surcharge under Section 3605 as long as electric transmission lines already exist at the location of or within one hundred feet of the generator. If the eligible electric generator is more than 100 feet from existing transmission lines, the generator shall bear the cost of interconnection.

3. Penalty. A grid operator that refuses to connect an eligible electric generator to the grid operators’ distribution systems is subject to fines of not more than \$100.00 per day that the grid operator is in violation of this subsection.

### **§3604 Standard Contract**

The Commission shall draft and promulgate a standard contract, with a duration of not less than twenty years, for electricity purchases by a grid operator from an eligible electric generator made under this Chapter.

1. Classes. The contract must set the prices to be paid for each kilowatt hour generated by each class of eligible electric generator.
2. Deadline. The Commission shall adopt rules establishing the terms and conditions for the standard contract within three months of the effective date of this Chapter.
3. Contract. On request of an eligible electric generator, a grid operator shall enter into a power purchase agreement by the standard contract and at the proper classification to purchase all electricity from that eligible electric generator for a period of not less than twenty years.
4. Transferable. Executed contracts shall be site specific and transferable.

**§ 3605 Rates and Terms.**

The Commission shall set just and reasonable rates sufficient to provide revenues to operate and to attract necessary capital and investment for generators to be paid by electric utilities to eligible electric generators under the standard contract.

1. Classes. The rates shall establish specific classes of generators, both by type of renewable resource used, by amount of annual electrical output, and for specific time periods of the contract's duration.
2. Rates. The Commission shall establish rates to provide revenue for the following purposes:
  - A. Rates consistent with the requirements of Chapter 3;
  - B. To pay for current expenses for operating and maintaining the generating system;
  - C. To provide funding for the usual and regular renewals, replacement and repair of the generating system;
  - D. To pay the annual principle and interest due of loans for the construction of the generating system;

- E. To provide for an annual contribution to a contingency reserve fund up to an amount equal to 25 percent (25%) of the operational budget for the generating system;
- F. To pay for the use of existing or new transmission distribution lines;
- G. To consider the present “standard offer” rates as established under Section \_\_\_\_;
- H. To consider the avoided cost, if any, of building or purchasing additional nonrenewable generated electricity;
- I. To pay for any and all other reasonable costs and expenses related to generating electricity by the generator; and
- J. To pay a reasonable annual return of at least eight percent (8%) to the generator for the first two years after the effective date of this chapter. Thereafter, every two years, the Commission may reduce the reasonable annual return by one percent (1%).

4. Incentives. The Commission shall include the following incentives in each role class:

- A. An eligible electric generator certified with at least seventy percent (70%) of the value added in the State, exclusive of installation costs, shall receive an additional five percent (5%) for the first five years of electric generation. This incentive shall be paid in addition to all other incentives included in this section.
- B. Any eligible electric generator, with at least fifty percent (50%) value added in a Renewable Energy Opportunity County, shall receive an additional ten percent (10%) for the first 10 years of electric generation. This incentive shall be paid in addition to all other incentives included in this section.
- C. Public property. An eligible electric generator that is installed on utilized public property shall receive an additional five percent (5%) tariff if the net income generated

from such production is used for governmental purposes and can be demonstrated to have reduced taxes. This incentive shall be paid in addition to all other incentives included in this section.

D. Methane. An eligible electric generator that utilizes naturally produced methane from manure, decaying biomass, or from landfills shall receive an additional ten percent (10%) tariff. This incentive shall be paid in addition to all other incentives included in this section.

5. Proceeding. The Commission shall complete a rule-making proceeding on or before July 1, 2010 for the design of the rates under this section. Rules adopted under this section are pursuant to Title 5, Chapter \_\_\_\_\_

**§3606 Surcharge.**

The Commission shall, after notice and hearing, biannually establish a renewable energy factor that shall be a nonbypassable surcharge payable by every customer of a grid operator. The surcharge shall be payable by all customer classes. The Commission shall set the surcharge at a level sufficient to pay the costs of electricity purchased under Section 3605 and any interconnection costs under Section 3603.

**§3607 Review.**

The Commission shall review the rates established in Section 3605 every two years and adjust those rates for new contracts as necessary to account for inflation, assist in the profitable development of eligible electric generators, prevent excessive profits for eligible electric generators, and prevent unnecessary costs to ratepayers. The Commission shall reduce the rates

in Section 3605 to reflect any federal or state subsidies, tax credits, or other incentives that an eligible electric generator may receive.

### **§ 3608 Report.**

In each of the first two years and every four years thereafter, the Commission shall file a report with the Governor and Legislature that shall include all of the following:

1. Kilowatt Hours. The Kilowatt Hours of electricity purchased from eligible electric generators;
2. Number. The number of new eligible electric generators in this state and the environmental effects of the addition of those generators;
3. Recommendations. Recommendations from the public or the Commissioners for legislation and changes to the rates; and
4. Actions. Actions taken by the Maine Public Utilities Commission to implement this Chapter;

Eligible electric generators shall, upon request, provide the Commission any information that may be relevant to the Commission performing its duties under this act.

### **STATEMENT OF FACT**

Operators of the electric power grid in Maine purchase fossil fuel-generated electricity because it is inexpensive. Each year the federal government spends billions of dollars on subsidies to the fossil fuel and nuclear industries for research and development and on discounting royalties for the extraction of fossil fuels from public lands. According to the U.S. Department of Energy, half of all federal energy subsidies go to fossil fuels, while those for renewable energy total 18



percent of the funding, mostly to promote corn-based ethanol, which also relies on fossil fuels for its production. Current federal policy therefore interferes with the market by stacking the cards in favor of fossil fuels.

A feed-in tariff law, first introduced in Germany, levels the playing field without increasing government subsidies. It (1) requires by law that utilities purchase renewably produced electricity from all qualified suppliers; (2) sets by law the rate which electric utilities must pay for such power; (3) requires that utilities enter into a standard contract with all renewable energy suppliers for a set term specified by the law; (4) establishes management and oversight responsibilities; and (5) reserves to the legislature the power to periodically review and revise the tariff and the terms of the standard contract in the public interest; i.e. based on criteria independent of the short term interest of either the utilities or the feed-in power suppliers.

The Maine Renewable Energy Sources Act will create an incentive structure tied to performance by making multiple payments over a long period of time based on actual energy production of a given renewable energy generating system. The rationale behind this renewable energy investment incentive legislation is to provide a temporary pathway for investment until such time as prices decline to the point of cost-effectiveness in the marketplace relative to the price of electricity generated by subsidized or unsubsidized non-renewable energy producers.

To take into account technological developments and their economic efficiency, the law guarantees that grid operators must compensate producers for green electricity, but it also decreases the rate grid operators must pay under newly executed contracts each year. This structure ensures both that green power producers will have high security in their investments and that the legislation will not prop up inefficient technologies as the market grows and becomes more efficient.

This is similar to the rationale behind the German legislation: the decreasing payments encourage investors to install their equipment as quickly as possible to obtain the highest payment for their power. It also ensures that people install high quality units. Since the green electricity producers receive payments per kilowatt-hour produced, there is great incentive for operators to run their installations efficiently and with as little interruption as possible.

The benefits of a feed-in tariff law in Maine go beyond direct economic benefits for renewable energy investors. As green producers multiply, utilities benefit from not having to install expensive new central generating capacity. At the same time the law will be a catalyst for growing a green energy sector in Maine. Since introducing its own feed-in tariff law, Germany experienced phenomenal growth in all sectors of the renewable energy sector. The photovoltaics industry, for instance, grew six-fold in three years. In 2006, 241,000 Germans were employed in the renewables sector and 124,000 of those jobs were created as a direct result of the German Renewable Energy resources Act. The Act also resulted in environmental benefits; among them a 45 million ton reduction in carbon dioxide emissions in 2006 alone.