

MAINE PUBLIC UTILITIES COMMISSION
Request for Proposals for Community-
Based Renewable Energy Projects
(2013 Issuance)

August 27, 2013

ORDER APPROVING LONG-
TERM CONTRACTS

WELCH, Chairman; LITTELL and VANNOY, Commissioners

I. SUMMARY

Pursuant to 35-A M.R.S.A. § 3604, we direct Central Maine Power Company (CMP) to enter into a long-term contract for energy from a 7.1 MW wood fired biomass cogeneration system to be developed by Maine Woods Pellet Company, LLC, and we direct Maine Public Service Company (MPS) to enter into a long-term contract for 4 MW of the energy produced by a 10 MW wind facility to be developed by Shamrock Partners, LLC.

II. BACKGROUND

During the 2009 session, the Legislature enacted An Act To Establish the Community-based Renewable Energy Pilot Program (Act), P.L. 2009, ch. 329. Part A of the Act establishes a community-based renewable energy pilot program, to be administered by the Commission, to encourage the sustainable development of community-based renewable energy. The Act provides incentives, on a pilot program basis, for the development of community-based renewable projects that qualify for participation in the program. The projects must generate electricity from an eligible renewable resource, which includes fuel cells; tidal power; solar, wind and geothermal installations; hydroelectric generators; generators fueled by landfill gas; and biomass generators whose fuel includes anaerobic digestion of agricultural products, byproducts or wastes. These projects must be "locally owned electricity generating facilities," which means that 51% or more of the facility must be owned by "qualifying local owners." An individual project must not exceed 10 MW and the total installed generating capacity of all program participants in the pilot program combined may not exceed 50 MW. The pilot program is repealed on December 31, 2015. 35-A M.R.S. §§ 3601-3609.

The incentive mechanisms provided by the Act are either: 1) a long-term contract for the output of the facility with a transmission and distribution (T&D) utility; or 2) a renewable energy credit (REC) multiplier in which the value of the REC is 150% of the amount of the produced electricity. Projects electing the REC multiplier are responsible for negotiating their own transactions for energy, capacity or RECs. Certified projects of less than 1 MW that elect a long-term contract can complete a standard form contract with the T&D utility at a price per kWh that has been established by the Commission.

For certified projects with generating capacity of 1 MW and larger, the Act provides that the Commission shall periodically conduct a competitive solicitation to select projects that will be awarded a long-term contract with the T&D utility. The Commission has conducted two competitive solicitations for Community -Based Renewable Energy Projects. On April 28, 2011, the Commission issued a Request for Proposals for Community-Based Renewable Energy Projects of 1 MW or larger. Bids were due on May 31, 2011 and on October 14, 2011, the Commission issued an Order directing BHE to enter into long-term contracts for energy with three Community-Based Renewable Energy Projects: Jonesport Wind, LLC, a 4.8 MW wind facility to be constructed in Jonesport, Maine; Lubec Wind, LLC, a 4.8 MW wind facility to be constructed in Lubec, Maine; and Pisgah Mountain, LLC, a 9 MW wind facility to be constructed in Clifton, Maine. *Maine Public Utilities Commission*, Docket No. 2011-150, Request for Proposals for Community-Based Renewable Energy Projects, Order Approving Long-Term Contracts (October 14, 2011).

On March 21, 2013, the Commission issued a second Request for Proposals for Community-Based Renewable Energy Projects. Bids were due on April 5, 2013. On May 28, 2013, the Commission directed BHE to enter into contracts with the re-sized 9.6 MW Jonesport Wind project and with a planned 2 MW expansion of the EAE anaerobic digester project. *Maine Public Utilities Commission*, Docket No. 2013-207, Request for Proposals for Community-Based Renewable Energy Projects (2013 Issuance), Order Approving Long-Term Contracts (May 28, 2013). Two additional proposals were received in response to this RFP, a proposal from Maine Woods Pellet for a 7.1 MW wood fired biomass cogeneration system located in Athens, Maine, and a proposal for a 10 MW wind generator located in Fort Fairfield, Maine from Shamrock Partners, LLC.

III. DISCUSSION AND DECISION

At the outset, we note that the Legislature, in establishing the Community-Based Renewable Energy Pilot Program, has established the objective of encouraging the sustainable development of community-based renewable energy projects up to the 50 MW overall capacity limit statewide by the time the pilot program ends on December 31, 2015. Our role in administering the pilot program is to ensure that the projects meet the standards for program participation established by the Legislature, and to ensure that in any contract entered into: 1) the average price per kilowatt-hour does not exceed 10 cents, and 2) the cost of the contract does not exceed the cost of the project plus a reasonable rate of return on investment as determined by the Commission.

Both of the projects have submitted bids that comply with the requirement that the price per kilowatt-hour may not exceed 10 cents. Maine Woods Pellet bid a fixed price for a 20-year term of 9.9 cents per kilowatt-hour. Shamrock Partners provided two alternative structures: a bid for the entire output of the 10 MW project for a 20-year term at a fixed price of 9.5 cents per kilowatt-hour, or a bid for the output of 4 MW of the project for a 20-year term at a fixed price of 9.9 cents per kilowatt-hour. Each of the

bidders submitted complete project financial information and return calculations that were analyzed by Staff. The indicated rates of return are within a range that is reasonable for stand-alone project developments and indicate that the developers are not receiving a “windfall” return from the projects.

We continue to be sensitive to the potential burden that the Community-Based contracts may place on ratepayers. Chapter 325 § 3.D.3 contains utility service territory limitations on the total installed generating capacity for projects that has the effect of allocating the above-market costs proportionately among the T&D utilities. Specifically, the limit for the MPS service territory is 4 MW. Although we recognize the intermittent nature of a wind generator, the burden on MPS ratepayers that would be created by a 10 MW contract would be disproportionately large.

Accordingly,

- We direct CMP to enter into a long-term contract with Maine Woods Pellet, for energy only, for 20 years to begin at the commercial operation date of the project, at a fixed price throughout the term of 9.9 cents per kWh.
- We direct MPS to enter into a long-term contract with Shamrock Partners, LLC, for energy only, for 20 years to begin at the commercial operation date of the project, at a fixed price throughout the term of 9.9 cents per kWh for 4 MW of the output of the facility.

We delegate to the Director of Electric and Gas Utility Industries the authority to approve proposed modifications to the terms and conditions of the standard form contract for the Community-Based Renewable Energy Pilot Program.

Consistent with provisions in statute and the rule, 35-A M.R.S.A. § 3604 (8) and Ch. 325, § 6, the Commission will allow CMP and MPS to recover in rates all costs of the contracts entered into, including but not limited to any effects on the utilities’ cost of capital.

Dated at Hallowell, Maine, this 27th day of August, 2013.

BY ORDER OF THE COMMISSION

/s/ Harry Lanphear

Harry Lanphear
Administrative Director

COMMISSIONERS VOTING FOR:

Welch
Littell
Vannoy

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought. Any petition not granted within 20 days from the date of filing is denied.

2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 21 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.

3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.