



State of Maine
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**Testimony Neither for nor Against
LD 1347, “An Act to Eliminate the Current Net Energy Billing Policy in Maine”
April 13, 2023**

Senator Lawrence, Representative Zeigler and distinguished members of the Joint Standing Committee on Energy, Utilities, and Technology,

My name is William Harwood and I am the Public Advocate, here today to testify neither for nor against LD 1347, “An Act to Eliminate the Current Net Energy Billing Policy in Maine.”

The OPA thanks the sponsors for bringing forward this important bill. This bill addresses one of the most important issues facing all of us – how to address the exploding cost of Net Energy Billing (NEB). If nothing is done, the OPA estimates that in two years, the cost of NEB will grow to approximately \$220M/year or approximately \$275/year for each ratepayer. Attached is the OPA’s calculation. And this increase will continue for the next 20 years. These large rate increases will create additional challenges to meeting the state’s climate goals of expanding the use of EVs and heat pumps.

Additionally, the NEB program suffers from three flaws not directly related the amount of the direct subsidy. First, there was not thoughtful planning about where these projects should be built. Unfortunately, the location appears to have been dictated primarily by the availability of inexpensive land and the proximity to a utility substation. As a result, many of these projects under development are located in places where the utility has insufficient capacity to interconnect these projects and/or more energy is not needed. This creates costs and major headaches for utility engineers responsible for keeping our lights on.

Second, the program does not capture the value of the renewable energy being generated by these projects. Developers retain the right to sell the renewable energy credits (RECs) associated with the energy generated by NEB projects and RECs are the way we measure our progress toward meeting our climate goals. Accordingly, the Maine ratepayers



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participating in the program are technically not using renewable energy and the program does little to help Maine achieve its renewable energy targets, despite the exorbitant cost of the program. Because these NEB projects are not regulated as Competitive Electricity Providers under PUC rules, they essentially fall through the cracks of the regulatory system.

Finally, the entire concept of “subscribing ratepayers” has created billing confusion and controversy for both utilities and consumers. For most community projects, these “subscribing ratepayers” have not provided the land on which the project is sited or invested any money in the project. All they did was volunteer to accept a portion of the subsidy so the project developer could meet this inexplicable regulatory standard that there be a minimum number of subscribing ratepayers to qualify as an NEB project. And like most other inexplicable regulatory requirements, this creates a lot of confusion and controversy. Our office receives a steady flow of NEB subscribing ratepayers who are confused and angry because the invoices they receive from the utility and the invoices they receive from the NEB developer do not match up and often appear to be addressing different ratepayers. When we try to explain the complicated billing system, the subscribed customers often become even more frustrated and want to end their participation as a “subscribing ratepayer.”

For all those reasons, the OPA agrees that something should be done about the NEB program, but the OPA has reservations about ending the program altogether. Prior to the enactment of LD 1711 in 2019, NEB existed under PUC Chapter 313 and was not controversial. Small roof top solar projects with capacity of less than 660 KW were allowed to participate in net metering and the overall cost to other ratepayers was modest. We think that the Committee should consider saving that portion of the program that allows ratepayers to install small roof top solar panels on their homes and businesses.

In addition, the bill appears to be focusing on future NEB projects and does not address those projects already under development. Currently there are approximately 2000 MW of NEB solar projects either in operation or under active development. Although we



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certainly understand that not all of those projects will actually be built, there are credible estimates that when the dust settles, there will be approximately 1200 MW of NEB projects in operation resulting in a cost of \$220M/year being subsidized by ratepayers (1200 MW of NEB is more capacity than any generator in New England, even the huge Seabrook and Millstone nuclear plants). Before we close the door on this session, we owe it to the ratepayers to explore ways to reduce the ongoing subsidy paid to all NEB projects.

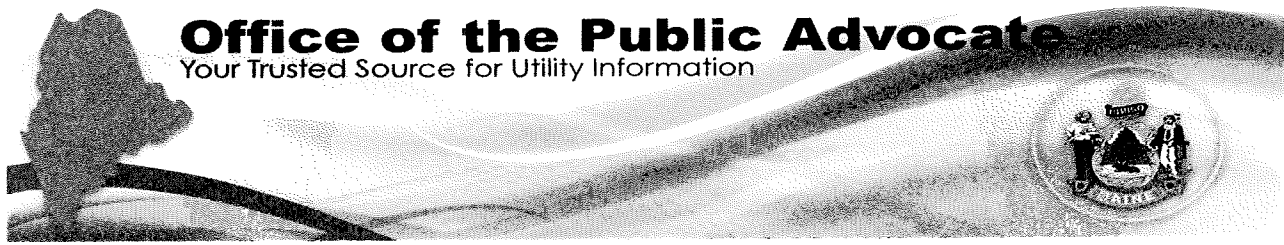
The bill does not address the need to replace the current NEB program with a more cost-effective program to encourage renewable energy development. The OPA recognizes that for economic and environmental reasons, Maine needs more wind and solar in the mix to reduce our dependence on burning natural gas to generate electricity. So, we need to signal to the solar industry that cutting back the NEB program should not be misinterpreted as a lack of support or appreciation for what they bring to the table. The OPA recommends that the bill direct the PUC to set up a competitive bidding program for small solar projects whereby the winning bidders would be rewarded with a long-term Power Purchase Agreement (PPA) with one of the utilities. To the extent the solar industry needs more help from the State to grow and expand, this is a far more cost-effective way to provide it.

Thank you for your time, attention, and consideration of this testimony. The Office of the Public Advocate looks forward to working with the Committee on LD 1347 and will be available for the work session to assist the Committee in its consideration of this bill.

Respectfully submitted,

A handwritten signature in cursive script that reads "William S. Harwood".

William S. Harwood
Public Advocate



April 13, 2023

The Cost of Net Energy Billing

NEB Will Cost Ratepayers \$220 million/year by 2025

Based on recent projections, Office of Public Advocate estimates that Maine's net energy billing (NEB) programs will cost Maine's ratepayers approximately \$220 million per year starting in 2025. Most of these costs will be recovered from CMP and Versant ratepayers in upcoming stranded cost rates that are set by the Maine PUC. The remainder will be recovered from those ratepayers in transmission rates set by the Federal Energy Regulatory Commission.

Tariff Rate Program – \$161 million/year

The tariff rate program requires utilities to pay subscribing ratepayers for each kWh generated by a tariff rate project. The utilities purchase the energy from these projects and immediately sell it into the wholesale energy markets. Most of the sales by the utilities are at a loss, and the resulting loss is recovered from all ratepayers in stranded cost rates. OPA estimates that CMP and Versant's annual costs under the tariff rate NEB program will reach approximately \$161 million by March 1, 2025.

kWh Credit Program - \$56 million/year

The kWh credit program requires utilities to reduce subscribing ratepayers' energy usage by the energy generated by a kWh project, on a one-for-one basis. Consequently, for every kWh credited to a subscriber's bill, the utility loses the revenue it would otherwise have received from delivering the energy generated by the kWh project to the subscribing ratepayer and must make up this revenue loss from its other customers. OPA estimates that CMP's and Versant's annual lost revenues under the kWh credit program will reach approximately \$56 million by March 1, 2025.

NEB PRICE COPMARISON

- kWh credit for residential customer: 24-28 cents/kWh (depending on utility)
- Original tariff rate credit: 21-26 cents/kWh (depending on customer rate class, utility)
- Tariff rate credit under LD 634: 12-15 cents/kWh (depending on customer rate class, utility)
- Average price per kWh of renewable energy projects awarded contracts in the PUC's competitive bidding solicitations: 3.1 cents/kWh and 3.5 cents/ kWh
- Estimated cost of Wholesale PPA for DG solar: 5.9-8.6 cents/kWh
- Average wholesale energy price in the Maine Zone (Mar. 2022 – Feb. 2023): 8.4 cents/kWh

Sources

These cost estimates are based on:

1. Recent projections from CMP and Versant and assume that only a fraction of NEB projects currently under development will be constructed.
2. Recent forecasts of future wholesale energy prices.
3. Filings in MPUC Docket Nos. 2022-00341 (CMP) and 2023-00076 (Versant Power).
4. Current Standard Offer prices for CMP and Versant Power.
5. Current transmission and delivery rates for CMP and Versant Power.
6. MPUC Orders in Docket Nos. 2020-00033 and 2021-0004 awarding long-term renewable energy contracts.
7. GEO's consultant, Synapse Energy Economics estimates for the cost of DG solar.

Net Costs of Tariff Rate Program	
Utility	Annual Cost
Versant/BHD	\$37 million ¹
Versant/MPD	\$18.7 million ²
CMP	\$105 million ³
Total	\$160.7 million

Lost Transmission Revenues from kWh Credit Program		Lost Distribution Revenues from kWh Credit Program	
Utility	Annual Cost	Utility	Annual Cost
Versant/BHD	\$5.2 million ⁴	Versant/BHD	\$10.2 million ⁷
Versant/MPD	\$0.8 million ⁵	Versant/MPD	\$1.5 million ⁸
CMP	\$18.5 million ⁶	CMP	\$19.5 million ⁹
Total	\$24.5 million	Total	\$31.2 million

¹ MPUC Docket No. 2023-0076, 3/31/23, Exhibit B Versant SC Revenue Requirements 2023 Reconciliation, Tab B1 Forecasted 3 Yr BHD, at Cells G25 and G26.

² MPUC Docket No. 2023-0076, 3/31/23, Exhibit B Versant SC Revenue Requirements 2023 Reconciliation, Tab B1 Forecasted 3 Yr MPD, at Cells G16 and G17.

³ MPUC Docket No. 2022-00341, 3/31/23 Stranded Cost Revenue Requirement Filing, Summary SC Exh 1, at Cell P20.

⁴ MPUC Docket No. 2023-00076, 3/31/23 Exhibit B Versant SC Revenue Requirements 2023 Reconciliation, Tab B6 NEB BHD at Rows 99-100 (multiply forecasted generation by currently effective transmission rate for residential and small commercial customers; medium commercial revenue loss not included).

⁵ MPUC Docket No. 2023-00076, 3/31/23 Exhibit B Versant SC Revenue Requirements 2023 Reconciliation, Tab B6 NEB MPD at Rows 99-100 (multiply forecasted generation by currently effective transmission rate for residential and small commercial customers).

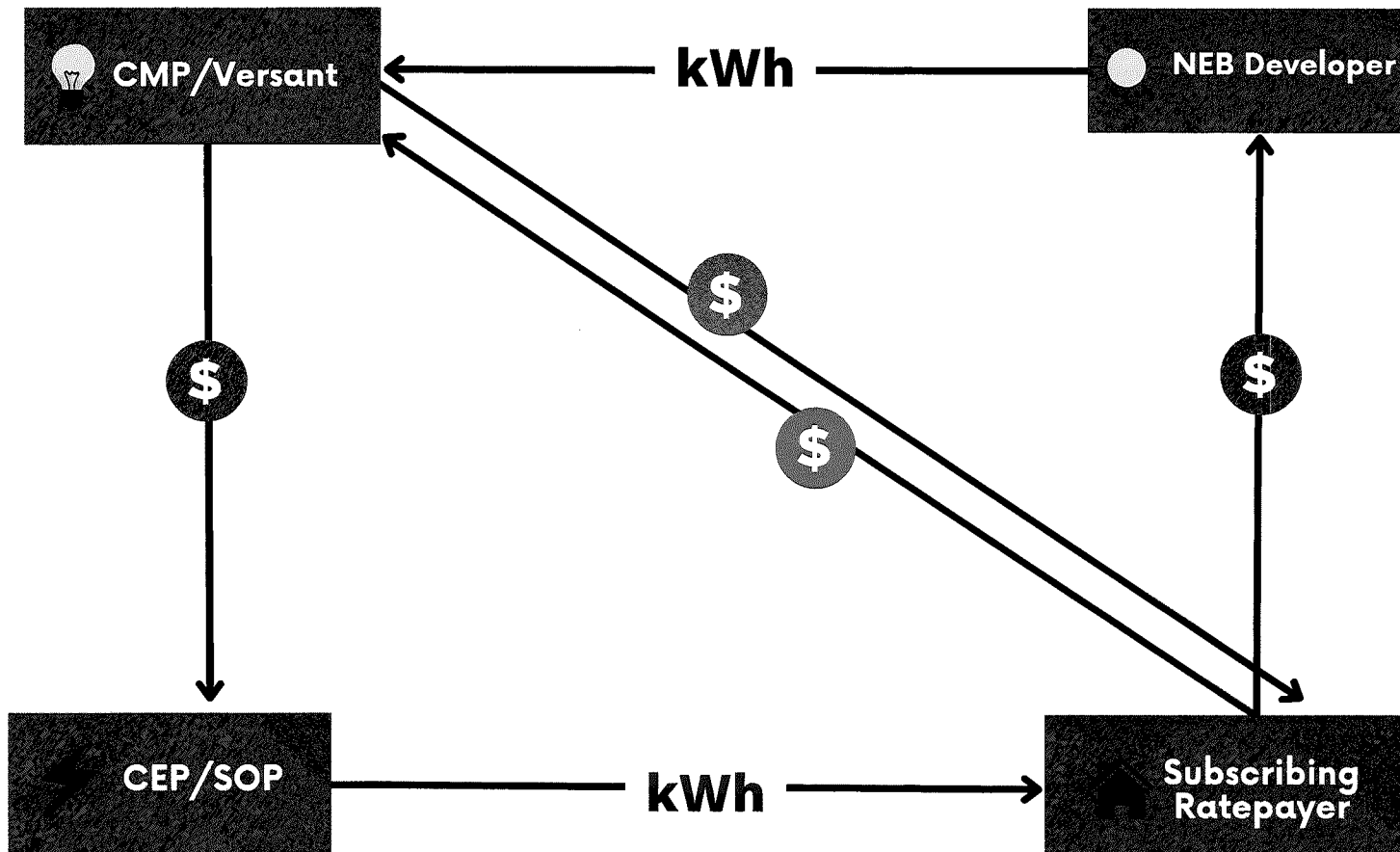
⁶ MPUC Docket No. 2022-00341, 3/31/23 Stranded Cost Revenue Requirement Filing (backup for kWh lost revenues).

⁷ MPUC Docket No. 2023-0076, 3/31/23, Exhibit B Versant SC Revenue Requirements 2023 Reconciliation, Tab B1 Forecasted 3 Yr BHD, at Cell G27.

⁸ MPUC Docket No. 2023-0076, 3/31/23, Exhibit B Versant SC Revenue Requirements 2023 Reconciliation, Tab B1 Forecasted 3 Yr MPD, at Cell G18.

⁹ MPUC Docket No. 2022-00341, 3/31/23 Stranded Cost Revenue Requirement Filing, Summary SC Exh 1, at Cell P22.

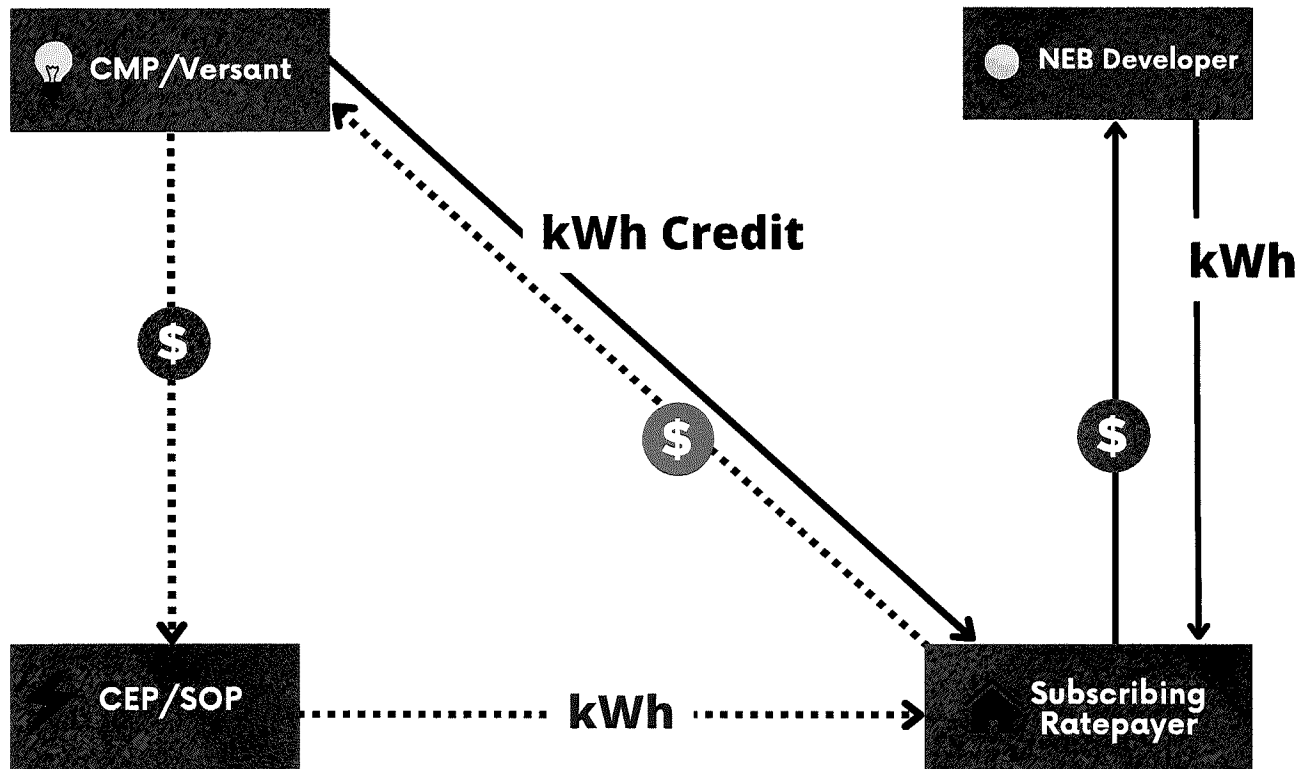
NET ENERGY BILLING Tariff Program



Notes:

- NEB Developer sells all its energy to CMP/Versant who immediately resells it into the wholesale spot market, typically at a substantial loss.
- CMP/Versant pay NEB Developer for energy indirectly by paying the subscribing ratepayer via a bill credit, who then pays the NEB developer the majority of the monetary value of the bill credit the ratepayer received from CMP/Versant.
- CEP/SOP is the exclusive supplier to the ratepayer. Utilities pay the CEP/SOP for electricity supplied to the customer.

NET ENERGY BILLING kWh Program



Notes:

- CEP/SOP obligation to supply the subscribing ratepayer is reduced by the amount of energy applied by the NEB developer (reflected in the kWh credit).
- The subscribing ratepayer pays CMP/Versant only if there is an amount due after credits are applied to their bills. CMP/Versant will collect and forward any remaining amount owed to the CEP/SOP.
- CMP/Versant receive no compensation for delivering the supply provided by the NEB Developer. Subscribing ratepayer pays only that portion of the bill that remains after kWh credits are applied.
- The NEB Developer does not have to register as a CEP Supplier and is exempt from the RPS rules requiring a percentage of the supply to be green energy.