Testimony of Shawn Lovley President, Aroostook Energy Association Before the Maine State Legislature In Support of LD 450, LD 32, LD 257, and LD 359

February 27, 2025

Senator Lawrence, Representative Sachs, and members of the Committee on Energy, Utilities and Technology, my name is Shawn Lovley, and I am the President of the Aroostook Energy Association (AEA). AEA represents a broad coalition of businesses, energy consumers, and local stakeholders committed to affordable, reliable energy for Maine residents. Our mission is to advocate for energy policies that support economic development, ensure fair energy costs, and promote efficient and sustainable energy solutions in Aroostook County and beyond. The AEA membership comprises over 20 members and represents a substantial electricity load in Maine, with an annual consumption of approximately 185 million kWh and a combined peak demand of around 75 kW. More information about our work can be found at https://aroostookenergy.org/.

The High and Known Cost of Net Energy Billing

The attached report from the Office of the Public Advocate (April 6, 2023) provides a clear and alarming analysis of the financial burden NEB imposes on Maine ratepayers.

- By 2025, NEB is projected to cost ratepayers $220 million annually.
- This cost is primarily recovered through higher electricity rates for non-participating consumers, placing an unfair financial strain on households and businesses.
- The Tariff Rate Program alone will cost $161 million annually, while the kWh Credit Program will cost $56 million per year.
- These costs are significantly higher than the actual market value of electricity, where NEB participants are compensated at rates far above the competitive market price.

Despite these well-documented costs, the benefits of NEB remain uncertain and poorly defined.

The Unclear Purpose and Benefits of NEB

The original intent of Maine's NEB program is difficult to discern, and I believe it may never have been fully understood. While previous legislators may have endeavored on a course without a specific measurable goal in mind, it is imperative to our representatives today to genuinely consider whether there is a discernible benefit associated with our NEB program for which we can be confident justifies the millions of dollars of cost coming out of pockets in Maine.

Perhaps the goal of the NEB program is to promote environmental conservation. Rather, the goal may be to increase energy independence in Maine. Of course, the goal might be to promote lower-cost energy to the benefit of Mainers. Is the $220 million cost of the NEB Program justified by the benefits the program provides in those areas? I believe the fairest answer is no.

- If NEB is meant to *promote environmental sustainability*, **do we know whether it's working and to what extent?**

- If NEB is intended to enhance Maine's *energy independence*, are we able to answer these questions:

    - **Does the NEB Program help Maine become more energy independent?**

    - **Has the NEB Program helped Maine be less reliant on out-of-state power suppliers (or are we *more* reliant)?**

    - **Does the NEB Program promote greater grid reliability (or is the grid made *less* reliable by the intermittent nature of solar generation)?**

- If NEB is intended to *lower energy costs*, are we able to answer these questions:

    - **Why does the NEB program cost ratepayers more than $220 million per year (*citing the April 6, 2023 report of the Office of the Public Advocate*)**?

    - **Are alleged ratepayer savings known and measurable and do they actually outweigh the costs to ratepayers?**

    - **What are the *future costs* for Solar that we haven't yet been exposed to, including storage and grid modifications to accommodate solar?**

While I believe any of the hypothetical benefits of the NEB Program should be considered worthy of consideration, I believe prudent decision-making requires a weighing of costs against benefits. I urge you to consider whether we have answers to the questions I pose above, and if so, do we have known and measurable evidence that the benefits of the NEB program justify the tariff cost of the program. My proposition is that the benefits of the NEB Program are simply unknown, if not undefined. In contrast, we do know the cost, and it is incredible.

Without a defined goal or measurable benefits, the cost of the NEB is too much to be overlooked.

The Need for Immediate Action to Stop the Financial Harm

While NEB's benefits remain unknown, its costs are undeniable. Yet both considerations are largely ignored in the current policy framework. The burden falls squarely on those who do not participate in NEB, including low- and middle-income households, small businesses, and industries that sustain Maine's economy.

Ending or significantly curtailing NEB will:

- Protect ratepayers from excessive and unjustified financial burdens
- Ensure a fair and equitable distribution of costs across Maine's electric grid
- Promote energy policy decisions grounded in a clear cost-benefit analysis

The NEB Program lacks defined goals and fails to demonstrate measurable benefits. Given its substantial financial burden, it is imperative that Maine takes action to address these shortcomings. The Legislature has a critical opportunity to reform this program before its financial impact on Maine’s ratepayers becomes even more severe.

For these reasons, I urge you to support LD 450, LD 32, LD 257, and LD 359 to repeal or reform NEB and ensure that Maine's energy policies align with affordability, fairness, and transparency.

Thank you for your time and consideration.

Respectfully Submitted,

Shawn Lovley

Shawn Lovley, President of the Aroostook Energy Association

ATTACHMENT A

April 6, 2023 report of the Office of the Public Advocate

April 6, 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 COMPARISON

- 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	
Utility	**Annual Cost**
Versant/BHD	$5.2 million[4]
Versant/MPD	$0.8 million[5]
CMP	$18.5 million[6]
Total	$24.5 million

Lost Distribution Revenues from kWh Credit Program	
Utility	**Annual Cost**
Versant/BHD	$10.2 million[7]
Versant/MPD	$1.5 million[8]
CMP	$19.5 million[9]
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.