April 30, 2025

To: Senator Mark Lawrence & Representative Melanie F. Sachs (Co-Chairs),
Joint Standing Committee on Energy, Utilities & Technology

Maine State Legislature
100 State House Station
Augusta, ME 04333

From:
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RE: Opposition to LD 1777 – An Act Regarding Net Energy Billing Tariff Rates

Dear Senator Lawrence, Representative Frey, and Members of the Committee,

On behalf of Aligned Climate Capital LLC ("Aligned") and our Aligned Solar Partners ("ASP") investment strategy, thank you for the opportunity to submit testimony in opposition to LD 1777. Aligned is a U.S. infrastructure investment manager dedicated to financing the clean-energy transition. Since 2018, we have **invested more than $100 million in 15 solar projects in Maine, serving communities across the State in Central Maine Power, Versant-Bangor Hydro, and Versant-Maine Public territory.** We invest across the United States through our infrastructure strategies and currently have an operating portfolio in ten States. Put simply, **Aligned and other infrastructure investors will not invest in Maine – now or in the future – if the State changes laws retroactively**. **Aligned has already cancelled projects and new investments in Maine because of the policy uncertainty.** This will create a chilling effect for future energy projects, housing, health care, manufacturing, and other sectors that rely upon stable regulatory programs.

Our Investment in Maine— The Projects and Communities at Risk

Aligned, through its ASP strategy, currently owns and operates:

- **15 operating or under-construction solar projects** in Maine.
- Totaling **38 MW DC / 27 MW AC** capacity.
- Including **6 projects (12.6 MW DC / 8.9 MW AC)** qualified under the original "Tariff-Rate" Net Energy Billing (NEB) program, representing the specific cohort most directly threatened by retroactive changes.
- Communities where we are located and their Maine Senate districts:
    - Boothbay (District 13)
    - Bucksport (District 10)
    - Caribou (District 1)
    - Cherryfield (District 6)
    - Fairfield (District 16)
    - Franklin (District 6)
    - Lincoln (District 8)
    - Limestone (District 1)
    - Livermore Falls (District 17)
    - Monticello (District 2)
    - Skowhegan (District 3)
    - Thorndike (District 11)
    - Topsham (District 24)
    - Union (District 12)
    - Waterville (District 16)

These projects represent:

- **More than $100 million of investment** already committed and invested in Maine.
- **More than $40 million of lower energy bills** benefiting municipalities, school districts, and individuals.
- **More than $6 million of lease payments** to local landowners in Maine.

- Reliance on 20-30 year Tariff agreements at rates established under the original program rules.
- Meaningful local economic impact through construction and long-term operations & maintenance jobs, including two full-time ASP employees based in Portland, Maine.

It is crucial to understand that these projects are financed through non-recourse, project-level vehicles. Their *only* source of repayment is the revenue stream established by the power contracts approved under the NEB rules set forth by the Legislature and the Public Utilities Commission (PUC). These projects have already secured long-term, permanent debt financing, which is based upon the existing regulations and tariffs. **LD 1777 would immediately put our projects—and many other projects—in default with lenders should the PUC implement lower tariff rates retroactively.** This legislation risks starting a cascade of defaults and foreclosures across Maine, which would place a burden on local communities and deprive the State of clean, operating electricity generation. Every dollar we invest comes from long-term capital partners like pension funds, insurance companies, and mission-driven institutions that accept stable, single-digit returns in exchange for **contractual certainty**. Retroactive changes fundamentally break this market and stop any future investment.

1. The Reality of Project Finance: Why Power Contracts Cannot Change After Capital is Committed

Solar infrastructure assets are typically financed with approximately 65% senior debt and 35% equity. The terms for this debt, the pricing from tax-equity investors, and even insurance premiums are underwritten based *precisely* on the expected revenue schedule defined by the Tariff-Rate rules at the time of investment. If that foundational revenue schedule changes retroactively, the consequences are severe and immediate:

- **Technical Default:** Lenders may declare a technical default due to a “material adverse change,” freezing essential working capital facilities needed for operations.
- **Tax Equity Clawbacks:** Tax-equity investors, whose commitments are based on projected returns, may be forced to "claw back" previously claimed tax credits, requiring project sponsors like Aligned to post significant cash collateral, further straining project finances.
- **Refinancing Barriers:** Access to refinancing markets effectively closes, potentially trapping projects in higher-rate construction loans or preventing optimization of capital structure, ultimately increasing costs.

The inevitable result of such retroactive policy changes is *higher* long-term electricity costs for Maine, not lower.

2. LD 1777 Creates Unacceptable "Maine Risk" for Investment

LD 1777 directs the PUC to establish a new, unspecified “just and reasonable” rate for *existing* Tariff projects, effective January 2026, with the ability to change it arbitrarily thereafter. This legislative approach creates an unmanageable risk profile for infrastructure investors:

- **Unbounded Downside:** The bill provides no floor, cap, or clear standard for the new rate, creating unbounded downside risk for projects locked into long-term financing structures.
- **Unhedgeable Volatility:** Allowing the rate to be revised "as needed" makes future cash flows unpredictable and essentially impossible to hedge financially.
- **Damaging Precedent:** Applying this change to already operating assets signals to rating agencies, lenders, and equity investors nationwide that Maine's regulatory commitments are unreliable, chilling investment far beyond the solar sector.

As stated above, Aligned and other infrastructure investors would cease any new investments in Maine if this legislation were to become law.

3. Countering the "Windfall" Narrative: Project Contingencies Absorbed Early Margins

The public narrative sometimes suggests early Tariff projects are earning extraordinary profits. This does not reflect the reality faced by projects developed during that period. All six of our legacy Tariff-Rate projects have encountered significant unforeseen challenges and cost increases that absorbed initial margin expectations:

- **Interconnection Costs:** Required grid upgrades and subsequent utility re-studies added significant costs.
- **Supply Chain Shocks:** Post-pandemic price spikes for critical components like modules and transformers reached 30-50%.
- **Interest Rate Hikes:** The sharp rise in interest rates increased permanent debt coupons by approximately 300 basis points (3%) between 2021-2024 compared to initial underwriting assumptions.

Margins that appeared reasonable on a 2019 pro forma are, today, merely adequate to cover debt service, operational expenses, and necessary maintenance reserves. A retroactive rate cut would likely push these established projects below break-even, jeopardizing their financial stability and stranding capital already invested by both sponsors and, indirectly, ratepayers (through grid upgrades).

4. Alternative-Rate Projects Are Even More Vulnerable

Projects developed later under the alternative-rate (AR) NEB program faced even higher interest rates and often lacked the economies of scale achieved by earlier projects. Any rate reset mechanism, like that proposed in LD 1777, that sweeps these AR projects into a lower benchmark would be devastating, likely causing defaults on projects still under construction and leaving Maine with stranded assets and unrecovered grid costs.

5. Compounding Risk: Interaction with LD 1250 / LD 150 (REC Retirement)

The Committee is simultaneously considering legislation (LD 1250/150) that could alter Renewable Energy Credit (REC) retirement rules. Forcing projects to surrender RECs already contracted for sale in regional markets would eliminate a crucial secondary revenue stream. Layering this change on top of a base tariff reduction would multiply the financial shock and further destabilize existing projects.

6. Policy Stability Works: The Massachusetts SMART Example

Neighboring Massachusetts provides a contrasting example. When adjustments were made to its Solar Massachusetts Renewable Target (SMART) program in 2020, the changes were applied *prospectively*. Critically, every project with an executed Statement of Qualification was grandfathered under the original rules. Because investors trust this commitment to policy stability, capital continues to flow into Massachusetts solar, and subsequent competitive SMART bids have resulted in lower costs for ratepayers. Maine can, and should, follow this proven model to maintain investor confidence and achieve lower long-term costs.

Respectful Request

For the reasons outlined above, Aligned Climate Capital strongly urges the Committee to vote **Ought Not To Pass on LD 1777** and reject any legislative or regulatory mechanism that retroactively alters the compensation structure for operating NEB projects.

If the Committee determines reforms are necessary, we respectfully ask that they apply **only prospectively** to future projects seeking qualification. This approach aligns with long-standing regulatory practice, upholds the sanctity of contracts essential for infrastructure investment, and protects Maine's reputation as a reliable place to invest capital.

We appreciate your leadership and commitment to balancing consumer costs with Maine's vital clean-energy and economic-development objectives. Please do not hesitate to contact me at **greg@alignedclimatecapital.com** if you have any questions or require further information.

Sincerely,

Gregory Greenman
Vice President
Aligned Climate Capital