

Nexamp Testimony – LD 1777
Committee on Energy, Utilities and Technology
Jake Springer
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Thank you, Chair Lawrence, Chair Sachs, and members of the Energy, Utilities and Technology Committee for the opportunity to submit testimony for this hearing.

I am testifying today in opposition to: **LD 1777, An Act to Reform Net Energy Billing by Establishing Limitations on the Programs' Duration and Compensation**

Nexamp is a vertically integrated clean energy company with nearly two decades of experience in this region developing, constructing, operating and maintaining solar and energy storage projects. We are the long-term owners for all our projects, managing the assets through their whole lifecycle until decommissioning, and we work directly with the customers participating in our projects providing them a guaranteed discount on the credits they receive.

Nexamp has some 40 projects in Maine and through the Net Energy Billing (NEB) program we serve almost 20,000 customers in the state. In doing so we have invested hundreds of millions of dollars building these projects and upgrading the distribution grid infrastructure that supports the state. We are proud of what we have been able to build in Maine and to serve the Mainers who have chosen to participate in these projects. Our customers are Maine businesses of all sizes—including hospitals, breweries and ski areas—as well as municipalities and school districts. But the vast majority are residential customers who are saving on average \$232 each year by participating in one of our projects.

LD 1777 would remove the current compensation framework for the NEB tariff rate program and replace it with a framework to be developed by the PUC. While we appreciate that the sponsors are intending to balance the desire to change the rate structure with providing projects with a “fair profit”, the bill poses several practical challenges and, most concerningly, would subject existing projects to both significant uncertainty and the strong possibility of a damaging cut to compensation.

While we have expressed this sentiment regarding past legislation before this Committee, it bears repeating once again the damaging impact that retroactively changing the compensation framework established under the statute would have on existing projects and their customers that have relied on that framework to make investments.

Solar projects require significant amounts of capital upfront to construct, and that investment is paid off over time as the project produces energy. The revenue that is expected to be earned in the future is the lifeblood of the project. Recognizing this, and the need for revenue certainty for these projects, NEB agreements are 20-year contracts and under current law the rate structures in place today are available for 20 years. These are the terms under which the investments were made, and importantly, these are also the terms under which customers have signed contracts with these

projects. Retroactive changes to this framework threaten the ability of projects to repay the terms of the loans made to support the projects and the ability to provide the benefits promised to their customers.

From a practical perspective alone, in our view the inclusion existing projects makes the approach under LD 1777 unworkable. It is not clear how the PUC would treat existing projects that have been built under different terms. Would the PUC have to back solve for a reasonable return on a project-by-project basis? If, for example, the rate of return is expected to be the same for each project, would that mean that higher cost projects will receive a higher compensation rate than a lower cost project? Would that be a just and reasonable outcome?

For all these reasons, Nexamp cannot support this approach for dealing with existing projects. However, LD 1777 may provide a reasonable direction for determining a future compensation framework for NEB projects going forward. Providing for a fair return and benchmarking against comparable programs in other states are both reasonable policy goals, although the direction provided to the PUC could be further clarified as the current bill's criteria is largely subjective. Nexamp also recommends that the compensation fully consider the value provided by these resources.

If the approach proposed in LD 1777 were to move forward, we also recommend that once established, that compensation framework remain stable for the 20-year period of participating projects. Under the current language, it seems that the PUC could change the framework at any time. That level of uncertainty is just not workable for projects.

On multiple occasions, the Legislature has chosen to make changes to NEB. In doing so, it has modified the structure prospectively, but recognized and protected investments that had been made under the prior structure. Amidst the changes made to NEB over the years, that principle has remained consistent. As you consider LD 1777 and other legislative proposals regarding the NEB program, we urge you to oppose efforts that unwind the progress made to date and that undermine existing investments.

We urge you to oppose LD 1777 as currently drafted.

Respectfully,

Jake Springer
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Nexamp