CCSA

April 10, 2025

Senator Mark Lawrence, Chair
Representative Melanie Sachs, Chair
Committee on Energy, Utilities, and Technology
100 State House Station
Augusta, ME 04333

Re: Testimony in Opposition to LD 1317

Dear Senator Lawrence, Representative Sachs, and Members of the Energy, Utilities and Technology Committee:

Please consider this testimony in opposition to LD 1317. The Coalition for Community Solar Access (CCSA) is a national Coalition of businesses and non-profits working to expand customer choice and access to solar for all American households and businesses through community solar. Our mission is to empower every American energy consumer with the option to choose local, clean, and affordable solar.

CCSA appreciates that this bill is attempting to seek a workable reform to reduce ratepayer impacts of the Net Energy Billing (NEB) program without upending the entire program. Unfortunately, this bill as written is not workable, as the tariff rates set in this bill would not be sufficient to meet necessary project costs and obligations. LD 1317 would transition the tariff rate for all projects under Section 3209-B to 12 cents per kWh by 2028. This proposal is unworkable for three main reasons: it does not take into account that financing, operations and maintenance costs rise over time; it treats all projects the same; and the compensation level itself is simply too low to keep solar projects viable and in operation.

While it is true that solar is a capital intensive investment with the majority of project costs being incurred upfront, these projects have ongoing costs throughout the project life. These costs include operation and maintenance costs, including servicing of equipment, insurance payments, and land leases. All of these costs, like most parts of our economy, increase over time. In addition, NEB projects are financed based on an assumption of 20 years of NEB revenues, which under current statute, are all expected to rise on a per kWh basis over time. For the original tariff rate and kWh credit programs that are tied to retail rates, project owners assume that the NEB revenues will move with electric rates, which are expected to continue to rise. While the projections of just how much rates will increase vary, it is common to assume the rates will increase at a level of between 2-3% per year. When a project owner incurs debt and equity sponsors, it counts on those increasing revenues to be able to make its loan payments and provide the expected returns to its equity partner. If the project's costs continue to rise while its revenues stay flat or drop, it will not be able to make those debt payments, let alone provide returns to investors.

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The per-kWh revenue at which a project might face such circumstances is dependent on a suite of multiple factors which vary across projects. Generally speaking, larger projects have greater economies of scale, so that smaller projects typically require a higher per-kWh payment to reach the same "break even" point. But even two projects of the same size may have entirely different project economics. Some projects began development years ago and locked in financing before interest rates increased dramatically. Others may have had access to safe-harbored panels that were exempt from import tariffs or purchased before supply chain constraints increased component costs. Applying the same compensation rate after-the-fact to differently situated projects is inappropriate and will unfairly punish developers that have been following the past signals of the Legislature, for example by shifting development to smaller projects. In fact, in 2022 when the alternative tariff rate was created, projects under 1 MW were intentionally excluded from the new, lower rates in recognition of their different cost structure.

The above two factors would be mitigated if the fixed compensation rate is high enough to sustain the highest cost projects twenty years into the future - but 12 cents per kWh is certainly not sufficient to do so. The compensation level in LD 1317 is likely not sufficient even for the largest, lowest costs projects. In particular, the compensation rate designated in this bill will not simply go to the project owner, but will be shared between the project owner and its NEB customers. Operational NEB projects have obligations to enrolled customers, typically in the form of electric bill savings of 10-20 percent. If the NEB tariff rate drops to 12 cents per kWh while a customer's electric rates continue to grow from their current levels of 20-25 cents per kWh, it will become impossible for NEB project owners to be able to deliver on those customer contracts while also paying its operating costs and debt service.

We thank you for your consideration of this testimony, and are happy to provide any further information as helpful to the Committee.

Sincerely,

/s/ Kate Daniel
Northeast Regional Director
Coalition for Community Solar Access