April 10, 2025

Senator Mark Lawrence & Representative Melanie Sachs
Joint Committee on Energy, Utilities, and Technology
Legislative Information Office
100 State House Station
Augusta, Maine 04333

Testimony re: LD 1317, "An Act to Promote Responsible, Cost-Effective Energy in Maine by Amending the Tariff Rates Applicable to the Commercial and Institutional Net Energy Billing Program" from ReVision Energy

Senator Lawrence, Representative Sachs, and Members of the Joint Standing Committee on Energy, Utilities, and Technology:

ReVision Energy ("ReVision") submits these comments as a Maine-founded, employee owned, certified B Corporation clean energy construction company with over 470 employees across our five branches in New England, including more than 225 co-owners in Maine between our Montville and South Portland locations. As a longstanding member of Maine's growing clean energy industry, we work to achieve our mission of building the just and equitable electric future our state needs to meet our climate goals and ensure all Mainers have access to clean, affordable, local energy. With more than 20 years of experience installing solar across the state, we submit this testimony today in opposition to LD 1317 given the significant negative impact such retroactive rate cuts would have on existing solar projects.

LD 1317 proposes to phase down compensation rates for the Tariff Rate Program within Maine's Net Energy Billing (NEB) policy, starting in 2026. Ultimately, by 2028, the legislation sets a flat rate of 12 cents per kilowatt hour (kWh) for all projects within the Program, regardless of whether they were on the original rate or alternative rate, which the legislature set in response to compensation fluctuation in 2022. **The reality is moving to a flat rate of 12 cents/kWh is too extreme of a change for the majority of projects to stay afloat. On average, original tariff rate projects will see a 51% reduction in value, and alternative rate projects will see a 31% under this proposal.** Our concerns are outlined as follows:

1. Decimation of Alternative Rate Projects

   The bill's proposed compensation cuts will most likely cause all alternative rate projects to default on their financial obligations, which represents 41% (or 235 MW) of the total capacity of operational projects in the NEB Tariff Program.

   To understand why, it's important to understand the environment in which these projects were built in. The reality is that offsite projects built in 2020 and 2021, when the state's NEB program was expanded, were likely the most cost effective projects to be built in the state. Inflation had not yet hit project costs, and these were the first projects to be interconnected, which meant they had few distribution upgrade costs to contend with. Unfortunately, projects coming online in 2022 and beyond were not built in the same fiscal environment. With significant inflation, pandemic supply chain constraints and increased equipment costs, and sky high

interconnection costs, these projects were built on the margins, with significantly higher costs. In 2022, the legislature amended the Tariff Rate Program, making a major reduction in compensation for projects moving forward. These projects, therefore, not only had significantly higher development costs, but faced the challenge of being compensated less for the power they produce.

Alternative rate projects, therefore, quite frankly have nothing left to give. The impact will be vast; this legislation all but guarantees that existing alternative rate tariff projects cease to operate —it's simply too drastic of a cut to a rate that's already been evaluated and appropriately altered.

2. Inappropriate Removal of Rate Escalator

Retroactive removal of the 2.25% escalator within the alternative tariff rate program is inappropriate. When contracts were signed, investors had the expectation of the inclusion of the annual escalator when modeling costs, operating revenues, and debt sizing. (Again, note the cost of debt was significantly higher in 2022 and beyond, making these projects challenging to finance.) If an escalator is removed and revenue is flat, the risk of operating losses and default skyrockets as the compensation can no longer cover financial obligations. Even more, solar production does go down over time, and therefore, flat rates result in a declining revenue structure. While solar can function on flat rates, the structure must be disclosed up front to ensure proper modeling and financial decision making.

To be clear, total project costs are not fixed—i.e. flat or known for the project term. In practice, the only fixed portions of project development include land lease payments, which do include an escalator, and debt payments. The remainder of the costs are variable over time and will nearly always increase due to price and wage inflation, which include operations and maintenance (O&M), insurance, utility costs (monthly O&M fees based on interconnection costs and utility bill fees), and customer management/invoicing. O&M costs have significantly jumped over the last five years due to increased wages, insurance, and vehicle costs. These are not "discretionary" costs that can be cut on projects—banks supplying loans maintain covenants in their loan agreements to ensure project O&M and insurance coverage, just as mortgages do for homeowners.

3. Elimination of Onsite Solar Development

Similarly, these rate reductions also will also destroy the opportunity to build onsite projects, too, at a time in which public policy has been encouraging onsite rooftop solar development. Onsite projects, typically small, face high costs due to the lack of economies of scale. Generally speaking, onsite projects are 30-50% more expensive than offsite projects and garner lower generation due to being roof mounted. These projects relied on the tariff program for viability. Unfortunately, the proposed compensation rates in this legislation make onsite projects essentially unworkable.

4. Original Rate Projects: Project by Project Evaluation

LD 1317's proposed compensation levels will likely impact many original rate projects, forcing them to default on contractual obligations. This represents 59% of projects operational today,

or 332 MW of capacity. There may indeed be projects that could sustain such a rate change given that each project is financed differently based on size, location, interconnection costs, land lease costs, etc. Unfortunately, there is no "magic number" or set rate that original rate projects could all equally absorb. Unless the state requires project owners disclose operating costs, there is no outcome where a flat NEB value cut would equitably impact projects. In our experience, there are a multitude of projects in which the rate agreement plus the contractual obligations of guaranteed savings provided to offtakers (ranging from 10-20%) cannot absorb a 12 cents/kWh rate. It essentially leaves too little (i.e. 9.6 cents/kWh) to cover remaining obligations to lenders, investors, and for operating expenses. We remind the Committee that these projects were not modeled and thus not ultimately financed to sustain such an impact as the credit value has always remained higher.

While we appreciate the sponsor's willingness to seek the industry's perspective and develop compromise legislation, the rate changes included within this bill will ultimately greatly financially damage the majority of projects within the Tariff Program.

Ultimately, if NEB rates are reduced to levels below what is required to cover both project debt and operating costs, there will be a substantial amount of loan defaults and abandoned projects. An investor will not continue to own a project that can never generate a profit, and such value erosion will lead to distressed asset sales, foreclosures, etc. Banks and investors then will certainly not touch solar in Maine again, essentially locking the state out of the capital markets going forward for clean energy and beyond. We remind the Committee of the significant damage this outcome will have on our state's growing clean energy economy and our commitment to our codified climate goals. For these reasons, we ask you to vote ought not to pass on LD 1317. We are happy to answer any questions.

Sincerely,

/s/ Lindsay Bourgoine

Lindsay Bourgoine
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ReVision Energy