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TESTIMONY BEFORE THE ENERGY, UTILITIES AND TECHNOLOGY COMMITTEE

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; and An Act to Reform Net Energy Billing by Establishing Limitations on the Programs' Duration and Compensation

L.D. 1317 and L.D. 1321

GOVERNOR'S ENERGY OFFICE
April 10, 2025

Senator Lawrence, Representative Sachs, and Members of the Joint Standing Committee on Energy, Utilities and Technology (EUT): My name is Caroline Colan, and I am the Legislative Liaison for the Governor's Energy Office (GEO).

The GEO testifies in opposition to L.D. 1317 and L.D. 1321.

Net energy billing (NEB), or net metering, was restored by P.L. 2019, ch. 16, and expanded by P.L. 2019, ch. 478, and is the state program that has promoted the installation of distributed generation (renewable energy less than 5 megawatts). Net energy billing has stimulated substantial solar development, increasing the volume of new renewable energy in Maine and contributing to our state energy and emission reduction goals. Resources participating in net energy billing interconnect to the distribution grid, and can provide a variety of benefits, recently reported by the Public Utilities Commission (Commission), to both the entity where electricity is generated – at residences, businesses, schools, and other institutions – as well as to the overall electrical grid such as improved winter reliability and a reduced share of regional transmission costs for which the state is responsible. While some of the benefits provided by these projects are achievable through other avenues, some are unique to distributed generation.

Since 2019, the program has gained significant interest and markets have evolved. In response, GEO has worked with this Committee and the Legislature on three occasions to provide clarity on the scope of the programs, to phase out and reduce the costs of the programs, and to ensure the benefits are accurately valued. These modifications include sunsetting the program so that no new projects over 1 MW are able to qualify for the program as of January 1, 2025. GEO continues to be mindful of the costs of the program, and particularly how the costs and benefits are distributed amongst different classes of Maine ratepayers through rate design. In particular, it has become clear in recent months that the method by which electric utilities have been directed by the Commission to collect certain costs associated with net energy billing from electricity customers has placed an acute burden on some customers, particularly certain businesses.

Electricity rate design is complex and at times contentious, but it is inequitable and untenable when a change in the way rates are collected results in nearly a dozen large commercial customers of one utility experiencing a doubling of their monthly electricity bill from one month to the next while many other customers in the same class saw monthly bill decreases. We have heard concerns about these cost increases directly from business owners, particularly those in Aroostook County, while traveling across Maine this fall. We understand the Commission has acknowledged the significant challenges created by current cost collection practices and shares the desire to rectify it through an active docket. We support the Commission's efforts to take immediate steps to address this situation and have written to urge expeditious action on this issue.

Despite these challenges, it must be acknowledged that these programs, as well as other policy actions, successfully launched a vibrant solar industry in our state and revitalized other important clean energy sources including small hydroelectric dams. As documented by reports submitted by the Commission to the Legislature, these projects are also delivering significant benefits to electricity customers, helping to optimize the use of our existing electricity grid by deferring or avoiding more costly utility investments and suppressing wholesale market energy costs.

A broad, retroactive modification of the core mechanisms for determining compensation under the program, as these bills propose, would dramatically alter and retroactively impact more than 16,000 projects in the state without consideration for those investments and the nearly 114,000 customers participating in the program today, which include our neighbors, municipal governments, school districts, water districts, housing authorities, shelters, grocery stores, large manufacturers, breweries, and many of the state's colleges and universities. Many of these entities sought to participate in the program in order to stabilize their own electricity rates after experiencing record volatility driven by natural gas prices in recent years.

We recognize that Maine is not alone in considering changes or modifications to its net energy billing programs—many other states have or are considering changes to their programs as markets have evolved. However, the blunt approach that these proposals take leave us with many questions about how such a proposal would be implemented in reality. Would projects be disconnected? Will this dramatic change cause a freeze on new investments and new industries in Maine? How will this affect residents, businesses small and large who have taken out loans to install solar? Among many other questions.

We do agree that more must be done to ensure the benefits of these projects are not only realized, but understood by customers who are otherwise left to question the value of the program costs. As we look beyond the Net Energy Billing program—which was limited by several previous bills—to the next phase of clean energy deployment in Maine, Maine policymakers have competitive, low-cost opportunities to continue deploying new clean energy, including solar, which will reduce our energy costs.

We have urged the Commission to utilize to the maximum extent possible the additional authority extended to it through legislation passed last year to reduce the total program costs through the procurement of existing projects via lower cost long-term contracts and to more equitably recover the overall Net Energy Billing Tariff costs that are borne by Maine customers as well as ensure the numerous benefits are transparently and comprehensively documented. Customers paying a so-called "stranded" or "public policy" charges deserve confidence that these costs have been fully examined, fairly distributed, and that absent such investments the alternative would not likely be lower bills, but other, higher expenses for electricity that is dirtier, less reliable, and more reliant on the same fossil fuels which have cost far too much for far too long.

While we believe the proposals before us today are unacceptably and irresponsibly blunt, the GEO has been a willing partner on several proposals over the years to modify these programs in a measured way and we're willing to again work with this Committee, the PUC, and stakeholders to consider reasonable proposals to ensure that the state's programs meet our shared goals to advance an energy system that is more affordable, reliable and clean for the benefit of our state. In particular, the sponsor's amendment to LD 1321 appears to contemplate a Commission proceeding that could adjust compensation while protecting the ability for projects to recover reasonable costs and earn a reasonable return. While we remain concerned about the fairness to Maine people and businesses who have invested in reliance on the laws establishing this program, we are open to learning more about how such an approach applied to the Tariff program – and bounded by clear guardrails established by the Legislature to protect the interests of all affected parties – could further benefit all customers without unduly burdening participants.

Thank you for your consideration.

Caroline Colan

Caroline Colan, Legislative Liaison
Governor's Energy Office