STATE OF MAINE
OFFICE OF THE GOVERNOR
1STATE HOUSE STATION
AUGUSTA, MAINE
04333-0001

JANET MILLS
GOVERNOR

DAN BURGESS
DIRECTOR OF GOVERNOR'S
ENERGY OFFICE

TESTIMONY BEFORE THE ENERGY, UTILITIES AND TECHNOLOGY COMMITTEE

An Act to Clarify Tariff Rates for Nonresidential Customers Participating in Net Energy Billing with a Distributed Generation Resource
L.D. 1777

GOVERNOR'S ENERGY OFFICE
March 1, 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 neither for nor against L.D. 1777.

Thank you for the opportunity to provide comments on this legislation. This is one of several proposals that has come before the EUT Committee this session that makes modifications to the state's net energy billing program. On each of those prior proposals, GEO has testified in opposition. In doing so, GEO has acknowledged that over the years, as these programs have gained significant interest and markets have evolved, they have merited additional work from the Legislature 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. GEO has worked with this Committee on at least three occasions in support of clarifications. However, our testimony has also noted that proposals pushing full repeals or broad, retroactive modifications to the core mechanisms for determining compensation to the program made without due consideration for the investments that have been made by both project developers and offtakers have so far been irresponsibly blunt.

We appreciate that the proposal before us today explores a more targeted, nuanced approach to program modifications. First, it focuses changes on the tariff rate program. In seeking to reduce the stranded costs of existing projects under the net energy billing program, GEO believes focusing efforts on the tariff rate program, and most specifically the original tariff program, is likely where the greatest opportunities for cost reductions exist though we do recognize that several changes have already been made by the Legislature to modify this part of the program. As demonstrated by the *Analysis of 2024 Net Benefits of Net Energy Billing Program* prepared for the Public Utilities Commission by Sustainable Energy Advantage, the tariff rate program was found to have costs exceeding benefits with a Benefit-Cost Ratio of 0.76. Comparatively, the kwh credit program was found to have benefits exceeding costs, with significant net benefits for behind the meter projects as illustrated in the included below found on page 35 of the referenced report. It's GEO's understanding that at least a subset of larger tariff rate projects are also those projects more likely to have flexibility in the rate under which they could effectively operate while earning a fair profit.

STATE OF MAINE
OFFICE OF THE GOVERNOR
1 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0001

JANET MILLS
GOVERNOR

DAN BURGESS
DIRECTOR OF GOVERNOR'S
ENERGY OFFICE

Table 10 -
2024 NEB Program Variant Summary Cost and Benefit in Millions of Dollars

Program Variant	Costs	Benefits	Benefit-Cost Ratio
NEB Tariff Rate	$132.87	$101.56	0.76
NEB kWh Credit	$69.97	$93.02	1.33
NEB kWh Credit (BTM)	$21.26	$40.43	1.90
NEB kWh Credit (FTM)	$48.71	$52.59	1.08
NEB Program Total	$202.84	$194.58	0.96

Second, we appreciate that the bill establishes a process by which savings could be achieved through adjustments to compensation while protecting the ability for projects to recover reasonable costs and earn a fair profit from their operation. GEO has previously expressed openness to exploring similarly proposed Commission proceedings bounded by clear guardrails established by the Legislature to protect the interests of all affected parties. We expect that the Commission—and certainly impacted entities—will want additional guidance regarding the range of rates and the frequency the Commission might adjust rates as certainty is key. Would the Commission be regularly adjusting the tariff to not exceed 1.5 times the *current* regional average rate? Or would it be adjusted once based on the regional average *today*, or in some earlier year between now and 2019 that approximates when the bulk of affected projects made their investments?

Finally, in comparing rates against other regional distributed generation programs, parties should seek to adequately understand what assumptions are reflected in project costs from other programs as these may vary from projects built in Maine. Looking at just one regional analogue– SMART (MA) – we see base compensation rates (without adders) in 2022 starting around 13-17 cents and declining in subsequent blocks over time. It should be noted that SMART participants know their compensation rate when they originate their project before committing significant CAPEX, while Maine projects would have assumed the Maine rate at the time of investment. These variations should be adequately considered when evaluating whether aligning Maine project compensation rates with regional rates would provide a Maine developer with a "reasonable opportunity to earn a fair profit" as the bill proposes.

GEO continues to be a willing partner in assessing reasonable proposals to modify the program in a measured way and to continue to explore this proposal with the sponsor and interested parties.

Thank you for your consideration.

Caroline Colan

Caroline Colan, Legislative Liaison
Governor's Energy Office