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Testifying: Neither For Nor Against

LD 249 – An Act To Eliminate the Current Net Energy Billing Policy in Maine Comments

LD 583 – An Act to Repeal Changes made by Public Law 2019, Ch 478, “An Act to Promote Solar Energy Projects and Distributed Generation Resources in Maine

LD 634 – An Act to Cap the Value of Contracts for renewable Resources and Distributed Generation Resources

LD 709 – Resolve, To Provide a Brief Moratorium on Certain New Net Energy Billing Arrangements and To Examine the Costs and Benefits of Net Energy Billing

Senator Lawrence, Representative Berry, Members of the Joint Standing Committee on Energy, Utilities and Technology, my name is Kathleen Newman, Director of Government Affairs for Central Maine Power Company, submitting testimony neither for nor against LDs 249, 583, 634 and 709.

Background

Central Maine Power Company (CMP) is committed to helping the State of Maine reach its renewable energy goals while we strive to meet our obligations to deliver safe, reliable power to our customers.

The 129th Legislature passed laws – which we supported – providing new incentives for the development of solar and other smaller generation renewable energy projects in Maine.

Those laws instigated a surge of requests to interconnect to the grid. In the year 2018, prior to adoption of the new distributed generation laws, CMP received five requests to connect new large solar sources to our infrastructure – by the end of 2020 we had 600 projects in queue.

Today, dozens of solar generation businesses are planning, siting, and constructing hundreds of solar projects, which are 2-5 megawatts each in capacity, and are marketing their renewable energy programs to electricity consumers. The cumulative amount of new power that would be put onto the grid by these projects is 2,000 megawatts (MW). For comparison, current combined peak demand of all CMP customers is 1,700MW.

CMP’s primary obligation is safety and reliability and this amount of new energy requires the company to be thorough in its analysis and solutions. We follow an interconnection process established by the Maine Public Utilities Commission (Chapter 324) that includes numerous studies and reviews. ISO-NE has also established a requirement for “cluster” studies to be undertaken to ensure grid stability when distribution-connected projects behind a common transmission substation exceed 20 MW. The scope of

these studies is dictated by ISO-NE and can be very complex and require months of study time to complete. CMP has been actively engaged with the development community on this aspect of the work and has been seeking creative and innovative ways to advance projects within the ISO study process.

The impact on company resources has been significant, from the team processing the Interconnection Agreements to our Distribution Planning, Transmission Planning, Protection and Controls, Power Contracts Administration and Meter Services groups – all are under considerable pressure and resource constraints due to the large volume of new projects requesting interconnection, Net Energy Billing agreements and associated meter services for each project. Our team is working hard and committed to this effort, but the reality of the constraint on our team should be noted. We're also working to bring in third party resources whenever it makes sense to do so.

Policy changes

Last November, the MPUC submitted a report to this committee. The report was triggered by notice that the total amount of generation capacity involved in net energy billing had reached 10% of the total maximum load of transmission and distribution utilities, a trigger designed to assure the impacts of the NEB program are reviewed in a timeframe that would allow for necessary legislative modifications to occur.¹ That report made some observations we agree with and recommendations that we support. Since CMP submitted that triggering filing to the MPUC, CMP has continued to sign additional net energy billing agreements with solar developers. As of March 1st of this year, CMP has executed agreements totaling over 985 MW, or nearly 58% of CMP's peak demand with an additional 154 MW of pending applications.

One observation we want to highlight is the Commission's recognition that **"projects with existing agreements are likely to have already incurred significant expenses based on current law, which could raise fairness and legal issues if the existing agreements are terminated."**² We strongly encourage this committee to honor the contracts that are underway. As our company knows from immediate example – developers need the ability to rely on state government to uphold the licensing and regulatory process; it is vital to a stable business environment in our state. Pulling the rug out from under these investors, as some suggest should be done with our fully licensed and permitted project – the New England Clean Energy Connect – is as wrong for these developers as it is for us – and would damage our state's reputation in the global renewable energy community.

Regardless of one's view on the underlying policy that led to the existing slate of projects, to the extent that these projects can demonstrate that they have made binding contractual commitments and expended meaningful investments toward fulfilling those commitments, they should be honored and

¹ MPUC November 10, 2020: Report on the Effectiveness of Net Energy Billing in Achieving State Policy Goals and Providing Benefits to Ratepayers, and Renewable Distributed Generation Solicitation pp 2

Section A-6 of the Act contains an evaluation provision that specifies:

The Public Utilities Commission shall evaluate net energy billing under the Maine Revised Statutes, Title 35-A, section 3209-A when the total amount of generation capacity involved in net energy billing in the State reaches 10% of the total maximum load of transmission and distribution utilities in the State or 3 years after the effective date of this Act, whichever comes first. The commission shall evaluate the effectiveness of net energy billing in achieving state policy goals and providing benefits to ratepayers and submit a report to the joint standing committee of the Legislature having jurisdiction over energy matters with its findings.

² Ibid., pp 7 (footnote 5)

respected. Changes should be prospective so as not to punish stakeholders, including CMP, which have made decisions in reliance on existing law.

Another area of the report to focus on is ratepayer impact. If all projects with current NEB agreements were to go forward, the Commission calculates lost revenue and above market costs could potentially result in average annual increases of **\$89 for CMP's residential customers, \$16,535 for commercial customers and \$82,677 for industrial customers.**³ That's an average overall T&D increase of 21%. Since the Commission's November filing, these potential bill impacts have continued to grow. Again, CMP's role is to comply with direction from the Commission and the Legislature, but we naturally have concerns about these costs for our customers.

We want to point out an equity issue that arises here as well: equity for ratepayers that participate in the State's NEB programs and realize an initial benefit through reductions in their utility bills, as well as those ratepayers who do not. The Commission notes that "individual ratepayer savings resulting from participation in the NEB program will be offset to a substantial degree by rate increases resulting from lost utility revenues that are ultimately paid for by the general body of ratepayers."⁴

We recognize that the overall cost shift cannot be known with any certainty because the precise amount of rate increases will depend on the number and size of projects that become operational. However, studies have indicated that NEB policy can act as a regressive tax on lower income households.⁵ The Maine Renewable Energy Market Goals Assessment assumes 500 MW of potentially NEB compensated distributed generation is operational by 2025.⁶ This level of distributed generation capacity would result in an estimated cumulative total T&D rate increase of \$74 million annually.⁷ These costs are likely to disproportionately fall on low-income customers, so another next step should be to explore and implement approaches to more accurately compensate distributed generation to reduce the inequitable cost burdens for non-adopting customers.

Specific policy recommendations

With regard to LD 249, we are not suggesting there be no program, only that we have concerns with the rate of growth and impact on customers and developers who have made commitments in Maine. Left unchecked, NEB policy could actually be counter-productive to the State's objectives of beneficial electrification in transportation and home heating. But, as the PUC recommended in its report in November, efforts to scale back the program and limit its impacts on retail electric rates should be balanced against the very real problems caused by a perception that Maine is not a stable, dependable place to do business.

Similarly, regarding LD 583, while we can agree that the current form of net energy billing may need to be scaled back, completely gutting the current statute with no consideration of how to treat existing

³ Ibid., pp 10

⁴ Ibid., pp 8-9.

⁵ For example, see Inzunza, Andres and Christopher R. Knittel, Distributional Effects of Net Metering Policies and Residential Solar Plus Behind-the-meter Storage Adoption, MIT CEEPR Working Paper Series 2020-018, October 2020. <http://ceepr.mit.edu/files/papers/2020-018.pdf>

⁶ Maine Renewable Energy Market Goals Assessment, p. 25.

⁷ Assuming 500 MW of the over 800 MW of NEB projects with agreements that are not yet operational (Active Non-Operational) become operational at a proportionally equivalent breakdown of kWh netting and tariff rate agreements. The estimated revenue impact represents an overall T&D rate increase of approximately 10%.

projects is unrealistic. This bill does not contemplate what to do with existing NEB contracted facilities, does not address the underlying problem that NEB kWh crediting on a monthly billing basis does not accurately compensate DER for its value, and, therefore does not sustainably support distributed generation in the long-term. The big open question with this bill is what it would mean to projects with existing NEB contracts and those with existing interconnection or NEB applications.

LD 634 raises the following questions several questions, as well.

- Does "reasonable cost" include a reasonable return on the equity invested by the project's owner(s)?
- How would the Commission determine such a reasonable capital structure for an unregulated, competitively bid generation project?
- Would any project developer be willing to participate in such an open book, cost-based procurement process?
- How would the Commission assess the wide array of development, siting and permitting risks that a project faces when determining its "reasonable costs?"

Finally, with regard to LD 709, we believe a "time out" to conduct a comprehensive reassessment of the NEB programs makes sense, but that's not what this bill contemplates. A moratorium until June 30th does not provide sufficient time to properly review the policy, nor does it provide a robust set of clear policy objectives for analysis on which to frame a new policy going forward. The purview for such an assessment should be the Commission which has the expertise to conduct such a review. Otherwise we could end up with a wide array of opinions from stakeholders with self interests and little consensus for the committee to act upon later this spring.

We also note that NEB projects under 2MW are not an insignificant part of the cost-shift problem. According to CMP's most recent monthly NEB report, actual operational NEB contracts with facilities under 2 MW in size comprise 100% of the capacity participating in kWh netting agreements and 42% of capacity participating in tariff rate agreements. The current rate impacts from these projects alone are estimated at over \$7 million annually. There is more than 35 MW of additional pending projects, not yet operational, that are each under 2 MW in size. If all of these projects become operational, it will increase the total installed capacity and associated rate impacts from these small projects by roughly 50%.

Conclusion

CMP wants to enable distributed renewable generation efficiently built out in Maine in a way that is sustainable in the long-term. The number of projects, the amount of new power they represent, and the pace of development is unprecedented in Maine and CMP stands ready to continue to interconnect these projects as safely and efficiently as possible.

We hope you will use us a resource to provide additional information that the committee needs as you make these weighty decisions.