Testimony In Opposition to Section 3 of LD 1986
An Act Relating to Net Energy Billing and Distributed Solar and Energy Storage Systems
May 24, 2023

Senator Lawrence, Representative Zeigler, and members of the committee, my name is James Cote and I am here today on behalf of Versant Power in opposition to Section 3 of LD 1986.

Section 3 of the legislation contemplates a process whereby the Public Utilities Commission would determine the monetary value of "net energy billing benefits" and "net energy billing costs" and allocate those amounts to customers and transmission and distribution utilities respectively.

First, it is imperative that the committee understand that "net energy billing" is a financial arrangement designed to incentivize the deployment of certain distributed generation resources; *NEB only benefits those customers enrolled in one of these financial arrangements and it should not be conflated with benefits that may be attributed to renewable generation*. Put differently, the benefit of participation in NEB accrues to the individual whereas the benefits of renewable energy arguably accrue to all. The grid and market benefits identified in Section 3 cannot be—and are not—derived from NEB; rather, they are tied to renewable generation resources, including distributed generation projects in certain cases, so long as projects are well designed, sized, and sited to meet actual system needs. This proposed legislation, if enacted, would direct the Commission to identify and then monetize benefits solely attributable to renewable generation and then inappropriately utilize these benefits to offset rising NEB costs.

In the future, through advanced system planning and the ongoing Integrated Grid Planning process at the PUC, stakeholders, regulators and utilities anticipate being able to help identify system locations at which distributed generation resources could provide real value. We would note, however, that under the current approach to project development and siting, we have identified exceedingly few existing projects that are providing these types of public benefits. Moreover, this committee is considering LR 2579, which contemplates establishing a different compensation approach for NEB. Section 3 of this proposed legislation and LR 2579, taken together, are incoherent.

Notwithstanding that Section 3 improperly attempts to assign benefits to NEB, requiring the Commission to value said benefits is extremely difficult to quantify and measure reliably. There is considerable disagreement among relevant experts about the appropriate way in which to evaluate these benefits and whether these benefits, if they do indeed accrue to all citizens in Maine, should be captured more holistically, e.g. through the state tax system rather than via the rate mechanism.

Additionally, it would be unfair and likely impossible to accurately allocate costs in the simple pro-rata manner described in Section 3 amongst customers of both investor-owned utilities in a fair and equitable manner. The legislature and Commission have been clear that NEB is a financial incentive being utilized to accomplish state policy goals. If the benefits of distributed generation accrue to the people of Maine generally, rather than to the customers of a particular utility, should these benefits and costs not be allocated equally across all ratepayers, including those in the territories of municipal- and consumer-

owned utilities? If one utility or one service territory experiences significantly greater amounts of distributed generation development per capita than others, should the customers of that utility or territory be asked to shoulder greater costs than their neighbors in other areas? Significant concern should be assigned to the possibility that under this directive, customers of Versant Power or Central Maine Power, respectively, could end up paying more in costs or receiving less discount, based on their service territory rather than based on the actual benefits or costs accrued in that service territory.

Further, we believe significant additional clarity is necessary to understand how the calculations required under Section 3 would impact ratepayers, utilities, and developers alike. For example, in circumstances where more benefits are identified than costs, who would realize these benefits and where would the compensation be found to apply to rates or utilities? In the opposite scenario, would utilities themselves potentially be held responsible for what would otherwise be considered stranded-costs given the utilities, in administering the NEB program, are acting as agents of the state?

Given Maine's electricity sector has been restructured to separate generation from delivery, and given NEB is a duly enacted state policy that utilities are charged with implementing, utilities should not incur costs associated with the generation of electricity and the implementation of this program. Section 3 would manipulate the electric bills of Maine customers based on subjective values and not the core delivery of electricity service as required by law. We would also note that should the Pine Tree Power ballot initiative pass in November, the utility shareholder would cease to exist at some point in the future, meaning Maine electric customers would assume the fully costs of this program themselves.

Section 3 of LD 1986 represents a fundamental restructuring of Maine's distributed generation policy and deserves robust debate and consideration by all stakeholders to more fully understand its implications. We urge the Committee to strike Section 3 and instead consider a more holistic approach to realigning Maine's NEB program so that the benefits of distributed generation are maximized at the least possible cost to ratepayers.

Thank you for your consideration.