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PUBLIC UTILITIES COMMISSION

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March 27, 2019

Honorable Mark W. Lawrence, Senate Chair
Honorable Seth A. Berry, House Chair
Energy, Utilities and Technology Committee
100 State House Station
Augusta, Maine 04333

**Re: LD 1139, An Act To Eliminate Restrictions on Capacity and Number of
Accounts for Net Energy Billing**

Dear Senator Lawrence and Representative Berry:

The Public Utilities Commission (Commission) testifies neither for nor against LD 1139, An Act To Eliminate Restrictions on Capacity and Number of Accounts for Net Energy Billing. The bill would provide that the Commission may not limit the installed capacity of an eligible facility or the number of accounts or meters a customer or shared ownership customer may designate for net energy billing (NEB).

Net Energy Billing Background

NEB is a voluntary metering and billing incentive program intended to promote the development and operation of small renewable generation facilities for customers' own use. NEB is governed by Chapter 313 of the Commission's rules. Under Chapter 313, customers that own or have an interest in an eligible generation facility are billed for electricity on the basis of "net energy" over a billing period. Net energy is the difference between the kilowatt-hours (kWhs) a customer consumes and the kWhs produced by that customer's generating facility over a billing period. Excess generation from a customer's generating facility in a given billing period may be used as a kWh credit to offset that customer's electricity usage in a future billing period for up to twelve months. The Commission first adopted a net energy billing rule in the early 1980s and significantly modified it in 1998 to adapt the rule to industry restructuring.

The Commission has consistently recognized that NEB supports State energy policies in favor of the promotion and development of renewable, diverse and indigenous electricity supply resources that do not rely on fossil fuels and do not contribute to greenhouse gas emissions. However, the Commission has also consistently recognized that the NEB mechanism results in a shift of transmission and distribution (T&D) utility revenue responsibility from NEB customers to non-NEB customers with corresponding impacts on the rates of non-NEB customers. The cost shift results because NEB customers can use the energy from their facility to offset both the delivery charges (for T&D) and supply service charges (for kWhs) in their utility bill. However, the costs of delivery to serve all customers over poles and wires are generally fixed costs and do not vary based on energy usage. Therefore, the T&D bill offset for NEB customers is ultimately paid for by non-NEB customers.

Limits on Billing and Meter Accounts

The Commission's current NEB rule limits the capacity of eligible facilities to 660 kW and provides that customers or shared ownership customers may designate no more than 10 accounts or meters for each NEB facility. These restrictions are consistent with the general purpose of NEB, which is to promote the installation of small renewable facilities for customers' own use, and are in recognition of the inherent cost shift resulting from NEB.

For these same reasons, all other states that have NEB programs have limits on eligibility, and these are primarily capacity limits on eligible facilities. Many states have capacity limits significantly lower than Maine's 660 kW, and other states have a capacity limit of 1 or 2 megawatts (MW). One state has a capacity limit of 10 MW.

Commission Observations

The Commission emphasizes that any legislative action that expands NEB, such as removing the facility capacity limit or the limit on the number of accounts or meters permissible under a single NEB billing arrangement, will necessarily increase the cost shift and associated rate increases to non-NEB customers. The exact impact on rates cannot be determined in advance, because it would depend on the number and size of installations that are developed and qualify for NEB under this new legislation.

Further, in the case of larger facilities and multiple accounts or shared ownership facilities, most of the energy generated will not be used "behind-the-meter" to serve customers' own electricity needs and would, instead, essentially be an export of power onto the grid for which NEB customers would be compensated at the overall retail rate (T&D charge and supply charge) of approximately 17 cents/kWh, which is more than three times the market value of that electricity.

Finally, the Commission notes that the costs of solar installations have and continue to decrease with lower material costs and economies of scale. Two large solar projects have been proposed to be constructed in Maine with little or no subsidy. The Commission has approved a long-term contract with Dirigo Solar LLC for up to 75 MW of solar installations at a cost of 3.4 cents/kWh escalating at 2.5%/year and approved a term sheet with Three Rivers Solar Power, LLC for a 100 MW project at a cost of 3.5 cents/kWh escalating as 2.5%/year.

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The Commission looks forward to working with the Committee on LD 1139 and I would be happy to respond to any questions the Committee has at this time. The Commission will also be present at the work session should the Committee have any additional questions in its consideration of this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Paulina McCarter Collins". The signature is fluid and cursive, with the first name "Paulina" being the most prominent.

Paulina McCarter Collins, Esq.
Legislative Liaison

cc: Energy, Utilities and Technology Committee Members
Lucia Nixon, Legislative Analyst