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**TESTIMONY BEFORE THE ENERGY, UTILITIES AND TECHNOLOGY COMMITTEE**

**An Act to Eliminate the Current Net Energy Billing Policy in Maine  
L.D. 1347**

**GOVERNOR'S ENERGY OFFICE  
April 13, 2023**

Senator Lawrence, Representative Zeigler, 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. 1347.

Net energy billing (NEB), or net metering, was restored by P.L. 2019 ch. 16 (LD 91), and expanded by P.L. 2019, ch. 478 (LD 1711), and is the state program that promotes 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 renewable energy and emission reduction goals. Resources participating in net energy billing interconnect to the distribution grid, and can provide a variety of benefits to both the entity where electricity is generated – residences, businesses, or other institutions – as well as to the overall electrical grid. Some benefits may be achievable through other avenues, but some are unique to distributed generation.

The GEO is sensitive to the costs of the program and how the benefits are accrued for Maine ratepayers; however, a blanket canceling of the program as this bill proposes would dramatically alter renewable energy policy in the state, impacting tens of thousands of existing participating customers and energy investment in Maine. Eliminating the program in its entirety may also disadvantage the state at a time when significant federal funding is becoming available to Maine to support the development of renewable energy resources.

The two programs, the kilowatt hour (kwh) credit program and the tariff rate program, together have enabled the participation of a broad range of residential, municipal, commercial, and industrial customers in clean energy development, through onsite generation and through shared agreements. As of February 28, 2023, a total of 402 megawatts of operational capacity was enrolled in net energy billing. Of these 402 megawatts, 364 are solar photovoltaic; 30 are hydroelectric; 5 are wind, and the remaining 3 are a variety of combined heat and power (CHP) and biofuel projects. These projects serve thousands of utility customer accounts in Maine, including approximately 30,000 customers in shared net energy billing arrangements. There is also significant capacity in the pipeline seeking to participate in the program, though many of these projects will not be constructed.

After LD 1711 passed in 2019 and the significant interest in the program became clear, the GEO worked with this Committee and the legislature to twice provide clarity on the scope of the programs and address the costs of net energy billing.

- LD 936 established a goal of 750 MW of distributed generation under the net energy billing programs. The bill also set a limit on distributed generation resources between 2 and 5 MW eligible for enrollment in net energy billing and established certain milestones that must be met by projects seeking to participate, including reaching commercial operation by December 31, 2024. As a result of LD 936, no new projects 2 MW or greater can enter the program.
- The GEO joined other stakeholders in negotiating LD 634, bipartisan legislation that decoupled net energy billing rates for 77% of C&I tariff projects from electricity supply rates, lowering the expected cost of the program by more than half while preserving the pathway for new renewable energy investment.

Despite almost equal capacity in the kWh program and the tariff rate program, the tariff rate program is more costly and may not accrue certain utility system benefits compared to the kWh program. Recognizing this, if the Committee were to take up additional changes to the tariff rate program, the GEO would like to be part of those discussions.

The GEO understands the Legislature established the net energy billing programs in part recognizing the considerable benefits that distributed generation has been demonstrated to provide to both participating customers as well as to the utility system, which can benefit all customers. As the Committee and other stakeholders consider the forecasted program costs, which investor-owned utilities seek to recover through so-called “stranded costs,” the GEO believes it is important to account for the significant expected benefits associated with the programs as well. Not doing so may result in overcollection of revenues by utilities.

LD 936 additionally directed the GEO to convene a stakeholder group to propose a successor program to NEB. The successor program proposed by the GEO-led stakeholder group would continue to support deployment of cost-effective distributed solar and storage, save all ratepayers money by putting downward pressure on electricity rates, and importantly, allow Maine to take advantage of the unprecedented federal funding, including significant clean energy tax credits. The final stakeholder group report was delivered to EUT on January 6, 2023.<sup>1</sup> This report provides a clear case that as proposed, distributed generation can lower costs for Maine ratepayers.

The stakeholder report also includes a framework for evaluating the full benefits and costs of a net energy billing program called the “Maine Test.” While this test doesn’t include all the potential benefits of distributed generation, many of which are difficult to quantify, it does include utility system impacts and the primary societal impacts of distributed generation. The below table, included in the final report, provides an overview of the benefits and costs included in the Maine Test.

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<sup>1</sup> [https://www.maine.gov/energy/sites/maine.gov.energy/files/inline-files/Final%20Report%20of%20the%20DG%20Stakeholder%20Group\\_with%20appendix.pdf](https://www.maine.gov/energy/sites/maine.gov.energy/files/inline-files/Final%20Report%20of%20the%20DG%20Stakeholder%20Group_with%20appendix.pdf)

Type of Impact	Impact	Benefit or Cost?	Method
Generation	Avoided Energy Cost	Benefit	AESC 2021
	Avoided Capacity Cost	Benefit	AESC 2021
	Avoided Environmental Compliance	Benefit	AESC 2021
	Avoided NPS Compliance Costs	Benefit	AESC 2021
	Market Price Effects ("DRIPe")	Benefit	AESC 2021
Transmission	Avoided PTF Costs	Benefit	Efficiency Maine assumptions
	Avoided Non-PTF Costs	Benefit	Efficiency Maine assumptions – only applied to BTM
Distribution	Avoided Distribution Costs	Benefit	Efficiency Maine assumptions – only applied to BTM
General	Renewable Energy Credit Prices	Benefit	Sustainable Energy Advantage (SEA) "CREST" Model
	DG Costs	Cost	Based on program design and total cost from SEA "CREST" Model
	Program Administration Costs	Cost	Input from utilities (\$600,000 for first 5 years, \$300,000 for remaining generation period)
Societal	Avoided CO <sub>2</sub>	Benefit	AESC 2021
	Avoided NO <sub>x</sub>	Benefit	AESC 2021

Should the Committee choose to maintain the existing program, this Committee or the Commission could adopt such a test to evaluate a more accurate estimate of program impacts that recognizes the benefits of the program particularly to the utility system. As a result, utilities would only recoup program costs in excess of the avoided costs that benefit their system and ratepayers, and rate impacts passed on would be significantly reduced.

A proposed successor program or any other program to promote distributed generation resources, should be designed in a manner that optimizes net benefits and ratepayer cost-effectiveness and considers resources developed through existing net energy billing programs, including some way of addressing or transitioning projects currently on track to meet the milestones laid out by LD 936 to participate in the program. The Committee has an opportunity to put forward a successor program that provides a continued opportunity for Maine people and businesses to access significant federal funding and cost-effectively advance distributed generation clean energy projects and do so in a way that protects Maine ratepayers.

Distributed generation resources will play an important role in the state's achievement of greenhouse gas reduction requirements, renewable energy requirements, and goals for continued growth of the clean energy sector. These resources can and do produce significant benefits to the electric system, and to the state, through avoided costs as well as resilience, environmental, public health, and economic benefits. The GEO is committed to working with this Committee, the Commission, and stakeholders to seek a path forward that can achieve these benefits, accurately value them, and protect ratepayers.

Thank you for your consideration.



Caroline Colan, Legislative Liaison  
Governor's Energy Office