



STATE OF MAINE
PUBLIC UTILITIES COMMISSION

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March 19, 2013

Honorable John J. Cleveland, Senate Chair
Honorable Barry J. Hobbins, House Chair
Energy, Utilities and Technology Committee
115 State House Station
Augusta, Maine 04333

Re: LD 795, An Act To Amend the Net Energy Billing Program To Allow Participation by Certain Municipal Entities

Dear Senator Cleveland and Representative Hobbins:

The Maine Public Utilities Commission (Commission) testifies neither for nor against LD 795, An Act To Amend the Net Energy Billing Program To Allow Participation by Certain Municipal Entities. This bill is a concept draft that proposes to amend the net energy billing (NEB) program established by Commission rule to allow a municipal or quasi-municipal entity with a renewable energy facility that generates no more than 800 kilowatts to participate in the program. The current NEB eligibility limit is 660 kilowatts in investor-owned transmission and distribution (T&D) service territories and 100 kW in the consumer-owned T&D utility territories.

Net Energy Billing

Net energy billing is a means of encouraging the use of small-scale renewable generation facilities designed primarily to serve a customer's or group of customers' own needs. It is a metering and billing practice in which a customer is billed 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 the customer's generating facility. Therefore, under net-energy billing, a customer's own generation is used to offset the customer's prior or future energy usage, as if the meter runs backwards whenever the customer's facility is generating more than the customer is consuming.¹

¹ The requirement for net energy billing was originally established by Commission rule in the early 1980s and was significantly modified in 1998 to adapt the rule to industry restructuring (which required electric utilities to divest their generation assets and prohibited them from

Net energy billing programs are common incentive mechanisms among states. As the attached map indicates, forty-three states have NEB programs, with varied specific qualification details. Net energy billing is consistent with State policies that favor the promotion and development of renewable, diverse and indigenous electricity supply resources. However, net energy billing is essentially a transfer payment, or subsidy, that supports the development and use of small renewable systems through funds from the utility's general body of ratepayers. This is because net energy billing customers receive the value of the total retail cost of electricity (retail power, transmission, distribution and stranded costs) of approximately 13 cents/kWh for a wholesale electricity product that has a market value of around 5 cents/kWh. NEB customers do not pay for the full cost of using the T&D system to which they are interconnected when they obtain sufficient kWh credits for their generation. Because NEB is a renewable energy incentive mechanism funded by ratepayers, the extent to which the program should be available is a State energy policy determination to be addressed by the Legislature.

Current Net Energy Billing Rule (Chapter 313)

Under the current Commission NEB rules, a customer of a T&D utility may elect net energy billing if the customer generates electricity through a renewable fuel or technology (as defined by Maine statute). Eligible facilities located in the service territory of investor-owned T&D utilities must have an installed capacity of 660kW or less and those in consumer-owned T&D utility territories must have 100kW or less (unless the consumer-owned T&D utility elects to allow facilities with an installed capacity of up to 660 kW).

An eligible facility must be used primarily to offset part, or all, of the customer's own electricity requirement. Customers receive kWh credits that can be used to offset the full retail cost of electricity. The rule allows for the offset of all usage (kWh) charges, both T&D and generation charges, but requires the customer to pay any non-usage charges (i.e. customer charges, minimum bills or demand charges). Any generation credits in excess of the customer's usage expire after a 12-month period. The current rule is major substantive and its adoption was authorized by the Legislature during the 2009 session. Resolves 2009, ch. 20.² In addition to individually owned generating facilities, the rule now allows for eligible facilities that have multiple owners to qualify for the NEB program.

Recognizing the subsidy inherent with net energy billing, the Commission's NEB rules contain a requirement that net energy billing programs be reviewed if the cumulative capacity of net energy billing facilities within a utility's service territory reaches 0.5% of the utility's peak demand. This provision was included in response to concerns that the cost of NEB (in terms of utility revenue loss) could become significant over time. NEB capacity has not, to this point, approached the 0.5% limit: in CMP's territory, the costs relating to NEB have not, to this point, approached the total capacity of NEB facilities which is approximately 5.4 MW compared to its peak load of around 1700 MW (i.e. about 0.32%),

providing retail electricity service). During its 2011 session, the Legislature explicitly authorized the Commission to adopt rules governing NEB. 35-A M.R.S. § 3209-A.

² In its Order Adopting Provisional Rule, Docket No. 2008-00410 (Jan. 8, 2009), the Commission proposed that the eligibility limit be raised from 100 kilowatts to 500 kilowatts. The Legislature directed that the provisional rule be modified to increase the eligibility limit to 660 kilowatts for investor-owned utility service territories.

and CMP reported a revenue loss relating to NEB of approximately \$425,000 compared to annual revenue in 2012 of approximately \$400 million.

LD 795

LD 795 is a concept draft that proposes to amend the NEB program to allow a municipal or quasi-municipal entity with a renewable energy facility that generates no more than 800 kilowatts to participate in the program. As mentioned above, the current NEB eligibility is 660 kilowatts. As shown on the attached map, the eligibility limit varies greatly among the states. The other New England states have a generating facility qualification limit of 1MW or greater as part of their NEB programs. Other states have qualification limits of 100 kW or less.

Increasing the eligibility limit for municipal and quasi-municipal entities appears consistent with State policies in favor of small renewable resource development, but could result in some incremental revenue losses that would ultimately be paid for by ratepayers. The precise amount of incremental lost revenues resulting from increasing the eligibility limit from 660 kW to 800 kW for municipal and quasi-municipal entities would be difficult to predict, but is likely to be small relative to the utilities total annual revenue. We do not understand LD 795 to alter the overall NEB capacity limitation of 0.05% in the Commission's rules.

The Commission looks forward to working with the Committee on LD 795 and I would be happy to respond to any questions the Committee has at this time. The Commission will also be available at the work session to assist the Committee in its consideration of this bill.

Sincerely,


Paulina McCarter Collins, Esq.
Legislative Liaison

Attachment

cc: Energy, Utilities and Technology Committee Members
Jean Guzzetti, Legislative Analyst