



April 6, 2023

## The Cost of Net Energy Billing

### NEB Will Cost Ratepayers \$220 million/year by 2025

Based on recent projections, Office of Public Advocate estimates that Maine's net energy billing (NEB) programs will cost Maine's ratepayers **approximately \$220 million per year starting in 2025**. Most of these costs will be recovered from CMP and Versant ratepayers in upcoming stranded cost rates that are set by the Maine PUC. The remainder will be recovered from those ratepayers in transmission rates set by the Federal Energy Regulatory Commission.

### Tariff Rate Program – \$161 million/year

The tariff rate program requires utilities to pay subscribing ratepayers for each kWh generated by a tariff rate project. The utilities purchase the energy from these projects and immediately sell it into the wholesale energy markets. Most of the sales by the utilities are at a loss, and the resulting loss is recovered from all ratepayers in stranded cost rates. OPA estimates that CMP and Versant's annual costs under the tariff rate NEB program will reach approximately **\$161 million by March 1, 2025**.

### kWh Credit Program - \$56 million/year

The kWh credit program requires utilities to reduce subscribing ratepayers' energy usage by the energy generated by a kWh project, on a one-for-one basis. Consequently, for every kWh credited to a subscriber's bill, the utility loses the revenue it would otherwise have received from delivering the energy generated by the kWh project to the subscribing ratepayer and must make up this revenue loss from its other customers. OPA estimates that CMP's and Versant's annual lost revenues under the kWh credit program will reach approximately **\$56 million by March 1, 2025**.

### NEB PRICE COMPARISON

- kWh credit for residential customer: **24-28 cents/kWh** (depending on utility)
- Original tariff rate credit: **21-26 cents/kWh** (depending on customer rate class, utility)
- Tariff rate credit under LD 634: **12-15 cents/kWh** (depending on customer rate class, utility)
- Average price per kWh of renewable energy projects awarded contracts in the PUC's competitive bidding solicitations: **3.1 cents/kWh** and **3.5 cents/kWh**
- Estimated cost of Wholesale PPA for DG solar: **5.9-8.6 cents/kWh**
- Average wholesale energy price in the Maine Zone (Mar. 2022 – Feb. 2023): **8.4 cents/kWh**

## Sources

These cost estimates are based on:

1. Recent projections from CMP and Versant and assume that only a fraction of NEB projects currently under development will be constructed.
2. Recent forecasts of future wholesale energy prices.
3. Filings in MPUC Docket Nos. 2022-00341 (CMP) and 2023-00076 (Versant Power).
4. Current Standard Offer prices for CMP and Versant Power.
5. Current transmission and delivery rates for CMP and Versant Power.
6. MPUC Orders in Docket Nos. 2020-00033 and 2021-0004 awarding long-term renewable energy contracts.
7. GEO's consultant, Synapse Energy Economics estimates for the cost of DG solar.

Net Costs of Tariff Rate Program	
Utility	Annual Cost
Versant/BHD	\$37 million <sup>1</sup>
Versant/MPD	\$18.7 million <sup>2</sup>
CMP	\$105 million <sup>3</sup>
Total	\$160.7 million

Lost Transmission Revenues from kWh Credit Program		Lost Distribution Revenues from kWh Credit Program	
Utility	Annual Cost	Utility	Annual Cost
Versant/BHD	\$5.2 million <sup>4</sup>	Versant/BHD	\$10.2 million <sup>7</sup>
Versant/MPD	\$0.8 million <sup>5</sup>	Versant/MPD	\$1.5 million <sup>8</sup>
CMP	\$18.5 million <sup>6</sup>	CMP	\$19.5 million <sup>9</sup>
Total	\$24.5 million	Total	\$31.2 million

<sup>1</sup> MPUC Docket No. 2023-0076, 3/31/23, Exhibit B Versant SC Revenue Requirements 2023 Reconciliation, Tab B1 Forecasted 3 Yr BHD, at Cells G25 and G26.

<sup>2</sup> MPUC Docket No. 2023-0076, 3/31/23, Exhibit B Versant SC Revenue Requirements 2023 Reconciliation, Tab B1 Forecasted 3 Yr MPD, at Cells G16 and G17.

<sup>3</sup> MPUC Docket No. 2022-00341, 3/31/23 Stranded Cost Revenue Requirement Filing, Summary SC Exh 1, at Cell P20.

<sup>4</sup> MPUC Docket No. 2023-00076, 3/31/23 Exhibit B Versant SC Revenue Requirements 2023 Reconciliation, Tab B6 NEB BHD at Rows 99-100 (multiply forecasted generation by currently effective transmission rate for residential and small commercial customers; medium commercial revenue loss not included).

<sup>5</sup> MPUC Docket No. 2023-00076, 3/31/23 Exhibit B Versant SC Revenue Requirements 2023 Reconciliation, Tab B6 NEB MPD at Rows 99-100 (multiply forecasted generation by currently effective transmission rate for residential and small commercial customers).

<sup>6</sup> MPUC Docket No. 2022-00341, 3/31/23 Stranded Cost Revenue Requirement Filing (backup for kWh lost revenues).

<sup>7</sup> MPUC Docket No. 2023-0076, 3/31/23, Exhibit B Versant SC Revenue Requirements 2023 Reconciliation, Tab B1 Forecasted 3 Yr BHD, at Cell G27.

<sup>8</sup> MPUC Docket No. 2023-0076, 3/31/23, Exhibit B Versant SC Revenue Requirements 2023 Reconciliation, Tab B1 Forecasted 3 Yr MPD, at Cell G18.

<sup>9</sup> MPUC Docket No. 2022-00341, 3/31/23 Stranded Cost Revenue Requirement Filing, Summary SC Exh 1, at Cell P22.