October 12, 2016

Mr. Harry A. Lanphear  
Administrative Director  
Maine Public Utilities Commission  
18 State House Station  
Augusta, ME 04333-0018

Re: Maine Public Utilities Commission – Amendments to Net Energy Billing Rule  
(Chapter 313); Case 2016-00222

Dear Mr. Lanphear:

Below please find the comments of A Climate To Thrive (ACTT) on the above-referenced docket. ACTT is a community grassroots organization encompassing all four towns on Mount Desert Island (MDI): Bar Harbor, Mount Desert, Southwest Harbor, and Tremont. ACTT’s goal is to make MDI energy independent by 2030. ACTT’s two initial public gatherings (in January and July 2016) each drew over 200 townspeople, indicating broad public support for this direction, and all of MDI’s four towns are moving ahead with steps toward greater energy independence.

Background

In 2014, the Maine Legislature passed the Act to Support Solar Energy Development in Maine, based on its finding that it is in the public interest to develop renewable energy resources, including photovoltaic solar energy (PV), in a way that protects and improves the health and well-being of the citizens and the natural environment of the state, while also providing economic benefits to communities, ratepayers, and the overall state economy.¹

ACTT’s mission encompasses these same goals. Located on an island that draws 3 million visitors a year to Acadia National Park and the surrounding coastal area, we are very sensitive to the need for environmental protection. Given the seasonal nature of our tourism economy, we are also highly sensitive to the need for new, year-round jobs for MDI citizens. Experience shows that policy support for renewable energy development at the federal, state, county, and local levels enhances both environmental protection and job creation. In pursuit of these and other benefits, approximately 500 kW of PV has already been installed on MDI at municipalities, educational institutions, businesses, and individual residences. MDI’s communities are building momentum; one community solar farm will be opening soon in Bar Harbor, a second is in process, and planning is underway for community solar farms in other MDI towns. In addition, on September 5, 2016, the Bar Harbor Town Council adopted a resolution establishing a goal of net-zero energy for all new construction and major renovation of municipal facilities. PV is a critical component of net-zero energy design.

ACTT Comments on the Proposed Rule Changes

1. Maine’s 2014 legislation also required the Maine Public Utilities Commission (MPUC) to determine the value of distributed solar energy generation. The MPUC met this obligation by engaging staff and independent consultants to prepare a comprehensive assessment, conducting exhaustive internal review, securing extensive input from external stakeholders, and revising the assessment accordingly before issuing its report, **Maine Distributed Solar Valuation Study**, on April 14, 2015. This ratepayer-paid process concluded that PV provides net benefits\(^2\) to all ratepayers, and society as a whole, totaling over 33c/kWh on a 25-year levelized cost basis\(^3\) – far in excess of the amount now paid to net-metering customers for the energy they generate. ACTT is concerned that the rule amendments proposed by the MPUC appear to ignore the conclusions of its own Study, the record established in that proceeding, and similar value-of-solar (VOS) findings in other jurisdictions.\(^4\) ACTT is not aware that any similarly comprehensive public record supporting the MPUC’s rule amendments has been established, and is thus concerned that the proposed amendments essentially waste Maine ratepayers’ investment in the 2015 Study.

---

\(^2\) The Maine Distributed Solar Valuation Study considered, among other benefits, lower environmental impacts, reduced risk, and favorable market price effects. Maine’s study did not evaluate reliability improvements associated with more diversified supply resources.

\(^3\) Maine Distributed Solar Valuation Study, Executive Summary, Page 6.

2. ACTT is also concerned that the proposed amendments appear to be grounded in an assertion that significant cross-subsidization exists that benefits net energy billing (NEB) customers at the expense of other customer groups. We are not aware of any record that substantiates such an assertion. To the contrary, the 2015 Study results suggest that any existing NEB cross-subsidization actually goes in the other direction, to the benefit of non-NEB customer groups.

3. The proposed amendments would, over several years, reduce the value NEB customers receive on the T&D portion of their electric bill for the power they supply to the grid. This is troubling for several reasons, including the following:
   
   a. Electricity produced by NEB customers is both generated and consumed at the local level, i.e., within the distribution system. It rarely, if ever, involves the transmission system. Accordingly, NEB customers should always be fully compensated for the avoided transmission benefits that they provide to the grid.
   
   b. Implementation of the NEB rule amendments as proposed would require the installation of sophisticated, revenue-grade metering at NEB customer facilities; these costly devices require expensive advanced metering grid infrastructure that is not yet available throughout Maine. The software and operational modifications necessary for utilities to administer the rule amendments effectively (e.g., annually declining amounts of “nettable energy”) would impose additional significant costs to utilities – costs that are ultimately paid by all ratepayers. Even if it is assumed that cross-subsidization favoring NEB customers does exist today (which ACTT believes is incorrect, as noted above), ratepayers surely do not need a “solution” that would increase their electric bills by a greater amount than the “problem” it purports to solve.

4. The proposed amendments also suggest that the declining costs of small solar systems warrant lower compensation to NEB customers for power that they provide to the grid. This odd assertion ignores our free enterprise system, which allows product sellers to be compensated at the value their products provide to the buyer – regardless of their cost of production. Even if one could accept the reasoning as economically rational, the proposed amendments reflect an inappropriate balancing of uncertainty and risk. The amended rules would mandate a guaranteed reduction in the compensation that NEB customers receive for providing electricity to the grid based on possible, projected future reductions in the price of installed PV, without any provision for periodic verification of the accuracy of projections or reconciliation of errors in projections.
5. Several Maine municipalities, including MDI towns, have either installed PV systems, are negotiating to install them, or are exploring installing them. These systems are intended to reduce the costs that the municipality must raise through taxes to pay for its electricity use as well as to support the development of cleaner, renewable energy sources. Municipalities cannot directly take advantage of the Federal Tax Credit to reduce installation costs, and usually rely on power purchase agreements that generally have a term of more than 15 years. By reducing the value received by municipal NEB customers for electricity provided to the grid, the proposed NEB rule amendments would both force these communities to increase the tax burden on their citizens and undermine their efforts to promote renewable energy. The proposed 15-year window is a very short period of time for MDI’s communities and other Maine municipalities, most of which make investment decisions based on rules with far longer timeframes. The proposed amendment limiting nettable energy to 15 years would represent ex post facto changes for some Maine communities, contribute to uncertainty, and fuel taxpayer distrust in government.

6. With respect to community solar farms (CSFs), ACTT commends the MPUC for raising the size threshold of eligible facilities from 660 kilowatts to one megawatt, and for enabling individual community NEB subscriptions to be as small as one kilowatt in size. ACTT also applauds the MPUC for removing the maximum of ten shared ownership accounts or meters on eligible facilities. These amendments should help ensure greater access to clean energy for more Maine customers, including customers with limited on-site PV opportunity and those with more limited investment capability than larger, stand-alone PV systems require. However, the proposed amendments that reduce nettable kWh would negatively affect these potential NEB customers as well.

7. ACTT is concerned that the proposed rule’s methods for measuring NEB generation and NEB customer usage are not clearly explained and could result in serious, unexpected impacts to NEB customers, including municipalities. Such a dramatic change should not be as difficult to detect in a rulemaking proceeding as it is here. The amendments would allow utilities to pursue a “buy-all, sell-all” billing approach where, rather than an appropriate netting of electricity used versus electricity generated, NEB customers would be billed for all electricity they use, and then compensated at the proposed lower (and eventually, zero) rate for electricity they generate. This would be analogous to a grocery store charging a customer for a tomato that the customer grew in his or her own backyard garden. Under a “buy-all, sell-all” approach, some NEB customers’ bills would increase by multiples, not percentages. This approach is also poor energy policy for Maine; “buy-all, sell-all” billing would encourage NEB customers to go entirely “off-grid” as quickly as they can, putting even greater pressure on utility revenues.
8. Renewable energy enjoys the highest job creation rate in the energy sector – 5% last year – and renewables now represent most of the increase in generating capacity in the U.S. Maine can and must secure its share of this opportunity. Maine is at 1% PV penetration at this time, whereas other jurisdictions around the world are operating at 20-30% PV penetration and/or have made enforceable commitments to 50% or more renewable energy. The rule amendments proposed by the MPUC will impair rather than foster Maine’s progress in this direction and will negatively impact job creation in the state.

9. Reduction in the compensation received by NEB customers for generating electricity does not appear to be supported by either economic studies or market developments. The MPUC, however, appears to believe that inequities and/or deficiencies have developed in these policies. If so, the MPUC should take its concerns to Maine’s elected representatives – back to the Legislature that adopted these policies originally – for reconsideration.

10. ACTT recognizes that substantial opportunity exists to improve state energy policies to enhance clean energy penetration, reduce consumers’ bills, and improve utilities’ financial prospects. While NEB generation does not use the electric transmission system, for instance, it is incontrovertible that NEB customers do utilize the distribution grid to provide electricity to others. As such, they should contribute to its maintenance and upkeep. At the same time, NEB generation should be compensated fairly for the electricity benefits and non-energy benefits that it provides. A utility’s average avoided energy cost does not reflect appropriate NEB compensation for the supply portion of PV generation, for example, not least because that average includes low-cost night-time power supplies, and PV never provides power at night. ACTT suggests that the MPUC move comprehensively and expeditiously to develop and implement energy policies that can overcome such existing deficiencies, including time-of-use rates generally, decoupling, and performance-based regulation.

The effect of the proposed NEB rule amendments will be to make the installation of solar PV systems less attractive. This will discourage and inhibit the deployment of clean distributed energy resources in Maine as well as reduce the well-documented opportunity for clean energy


job creation in the state. Both of these outcomes run contrary to the objectives stated by the Legislature. The MPUC operates under the obligation to adopt just and reasonable policies and rates that reflect no undue discrimination. Overall, ACTT believes that the NEB rule amendments proposed by the MPUC do not meet these criteria, and the proposal should be withdrawn. If they are not withdrawn, then at the very least the proposed amendments should be submitted for Legislative review and authorization prior to implementation.

As noted earlier, MDI’s communities are increasingly, demonstrably committed to clean energy, and MDI’s citizens are translating these commitments into actions. If implemented as proposed, the MPUC’s NEB rule amendments will have a clear, negative impact on the efforts of MDI’s citizens and town governments, constraining their ability to achieve energy independence by 2030 and quite likely resulting in higher taxes on citizens.

Sincerely,

Gordon M. Beck
on behalf of A Climate To Thrive
gordonmbeck@gmail.com

CC:
Sen. Brian Langley (via email at Brian.Langley@legislature.maine.gov)
Sen. David Woodsome (via email at David.Woodsome@legislature.maine.gov)
Rep. Mark Dion (via email at Mark.Dion@legislature.maine.gov)
Rep. Sara Gideon (via email at Sara.Gideon@legislature.maine.gov)
Rep. Brian Hubbell (via email at Brian.Hubbell@legislature.maine.gov)
Rep. Walter Kumiega (via email at Walter.Kumiega@legislature.maine.gov)
Anthonio Blasi, County Commissioner (via email at antonioblasi1234@gmail.com)
Paul Paradis, Chair, Bar Harbor Town Council (via email at pparadis@barharbormaine.gov)
John Macauley, Chairman, Mount Desert Board of Selectmen (via email at jmbacauley3@gmail.com)
Thomas Benson, Chair, Southwest Harbor Board of Selectmen (via email at town@southwestharbor.org)
Katharine Thurston, Chair, Tremont Board of Selectmen (via email at tremont@roadrunner.com)
Julie Hashem, Emera Maine (via email at julie.hashem@gmail.com)
Tim Schneider, Office of the Public Advocate (via email at tim.schneider@maine.gov)