

December 17, 2018

CENTRAL MAINE POWER COMPANY
Request for Approval of T&C
Section 57 – Net Energy Billing

ORDER GRANTING
EXEMPTION AND
REQUIRING INFORMATION

VANNOY, Chairman; WILLIAMSON and DAVIS, Commissioners

I. SUMMARY

Through this Order, the Commission exempts customers in the medium and large non-residential customer classes of Central Maine Power Company (CMP) and Emera Maine from compliance with nettable energy provisions contained in Chapter 313, section 3(F) of the Commission rules.¹ In addition, the Commission directs CMP and Emera Maine to include information specified in this Order as part of the biannual reports required by Chapter 313, section 5(B).

II. BACKGROUND

A. Net Energy Billing Rule Amendments

Net Energy Billing (NEB), pursuant to Chapter 313 of the Commission rules, is a voluntary incentive program intended to promote the installation of small renewable facilities to serve customers' individual electricity needs. The program operates by allowing customers to use excess output from their own or shared generation facilities to offset current and future transmission and distribution (T&D) and energy supply volumetric energy (i.e., kWh) charges. Because the costs of the utility's transmission and distribution system are generally fixed (e.g., the costs of installing and maintaining poles and wires do not vary with a customer's energy usage), any offsets for NEB customers are ultimately paid for by other utility customers through higher charges. This is often referred to as a cost shift.

On March 1, 2017, the Commission adopted amendments to its NEB rules that gradually reduce over time the amount of a NEB facility's output (nettable energy) that can offset, or be netted against, the T&D utility portion of a customer's bill, while leaving unchanged the netting for the supply portion of the customer bill. This gradual reduction in nettable energy and, thus, the cost shift was, to a large degree made in the context of significant reductions in the costs of solar PV installations over the past several years, a

¹ The medium and large non-residential classes are comprised of the rate classes in which T&D charges are recovered primarily through demand charges rather than kWh charges.

trend which is expected to continue into the future. *Order Adopting Rule and Statement of Factual and Policy Basis*, Docket No. 2016-00222 at 10 (Mar. 1, 2017).

B. Insource Renewables' Motion

On October 29, 2018, Insource Renewables, LLC (Insource) filed a motion with the Commission, seeking an order directing CMP and Emera Maine to exclude NEB customers receiving delivery service in the medium and large non-residential rate classes from the nettable energy provisions of the NEB rules. Insource's motion further requests that the Commission order CMP and Emera Maine to provide detailed reporting on the costs associated with implementation of the nettable energy provisions of Chapter 313. The motion also includes an analysis of the costs (primarily costs associated with the installation of a second meter and savings associated with implementing the nettable energy provisions of the rule from the perspective of cost shift born by other ratepayers.

In support of its request to exclude medium and large non-residential rate classes, Insource states that the revenues to be recovered due to the reductions in nettable energy is negligible compared to the significant costs required to implement the applicable provisions of the rule. Insource notes that, in contrast to delivery charges for residential and small non-residential customers, which are primarily based on energy consumption, delivery charges for medium and large non-residential customers are primarily based on demand, and NEB credits (which are kWh credits) for these customers have negligible value. Accordingly, Insource states that the costs of additional metering exceed the recovered revenue in almost every NEB application for these classes of customers, resulting in additional costs to ratepayers that are not offset by savings.

Insource also requests that CMP and Emera Maine should be required to provide detailed reporting on the total costs associated with the implementation of the nettable energy provisions of the NEB rules, because the costs of NEB implementation have been previously unknown or significantly understated, leading to a flawed analysis of the costs and benefits of NEB implementation by the Commission. Specifically, Insource asserts that: the estimates of metering costs provided to the Commission were inaccurate; CMP's billing system has limitations because its billing system is unable to perform certain functions with respect to NEB and that making the necessary changes to its billing system will be costly to ratepayers; and there has been insufficient data provided from CMP and Emera Maine to assess the long-term efficacy of the NEB rule change.

On October 30, 2018, the Presiding Officers issued a Procedural Order requesting comment on Insource's motion. Responsive comments were filed by the following: CMP, Revision Energy LLC, Sundog Solar, the Conservation Law Foundation, the Natural Resources Council of Maine, and Dot Kelly. The Comments generally supported or took no position on the Insource motion.

III. DECISION

A. Medium and Large Non-Residential Customers

As noted above, the Insource Motion contains two requests. The first request is that the Commission exempt customers in CMP and Emera Maine medium and large non-residential rate classes from the nettable energy provisions of Chapter 313. Insource correctly notes that the rate design by which a T&D utility recovers its cost of service from residential and small non-residential customers is based primarily on volumetric or kWh charges. In contrast, the T&D portion of the bill for medium and large non-residential customers is based primarily on their monthly demand or highest use within the month (billed on kW charges) and not volumetric or energy usage (billed on kWh charges).

The nettable energy provisions of Chapter 313 allow for the gradual reduction in kWhs generated by an NEB facility that may offset or be netted against a customer's T&D kWh charges. Because the T&D charges for medium and large non-residential rate customers are primarily recovered through demand charges rather than kWh charges, NEB provides only a small benefit to these customers with respect to the T&D portion of the bill. Stated another way, there is very little cost shift associated with these customers and, thus, the costs associated with implementing the nettable energy provisions of Chapter 313 (primarily the costs associated with the second meter) used as a means to reduce the cost shift are not justified.

Therefore, pursuant to Chapter 313, section 6, the Commission exempts CMP's and Emera Maine's medium and large non-residential rate customers from the nettable energy requirements contained in Chapter 313, section 5(B).²

B. Additional Cost Reporting Requirements

Insource's second request is that the Commission direct CMP and Emera Maine to provide detailed accounting of the total costs associated with the nettable energy provisions of Chapter 313 as part of their biannual report required by Chapter 313, section 5(B). The Commission agrees with Insource that it has the responsibility to continually monitor and review its rules, especially in light of any changed circumstances.

Therefore, the Commission grants Insource's request in this regard and, hereby, directs CMP and Emera Maine to track and provide the following information in their biannual NEB reports:

² The Commission notes that, at the time NEB rulemaking, there were very few, if any, NEB customers in the medium or large non-residential rate classes and the issue of applying the nettable energy provisions of the rule to these customers was not raised.

- Costs of the installation of the second meter and associated equipment³
- Administrative costs incurred for NEB billing and associated costs
- Costs incurred and estimated for any billing system changes

C. Costs and Benefits of the Nettable Energy Provisions

In addition to its two requests, Insource's motion makes multiple claims and arguments regarding the costs and benefits of the nettable energy provisions of Chapter 313. In granting the two requests in Insource's motion, the Commission notes that, in many respects, it does not agree with the assertions and analyses contained in the motion, particularly with respect to residential and small commercial NEB customers.

Specifically, the Commission notes that the analysis of the long-term efficacy of the NEB program as detailed in Table 4 of Insource's motion examines only the costs and benefits during the first year of the reduction in nettable energy (i.e., the first tranche), and does not accurately reflect the manner in which the costs of the second meter would be recovered from ratepayers. The nettable energy provisions of Chapter 313 are intended to gradually phase out the cost shift over time and, thus, the appropriate analysis should reflect the costs and benefits over a several-year period, taking into account an accurate representation of the increasing savings associated with the reduction in the cost shift, as well as the ratemaking treatment of the second meter costs, which would be amortized and recovered over the life of the meter.

Dated at Hallowell, Maine, this 17th day of December, 2018

BY ORDER OF THE COMMISSION

/s/ Harry Lanphear
Harry Lanphear
Administrative Director

COMMISSIONERS VOTING FOR: Vannoy
 Williamson
 Davis

³ CMPs September 2018 CNEBA filing, footnote 5, appears to indicate that it installs two meters to comply with the rule. CMP is requested to provide an explanation for why the installation of two new meters is required.

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 11(D) of the Commission's Rules of Practice and Procedure (65-407 C.M.R. 110) within **20** days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought. Any petition not granted within **20** days from the date of filing is denied.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21** days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.