

Context for LD 1777 – Majority Report

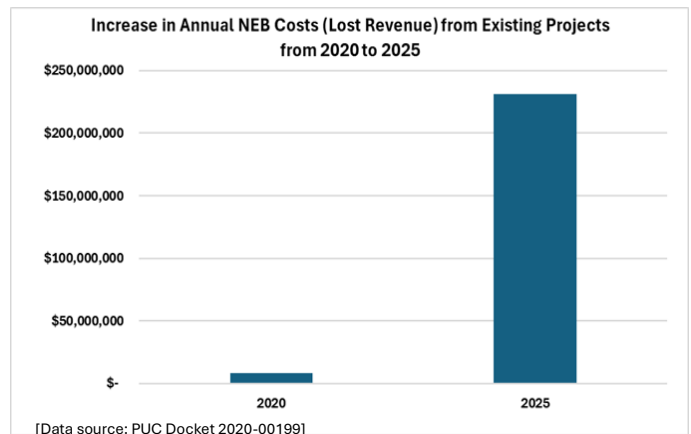


- About 80% of Maine’s carbon pollution comes from the direct combustion of fossil fuels in cars and trucks (49%) and buildings (residential and commercial) (31%).



- Accelerating the switch to electricity from combusting fossil fuels in buildings and vehicles will lower energy costs and is essential for Maine to achieve aggressive carbon reduction targets.
 - One of the most popular and economical ways to do that is to install heat pumps.
 - When using electricity from the grid, (which includes some natural gas and oil-powered generation), switching to:
 - heat pumps will reduce heating bills for the customer and cut carbon pollution by 60% compared to home heating oil, and
 - an EV will cut carbon pollution by nearly 75% compared to gasoline.

- A high cost of electricity poses a threat to our state’s progress in helping Mainers switch to electric end-uses. Rising costs of the Net Energy Billing (NEB) program, shown at right, contribute to increased electricity costs.



- The two main cost drivers in the NEB program are (1) the Kilowatt-hour (kWh) Credit program and (2) the Tariff Rate program. The Office of Public Advocate (OPA) estimates that the costs of these two components of NEB last year was:

- kWh Credit = ~\$135 million
- Tariff Rate = ~\$99 million

- Efficiency Maine has closely followed recent discussions at the Maine PUC and the Legislature seeking to moderate the future cost impacts of NEB.
- Efficiency Maine appreciates the careful thought and compromise that went into developing LD 1777, as approved in the Majority Report of the EUT Committee. LD 1777 presents a reasonable compromise that will significantly trim the cost of the NEB program for Maine ratepayers. LD 1777 also will:
 - Preserve the popular “rooftop” solar projects;
 - Collect a modest charge from projects in the kWh Credit Program so the resulting net compensation ranges from 18-23 cents/kWh (depending on size), which is well more than the rate (15.5 cents/kWh) when the program started in 2020;
 - Adjust compensation rates for Tariff Rate projects;
 - Improve predictability for consumers and policymakers by de-linking NEB compensation from the fluctuating retail prices of electricity;
 - Lower electricity costs by about \$1.2 billion over the next 16 years;
 - Provide a pathway to a “successor program” developed by the Governor’s Energy Office.