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LD 1691

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LD 1691 An Act to Provide Parity in State Energy Rate Relief Payments and Tax Exemptions for Maine Cannabis Businesses

Arleigh Kraus

Warren

Senator Hickman, Representative Supica, and honorable members of the Joint Standing Committee on Veterans and Legal Affairs, my name is Arleigh Kraus. I am a registered cannabis caregiver with a B.S. in biochemistry, an organic farmer, and business owner in Warren. I am a founding member of the Maine Craft Cannabis Association, a member of Seed2Health Learning Health Alliance, a board member of Medical Marijuana Caregivers of Maine, the Chair of the Adult and Medical Cannabis Committee for the Town of Warren, and I am a founding member of the Cannabis Council of Maine. I have been a caregiver in Maine for over 10 years.

Caregivers who cultivate cannabis are not qualified for energy relief payments. We are asking for the same energy relief funding as any other business in the state has received.

In 2021 energy rates jumped from 7 cents a kw/ hour to 22 cents in one month. This means cultivators who had a \$3,000 monthly electric bill at 7 cents/ kw hour immediately were up to a \$10,000 bill at 22 cents/ kw hour based on energy usage.

There are no state or federal energy subsidy programs for anyone who cultivates cannabis

The cannabis market is flooded from excessively large grows which can outlast and out compete small producers. Prices for cannabis are lower than they have ever been in the history of the cannabis program in Maine.

Currently the average price for CMP commercial electricity rates is 24.12 cents/ kwh - this is 55% higher than the national average

The average residential electricity rate is 15.97 c/kwh

A Caregiver who cultivates indoors with 500 square feet of flowering space using HID (high intensity discharge) lights on average have an electricity bill of approximately \$8,500/ month

A wholesale per gram cost of cannabis is approximately \$4.00 plus or minus

The average yield of a 500 foot flowering canopy is 30 pounds.

It takes roughly 2.3 months in flower for the cannabis to be ready to harvest

An electricity bill of \$8,500 per month x 2.3 = \$19,550

If the harvest can be sold at \$1800 per pound and there are 30 pounds then the gross revenue is \$54,000. (currently the average price per pound varies from 1200-1800 per pound. 1,800 was chosen for an example)

$54,000 - 19,550 = \$34,500$

If selling at 1200 per pound wholesale (\$36,000) and the cost of electricity being the same \$19,550. The remainder is \$16,500.

This is 36.111% at 1800/ # of the gross revenue and higher percentage of gross revenue if the price per pound is lower. Add to this the costs of labor, other utilities, fertilizers, rent or mortgage and licensing fees- there is not very much revenue left over for the caregiver business owner to pay themselves with or live on.

Cannabis caregiver cultivators are surviving on extremely slim margins and many are

going out of business.

One way to significantly help these businesses is to allow cannabis cultivators to be subsidized for electricity bills related to cultivation costs and for this money to come out of the cannabis revenue fund. In 2022 Gov. Mills signed into law a bill to provide thousands of businesses in Maine with \$2,000 checks to help with energy costs. Cannabis businesses were exempt from this help.

Lowering energy costs by converting to newer energy efficient lights and equipment is conceptually a good idea. Small cannabis businesses cannot get loans through financial institutions for upgrading equipment (unless a dispensary, or adult use participants with the ability to have investors) it is nearly impossible to fund these upgrades unless the business is financially successful with a large savings available. When factoring in how high electricity costs are, it is next to impossible for the majority of cannabis businesses throughout Maine to reach a place where they have enough revenue to pay out of pocket for expensive upgrades such as new lights, dehumidifiers, and air conditioners.

The high cost of energy does not only contribute to sky high electricity rates. Fertilizer costs have increased by close to 80 percent in the past year due to increased energy costs.

Small and medium local cultivators are going out of business at a record rate. Is this what the committee finds to be an acceptable outcome for its constituents?

Cultivating cannabis as a caregiver is not like any other business. We are constrained by the restriction to sell out of the state. We cannot have investors, we cannot bank, we cannot get loans based on cannabis income, we get no energy assistance yet the state happily takes our taxes. Look at the thousands of farms who have lost everything in California. This is happening here and the people before you are scared and are asking for help.

Please assist us in acquiring some fraction of parity with energy subsidies which can be paid directly from the cannabis revenue fund.

Respectfully,
Arleigh Kraus