American Petroleum Institute

Northeast Region

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Mr. Michael Gagne, Clerk
Joint Committee on Energy, Utilities and Technology
Cross Building, Room 211
100 State House Station
Augusta, Maine 04333

IN RE: Comments from the American Petroleum Institute regarding
LD 2077 "An Act Regarding Customer Costs and the Environmental and Health Effects of Natural Gas."

NOTE: Comments submitted electronically and via U.S Mail. **NO ORAL TESTIMONY WILL BE PROVIDED.**

Dear Senator Mark Lawrence, Chair; Representative Stanley Paige Zeigler, Chair; and Members of the Joint Committee on Energy, Utilities and Technology:

The American Petroleum Institute[1] (API) appreciates this opportunity to comment on LD 2077 "An Act Regarding Customer Costs and the Environmental and Health Effects of Natural Gas." At its essence this bill is intended to limit new natural gas customer hookups and prevent utilities from expanding their service territory. API believes it is a bad policy to make wholesale changes to utility cost recovery that could inhibit utility investments, increase consumer bills and limits consumer choice with respect to energy. A change of this nature is unnecessary as the Public Utilities Commission, and the underlying statutes that make up state utility law, appropriately balance the rights and needs of ratepayers for reliable utility service at just and reasonable rates with the interest of the utility and its shareholders.

API believes LD 2077 could result in unintended consequences. Among other things, this bill: potentially increases costs to certain consumers that lack the resources to switch to an alternative fuel; sends a chilling message that could curtail utility investments and economic development, removes consumer choice, and could adversely affect fuel diversity. API is further concerned that this bill could limit infrastructure development, which can inhibit the development of emerging low-carbon technologies, such as renewable natural gas and hydrogen, and limiting needed infrastructure upgrades can impact reliability.

LD 2077 can have a negative impact on existing customers – in particular, lower-income customers. The bill effectively denies prospective gas customers the opportunity to have the system expanded and improved with the addition of new customers. It is worth noting that some customers may have connected to the system believing that future customer hookups can help temper the cost for future maintenance and other fixed costs (including shared administrative costs).

A better policy would be to create incentives to add customers to help offset costs for existing customers. Unfortunately, LD 2077 could serve as an incentive and prompt customers to terminate service which leaves future costs and improvements to a smaller pool of customers. One of the perverse impacts of the legislation is that it can prompt

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[1] The American Petroleum Institute represents all segments of America's natural gas and oil industry, which supports more than 11 million U.S. jobs. Our nearly 600 members produce, process, and distribute the majority of the nation's energy. The natural gas and oil industry is a major component and driver of the economy of the state. For example, in 2021, the industry supported over 38,000 jobs, or 4.5 percent of the state's employment, produced over $2.2 billion in labor income and almost $4.4 billion or 5.7 percent of the state's economy. *See* "Impacts of the Oil and Natural Gas Industry on the US Economy in 2021," Prepared for American Petroleum Institute by PWC, April 2023, Tables B-1 and B-2 , https://www.api.org/-/media/files/policy/american-energy/pwc/2023/api-pwc-economic-impact-report-2023.

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affluent customers to leave the gas system while leaving those who cannot afford to adopt alternative fuels or technologies with costs that can unnecessarily inflate their utility bills. [2]

Put differently, the loss of some customers could leave remaining customers with higher bills to pay, as those who continue to receive service would be responsible for providing all the revenues that a utility relies on to cover its costs and provide its investors with a return on their investment. Thus, a transition away from gas consumption by end-use customers could saddle the most vulnerable customers –those who lack the means to end their gas service – with costs that they cannot and should not be forced to bear.[3]

The proliferation of natural gas production due to the shale revolution has driven carbon dioxide emissions reductions[4] and reduced energy costs for consumers and businesses.[5] LD 2077, which would limit natural gas, could competitively disadvantage the state. The state should not pursue economic policies that may increase construction costs and housing affordability and discourage new manufacturing in the state. These types of policies create impediments and stifle economic development particularly in comparison to other states that retain traditional utility hookup costs and ratemaking methodologies. It is not unreasonable to conclude that an owner of a manufacturing facility might elect to develop in another state rather than locate in Maine with its policies that limit access to natural gas and require the prospective customer to be exclusively responsible to pay for hookup cost or seek an alternative fuel.

API believes that consumers are best served by having choices. Moreover, allowing utilities to compete for customers provides an additional benefit to consumers. Unfortunately, the proposed legislation makes it impossible for even one utility to offer service into a new area (let alone allowing two to compete).

In conclusion, for all the reasons articulated above, API believes that LD 2077 is a bad direction for the state and as such encourages the committee to conclude the bill "ought not to pass."

Respectfully submitted,

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[2] Alternatives to gas, such as heat pumps combined with energy efficiency improvements, frequently have high initial capital costs (even if their operating costs and cumulative costs over the long term are lower), limiting their deployment among customers with low and moderate incomes. This is supported generally by the pattern of fuel conversions in response to regulations adopted by New York City's Department of Environmental Protection in 2011 requiring boiler replacements prior to 2030 to adopt use of a fuel cleaner than #4 fuel oil. While many buildings switched to natural gas, many also opted to use either ultra-low sulfur #2 heating oil and a relatively nominal number adopted electric heat pumps. *See* Program Progress, NYC Clean Heat, https://perma.cc/R9BNLVNZ.

[3] *See* Harmonizing States' Energy Utility Regulation Frameworks and Climate Laws: A Case Study of New York, 41 Energy L.J. 211 (2020). *See also* Daniel Then et al., Impact of Natural Gas Distribution Network Structure and Operator Strategies on Grid Economy in Face of Decreasing Demand, 13 Energies 664 (2020) (describing how rate of decline in number of gas customers in Germany is expected to quickly and significantly exceed coincident declines in capital and operating costs, resulting in increasingly higher per-customer costs among remaining customers). For a summary of concerns regarding a speedy transition off of gas raised on behalf of poor communities, *See* Civil Rights Leaders Oppose Swift Move Off Natural Gas, Axios (March 30, 2020), https://www.axios.com/2020/03/30/civil-rights-leaders-natural-gas.

[4] Electric power sector carbon dioxide emissions drop as generation mix shifts from coal to natural gas, U.S. Energy Information Administration.

[5] HHRG-117-IF03-20210420-SD007.pdf (house.gov).