

April 16, 2025

Constellation Urges Legislators to Oppose LD1358, An Act to Reduce Electricity Rates by Removing Limitations on the Ownership of Generation by an Affiliate of an Investor-owned Transmission and Distribution Utility and LD1592, An Act to Reduce Energy Costs by Permitting the Ownership of Generation by Investor-owned Transmission and Distribution Utilities

Constellation is the nation's largest producer of reliable, clean, carbon-free energy and a leading supplier of energy products and services to millions of homes, institutional customers, the public sector, community aggregations, and businesses. Our fleet of nuclear, hydro, wind, and solar generation facilities provide 10 percent of all clean power on the grid in the United States with a total capacity of 32,400 MW that is 90 percent carbon-free. Constellation hereby respectfully submits these comments in opposition to LD1358, *An Act to Reduce Electricity Rates by Removing Limitations on the Ownership of Generation by an Affiliate of an Investor-owned Transmission and Distribution Utility* and LD 1592, *An Act to Reduce Energy Costs by Permitting the Ownership of Generation by Investor-owned Transmission and Distribution Utilities*.

We understand and appreciate the sponsors' intent to help mitigate increasing energy costs. New England has some of the highest electricity costs in the country, with Maine having the sixth highest residential electric rate in the country according to the latest U.S. Energy Information Administration data. However, despite the intention behind this legislation, these bills will have the opposite effect by increasing electric rates.

LD1358 would allow any transmission and distribution utility, or electric distribution company (EDC), to own generation assets through an affiliate company and allow that affiliate to enter long-term contracts for supply with the EDC. This would result in the EDC selling generation service to itself under long-term procurement contracts. LD1592 would allow an EDC to own and operate generation assets and recover associated costs from captive ratepayers. Each of these bills conflict with the basic principles of restructuring by removing competition and all the associated benefits from the electricity market.

Restructured markets ensure generators compete with each other to provide supply to EDCs and customers. This head-to-head competition among multiple non-affiliated entities maximizes efficiency and maintains lower prices when building, maintaining, and operating generation assets, benefiting the ratepayer. EDC-owned generation in the absence of competition creates inefficiencies and higher prices resulting from, among many other things, guaranteed risk-free cost recovery and a rate of return on EDC assets that is passed on to captive ratepayers. In addition, EDC-owned generation results in significant concerns about self-dealing and corporate separation issues. Generators, on the other hand, bear the entire risk of investments themselves because they only recover from those investments if they can sell their electricity by remaining competitive in the market through arm's length transactions with non-affiliated entities.

Competitive generation has benefited ratepayers in restructured states, including Maine. Studies from the Retail Energy Supply Association have shown that states with competitive markets have outperformed states with vertically integrated utilities, meaning restructured states have prevented higher costs for ratepayers. These studies show that while electric rates have increased for everyone over the last couple decades, on average the residential retail electricity rates in monopoly states have increased by 43.6% whereas those states with competitive markets have only increased by 11.5% since 2008¹.

These bills were introduced with the hope that they would reduce electricity costs for ratepayers but would instead remove competition in the electricity market, thereby increasing rates. We urge you to oppose LD1358 and LD1592 to maintain the healthy competitive market that has benefited Maine for decades.

Thank you for your consideration on LD1358 and LD1592 and please do not hesitate to contact me if you have any questions or require additional information.

Sincerely,

A handwritten signature in black ink, appearing to read 'David Creer', with a stylized flourish extending to the right.

David Creer
Manager, State Government Affairs

¹ Phil O'Connor & Muhammad Asad Khan, **The Great Divergence: White Paper with Tribute**, Sept 2018. 2022 update available at: <https://www.resausa.org/wp-content/uploads/2024/11/All-the-updated-charts-from-The-Great-Divergence-3SEP2024.pdf>