



**TESTIMONY OF MICHAEL PETERS
MESSER LLC**

IN SUPPORT OF

LD 1792, An Act Regarding the Energy Policy of the State

**Joint Standing Committee on Energy, Utilities and Technology
May 15, 2025**

Senator Lawrence and distinguished members of the Joint Standing Committee on Energy, Utilities and Technology:

My name is Michael Peters and I am here in support of LD 1792. I am the manager of energy for Messer LLC and the Vice President of Messer Energy Services, Inc. I have a Bachelor of Science in Electrical Engineering from the Pennsylvania State University and a Master of Business Administration from DeSales University. I have 40 years of energy experience which spans nearly every regulated and deregulated power market in the U.S. and Canada as well as Brazil, Colombia, Venezuela, Argentina, and Chile. I started my career working for the utility PPL as a nuclear quality assurance engineer, a system planning engineer for transmission and generation assets, an account manager for commercial and industrial accounts, a wholesale power marketer, and a manager of commercial markets for PPL's deregulated subsidiary Energy Plus at the onset of retail competition in PA and NJ. Since 2000 I have worked for BOC Gases as a Manager of Energy and Regulatory Affairs, BOC then merged

with Linde around 2006. From 2007 to 2015 I worked for Air Products and Chemicals, Inc. as an Energy Manager before returning to Linde. In 2019, Linde merged with Praxair and was required to divest many of its U.S. and South American assets, Messer Group successfully bid on those assets and I was retained as Senior Manager of Energy of Messer LLC and Vice President of Messer Energy Services, Inc. (Messer's FERC licensed wholesale energy marketing subsidiary).

Messer is the world's largest privately held producer of industrial gases and operates around the globe; here in Maine, we have an air separation plant in Kittery which produces liquid oxygen, nitrogen and argon. We serve customers in Maine and New England, including hospitals and businesses in the electronics, semiconductor, food and beverage, pulp and paper, and pharmaceutical industries.

We are in a highly competitive industry, and our ability to compete is affected by the cost of the electricity we need to operate our facility. Electric power represents over two-thirds of our variable operating cost, so we do all we can to minimize our power costs, for example we are very active in demand response to avoid CMP transmission peaks, ISO-NE capacity peaks, and ISO-NE real time price spikes. These efforts help lower costs for us and all customers in CMP and the ISO-NE footprint. We are also a capacity resource within ISO-NE (meaning we have to respond to an interruption call

within 10 minutes to relieve tight operating reserves or extremely high real time pricing in ISO-NE) and we have served our own retail load through our FERC licensed wholesale energy company, Messer Energy Services, Inc., since 2001.

Messer operates a U.S. network of 28 air separation plants and has product trade agreements with our competitors throughout the U.S. and Canada. Because power makes up two-thirds of our operating cost, we schedule production throughout our network and competitor trade agreements on a daily basis. The biggest driver of shifting production is power cost.

The recent Maine PUC order on stranded cost allocation will add significant power related costs to Kittery and it will diminish the plant's production competitiveness against the balance of the Messer North American network. In addition to the present challenges of power costs, Messer's Kittery plant is approaching 42 years of production and is nearing a decision on capital investment to re-life the plant at its current location. Part of that re-life analysis will include an assessment of relocating the plant within the New England or Canadian market. That assessment's primary driver will be current and expected power costs in various locations within New England and Canada. The long-lived impact of Maine's 2019 expansion of Net Energy Billing ("NEB") and the expected stranded costs from the NEB contracts over

the next 20 years will be a negative factor for making the re-life investment in Maine. In addition, we are wary that this uneconomic approach to combating climate change, along with the potential for the Commission's unfair stranded cost rate allocation design to carry over to the deployment of offshore wind resources. The scale of that initiative could be an order of magnitude larger than the NEB contracts and would undoubtedly be devastating to Messer under the Commission's decision to penalize manufacturers with a 70% volumetric charge for stranded costs.

As part of the IECG (Industrial Energy Consumer Group), we support Maine's climate goals. In fact the Messer family, who holds a majority share of Messer's parent (Messer SE & Co. KGaA), is a champion of fighting climate change and has established initial sustainability targets for 2030 and is currently putting together a longer term global sustainability strategy. However, as IECG repeatedly pointed out that, due to flaws in the design of NEB, the program did not provide the best climate bang for the buck and it didn't "Do Climate Right". Simply put, you could get about 5 times the amount of solar for the cost of NEB or get the same amount of solar for 1/5 the cost. The IECG has continuously tried to get ahead of the eventual financial wreckage caused by NEB by proposing to modify the structure while preserving the intent. While there was some success at ameliorating the

maximum financial impact, consumers like Messer are now stuck with an enormous bucket of annual stranded costs that currently stands at about \$250 million per year (and growing) for 20 years

On the topic of rate design, Maine's power market is a mix of regulated and deregulated markets, with stranded cost collection problem falling under the regulated market. However, the principles of cost causation don't apply here, as electricity consumption has nothing to do with the amount of NEB costs that accrue as a result of Maine's NEB legislation. Based on my 40 years of energy experience, I think that there has to be an administrative solution. In my view that solution should attempt to best balance fairness, economic impacts, and pragmatism.

Sometimes the regulator needs to provide this solution if all the parties are at odds with each other, or sometimes, in fact many times in my experience, there is a settlement among the parties. In the case of NEB stranded costs, there indeed was a settlement among the many parties with divergent interests, including the Public Advocate and many generators. No parties opposed the settlement. The solution wasn't perfect, because that is unachievable, but all signatories sacrificed something to arrive at an outcome that everyone was willing to accept.

However, the Maine PUC felt it knew better, and absent a convincing argument (to me anyway), ignored the settlement and issued an Order that

undid the many hours and days of good faith negotiations between the very stakeholders who had to live with the outcome. In my career, I have never witnessed such an administrative override of negotiated settlement and cannot speculate on why it happened. However, turning to things I can understand, I ask this committee to vote 'Yes' to LD 1792.

This concludes my written testimony.