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**An Act Regarding Customer Costs and the Environmental and Health Effects of Natural Gas
L.D. 2077**

**GOVERNOR'S ENERGY OFFICE
January 23, 2024**

Senator Lawrence, Representative Zeigler, and Members of the Joint Standing Committee on Energy, Utilities and Technology (EUT): My name is Caroline Colan, and I am the Legislative Liaison for the Governor's Energy Office (GEO).

The GEO testifies in opposition to L.D. 2077.

Recognizing the critical threat of climate change, Governor Janet Mills has committed Maine to an ambitious set of policies to reduce Maine's greenhouse gas emissions, transition to renewable energy, and grow the state's clean energy economy. In June 2019, Governor Janet Mills signed LD 1679 into law, with strong support from the Maine Legislature, to create the Maine Climate Council. The Council — an assembly of scientists, industry leaders, bipartisan local and state officials, and engaged citizens — was charged with developing a four-year Climate Action Plan to put Maine on a trajectory to decrease greenhouse gas emissions by 45% by 2030 and 80% by 2050, and achieve carbon neutrality by 2045.

The GEO and the state remain strongly committed to achieving these critical reductions, however we do not support the legislation as drafted today, particularly the prohibitions suggested on page one of the legislation. Making these wholesale changes to the law regarding service and cost recovery without an evaluation of the impacts of these changes may have unintended outcomes related to Maine's emissions and affordability. Instead of prohibiting the expansion of service as this legislation suggests, the GEO recommends the initiation of a public process to carefully examine how the future of gas in Maine must be approached and evaluated to ensure safety, energy affordability, and reliability for Maine people and businesses in the years ahead.

Maine is uniquely situated in both the country and the region in that it has long been an outlier for reliance on home heating oil. We remain the most heating oil dependent state in the nation with more than 56 percent of households using fuel oil for their primary home heating source compared to 4 percent nationally. Due to a combination of factors, including this high petroleum consumption and relatively limited natural gas distribution capacity, Maine consumes a much smaller percentage of natural gas than its neighbors with about 8 percent of energy consumed for residential heating coming from natural gas. The state has seen a huge opportunity to achieve both cost and emissions reductions by targeting building electrification, but when we look at the particular challenges faced by large commercial and industrial entities in the state, we recognize that these customers have fewer options for decarbonizing their power needs.

We do support the initiation of a public process, similar to what is detailed in Section 7, to carefully examine the future of gas demand in Maine; how gas companies are planning for expected changes in revenue, expenses, and investments overtime; how to protect infrastructure safety, reliability, and

customer affordability as gas demand declines; and what regulatory, rate design, or policy changes may be needed to provide adequate oversight and address these issues fairly for all customers. This process should be prompt, yet provide adequate time to fully engage with utilities and stakeholders. Further, Maine law currently requires the state's electric transmission and distribution utilities to submit climate change protection plans that include specific actions for addressing the expected effects of climate change on the utility's assets. Similar requirements should extend to the state's gas utilities. Moreover, prior to new investments in transmission and distribution infrastructure, electric utilities must give due consideration to non-wires alternatives. Non-pipeline alternatives to new gas expansion could also serve ratepayers well, ensuring more cost-effective alternatives are considered.

As Maine continues to transition our energy system, we must ensure thoughtful policy informed by public engagement advances the goals of meaningful emissions reductions through clean energy adoption while ensuring affordability and maintaining reliability. The GEO is currently examining several pathways to cost-effectively achieve the state's clean energy goals, which includes modeling of the resources needed to meet future electric demand through renewable energy resources, demand response, energy efficiency, or other clean resources such as emerging non-emitting thermals. We additionally support the review of the potential for alternatives like district geothermal systems as mentioned in Section 6.

We must continue to ensure that policies and programs are in place to address the barriers that low-income and underserved Maine people face in transitioning to clean energy and energy-efficient home appliances, that invest in a clean energy workforce that will support a more resilient Maine, and that ensure all Maine people and businesses have access to clean electricity at a reasonable price. The public process discussed previously could provide the forum for needed stakeholder discussions on the resulting business and financial implications of the state's decarbonization policies and the realistic lead time needed to fully comply with the state's statutory requirements.

While the GEO does not support this legislation as written, we do believe that with careful planning and evaluation we can meet our statutory climate and clean energy goals while also ensuring cost and regulatory certainty to Maine's utilities, businesses, and ratepayers. We look forward to working with the Office of the Public Advocate, the legislature, and others to advance these discussions towards a solution that fits Maine's unique needs.

Thank you for your consideration.



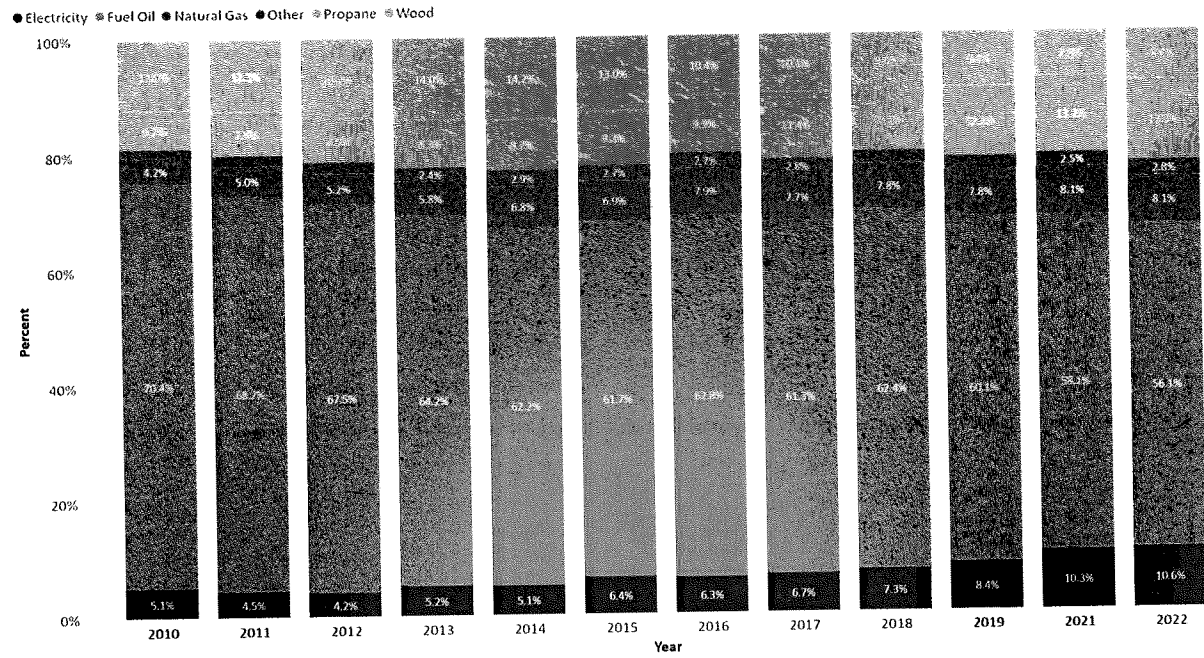
Caroline Colan, Legislative Liaison
Governor's Energy Office

Appendix:

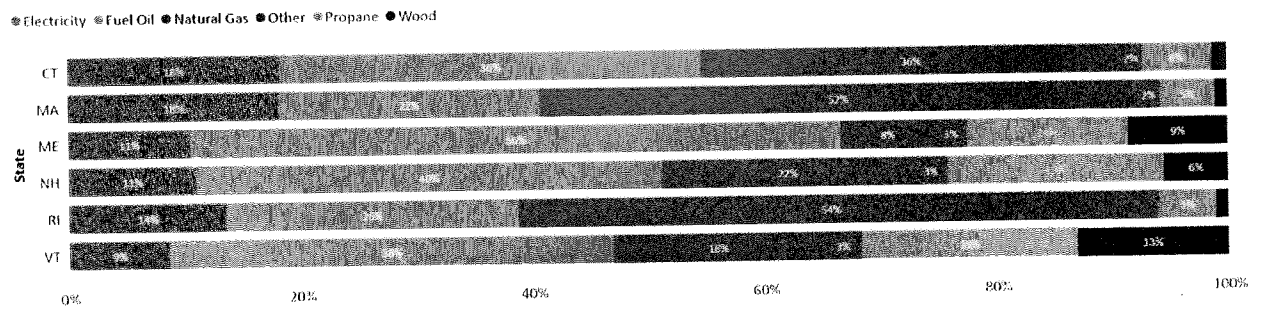
Source: U.S. Census Bureau

Charts show primary fuel used for residential heating, Maine and New England (2022).

Share of Energy Sources Consumed for Residential Heating, Maine

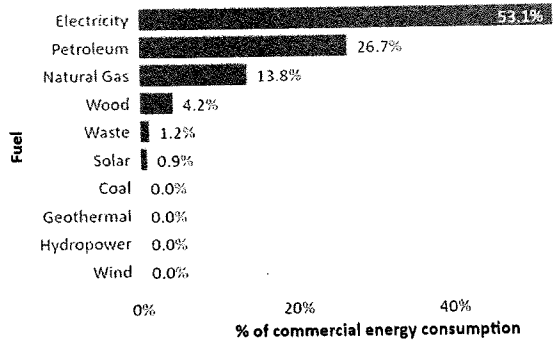


Share of Energy Sources Consumed for Residential Heating, New England (2022)

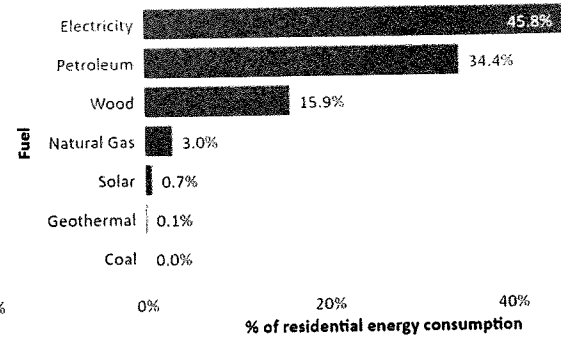


Source: U.S. Energy Information Administration (EIA)

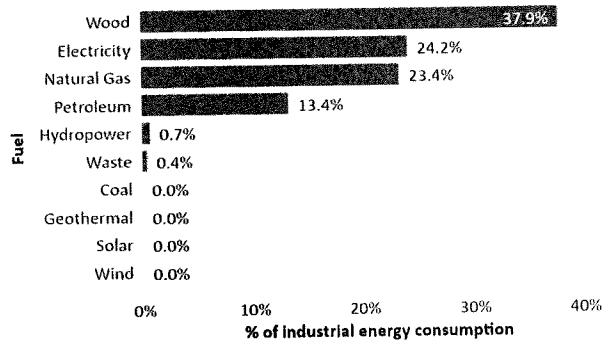
Energy consumed in commercial sector by fuel, Maine (2021)



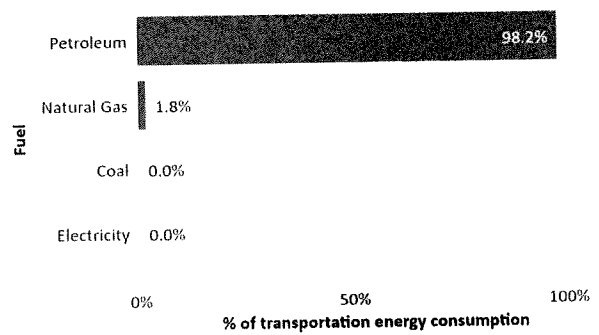
Energy consumed in residential sector by fuel, Maine (2021)



Energy consumed in industrial sector by fuel, Maine (2021)



Energy consumed in transportation sector by fuel, Maine (2021)



Natural gas consumed by sector, Maine (2021)

