

**Testimony of the Industrial Energy Consumer Group
In Opposition to
L.D. 2077, *An Act Regarding Customer Costs and the Environmental and Health Effects of Natural Gas*
Before the Joint Standing Committee on Energy, Utilities and Technology
January 23, 2024**

Good afternoon, Senator Lawrence, Representative Zeigler and Members of the Joint Standing Committee on Energy, Utilities and Technology. I am Steven Hudson, an attorney with the firm of Preti Flaherty, here today on behalf of Industrial Energy Consumer Group. IECG has been representing medium and large sized consumers of energy in Maine at the state, regional and federal level for more than thirty-five years. We advocate for policies that reduce the cost of energy and promote cost-effective means for achieving Maine's energy and climate goals. IECG testifies today in opposition to L.D. 2077, *An Act Regarding Customer Costs and the Environmental and Health Effects of Natural Gas*. The bill is both unnecessary and would hinder Maine's effort to meet its climate and economic development goals by instituting a ban without adequate and cost-effective alternatives and by eliminating a fundamental energy and economic development policy.

SUMMARY

- LD 2077 is highly destructive to Maine's manufacturing economy by chilling the future of businesses that have used, or intend to use, natural gas to get off coal, oil, tires and other fuels. Pixelle in Jay and Dragon in Thomaston have left or are leaving because of energy costs and inadequate options.
- Maine has begun its energy transition. As this process continues, we need to focus on both available transitional steps as well as the development of future alternatives – mandating change without viable options is destructive to collaborative work and economic development. Both the Silkman policy pathway and the ongoing Pathways to 2040/2050 show how to integrate both.
- LD 2077 also attacks a longstanding energy policy in Maine – allowing special rate agreements that are publicly reviewed and approved by the PUC if ratepayers are not harmed. Such agreements have provided both substantial economic development and climate benefits to Maine.

We note that, even with the excellent work of the Efficiency Maine Trust in making great strides in deployment of heat pumps, Maine remains the most heavily heating oil-dependent state in the country. Yet no one would dare suggest that Maine ban the installation of new heating oil furnaces or home oil storage systems. The Mainers adopting heat pumps are doing so voluntarily as they decide what makes the most sense to them for their homes and businesses. This bill unduly restricts the ability of Mainers to decide for themselves which heating systems make the most sense for them. Of specific concern to IECG is the negative signal this bill sends to the local gas distribution companies upon which some of our members and other businesses depend for a viable alternative for their fuel needs.

We further note that nothing has fundamentally changed in the last ten years when a PUC study from Sussex Economic Advisors¹ concluded that Maine ratepayers would benefit from increased natural gas capacity in New England while an OPA study by The Brattle Group concluded that state intervention might be necessary,² as pipeline constraints had “increased Maine electricity costs by more than \$180 million” in 2013.³ The PUC agreed, saying that “the potential cost of inaction should also be considered. Shortage of pipeline capacity has already cost Maine electricity customers hundreds of millions of dollars over the last few winters.”⁴ The PUC voted to proceed with an ECRC, but in November 2016, it suspended further activities pending future developments, “in recognition of events in courts and public utilities commissions in other New England states. A more robust local distribution system is important in promoting incremental pipeline capacity, which would reduce the volatility of natural gas in New England and Maine.

The economic and environmental benefits of natural gas are increasing – It has been estimated that New England ratepayers paid enough in higher electricity prices in January and February 2022 to pay for the entire capital cost of a new interstate natural gas pipeline in the region. In addition, in less than two weeks last winter, New England’s oil-fired electric power plants emitted over 1.2 billion pounds of CO₂, and this amount of CO₂ emissions “undid” the gasoline-displacement carbon emissions effect of 2.2 times as many EVs as all of New England had in 2021.⁵ Natural gas, more than ever, is an important transition fuel that should be cost-effectively utilized until lower carbon alternative fuels are widely available. This bill impedes the transition and increases its costs as it imposes restrictions arbitrarily without regard to the costs.

However, IECG wants to highlight an important policy that is proposed by this bill not just for abandonment, but for active dismantling to the detriment of Maine’s economy and its economic development activities. This is the concept of “special rates” for utility services. Special rate agreements (SRAs) have long been available under Maine law – and in fact, Maine’s utilities have had a tradition of active partnership in promoting economic development in the state. This tool helped establish many of Maine’s rural manufacturing sites and has been important in the current era of redevelopment of those sites. The essence of

¹ SUSSEX ECONOMIC ADVISORS, MAINE PUBLIC UTILITIES COMMISSION: REVIEW OF NATURAL GAS CAPACITY OPTIONS (2014), available at http://www.isone.com/committees/comm_wkgrps/othr/egoc/mtrls/2014/mar62014/maine_puc_gas_study_022614.pdf.

² *Public Utilities Commission*, Investigation of Parameters for Exercising Authority Pursuant to the Maine Energy Cost Reduction Act, 35-A M.R.S. §1901, No. 2014-71, Examiners’ Report (Me. P.U.C. Oct. 1, 2014) at 13.

³ *Id.* at 8.

⁴ Order, 2014-00071, at 35.

⁵ Petroleum-fueled power generation data from US EIA, available at https://www.eia.gov/electricity/gridmonitor/expanded-view/daily_generation_mix/regional/REG-NE/RegionBaEnergy-mix-18/edit.

such SRAs is that a customer can negotiate with its gas or electric utility for an SRA as long as all other ratepayers are not worse off as a result of the SRA. In practice this has meant that as long as other ratepayers benefit in some way from the presence of the business or organization as a customer of the utility, the PUC after review and comment from parties including the Public Advocate, may approve a customer-specific SRA. This has been important for both electric and gas utilities – for example, I was involved as outside counsel for the former Lincoln Paper & Tissue as we negotiated an SRA with then-Bangor Hydro and its outside counsel which was subsequently reviewed and approved by the PUC. That SRA helped the company run until a catastrophic event led to its closure. Recently, SRAs with gas utilities have led to new economic redevelopment elsewhere in Maine.

We understand the Public Advocate has not concurred with recent decisions of the PUC regarding gas SRAs, including taking an unsuccessful appeal to the Law Court. All parties that come before the Commission face the potential of such Commission disagreement. We see that LD 2077 proposes to eliminate the discretion of the Commission to review and approve gas SRAs. The Legislature should be careful in changing long established and well settled law simply because one party to a proceeding is unhappy with the outcome.

For the reasons stated above, IECG opposes LD 2077. It turns our energy transition into a multi-sector energy and economic collision, with no plan to deal with its far-reaching consequences of foreclosing energy options for Maine residents and businesses. Thank you for the opportunity to submit these comments. IECG is happy to answer questions now or at the work session.