

Matthew A. Harrington Senator, District 33

THE MAINE SENATE 131st Legislature

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Joint Standing Committee on Energy, Utilities and Technology LD 568, An Act to Modify the Process for Standard-offer Contracts with the Public Utilities Commission

March 6, 2025

Good morning, Senator Lawrence, Representative Sachs and honorable members of the Joint Standing Committee on Energy, Utilities and Technology. I am Senator Matt Harrington and I represent the District 33 communities of Alfred, Lebanon, Sanford and Waterboro. I am here to present LD 568, "An Act to Modify the Process for Standard-offer Contracts with the Public Utilities Commission."

The nexus for this legislation was the energy prices we experienced in 2023. After the wholesale prices for natural gas spiked in the spring of 2022, the Maine Public Utilities Commission (PUC) soon began its internal process of supply procurement for the 2023 calendar year. The Henry Hub rate, the benchmark spot rate in dollars for one million British thermal units (BTUs) of natural gas, had already seen an upward run since the beginning of the Biden Administration in 2021.

In the first year of his administration, prices went from \$2.71 in January when he took office to as high as \$5.51 by October 2021, much of it due to his administration's abysmal policies and attitude toward fossil fuels. However, fear of global supply shortages amid the war in Ukraine led to massive commodity speculation the following year, which drove the Henry Hub spot price to as high as \$8.81 by August 2022. The spot price during his second year in office would in fact average \$6.42/BTU that year.

Those inflated prices and the resulting bids the PUC obtained from suppliers led to a massive increase in our electricity supply rates the following year. When the PUC announced in November 2022 that Maine's Standard-offer rate, the price most ratepayers pay for electricity, would rise 45% in January, that was on top of the 86% increase ratepayers saw in 2022 from a late year surge in wholesale rates in 2021.

In essence, Mainers were paying 165% more for electricity supply in 2023 than they did in 2021 just to keep the lights on. Yet when the Henry Hub price finally fell in February 2023 to \$2.38/BTU (see table below), it didn't matter. The PUC had already set the rate for all of 2023 and there was no chance to change that.

And therein lies the problem – we were locked in. The season for setting rates happened during a period of hyperinflation; and ratepayers were locked into a full year of painful prices when wholesale rates had come down the second month into it.

The rate-setting process and way we pay for electricity is so different from other prices we pay for energy. Whether it's fuel oil at the house or gasoline in our vehicle, we're essentially paying whatever the spot price is that day while – certainly in the case of 2023 – energy suppliers made a boatload of money off Maine ratepayers for an entire year based on peak wholesale rates experienced the year earlier.

This must change. We need to move to a system that allows the ability to capture lower spot prices to help smooth out the average over the long-term. Our rate-setting system needs more flexibility.

Now, the bill before you may not accomplish that. I've heard some feedback that it may be too restrictive in setting six months as the maximum duration of these contracts. Instead, the recommendation would be to have a mixture of short-, medium- and long-term contracts from six months to even as long as two years. I believe this is called feathering.

This approach does work. In fact, many of the cooperative electric utilities up north have enjoyed lower rates over the past few years because of long-term contracts. We need to duplicate that.

I am open to an amendment that would accomplish the goal I'm seeking here. Namely, we need to restructure the way we procure electricity to avoid massive increases in any given year and allow us to enjoy periods of lower spot pricing. It's like shopping at Walmart and still being able to take an advantage of the weekly sales at Shaw's or Hannaford.

The question we need to ask is whether the PUC currently can do this and chooses not to, and what should the Legislature do through statute or by resolve that would force them to adopt a different rate-setting approach? The rise in the Henry Hub rate the last two months is concerning, so what we do now may well save us money come next year.

Thank you.

Henry Hub Natural Gas Spot Price (Dollars per Million Btu)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	2.02	1.91	1.79	1.74	1.75	1.63	1.76	2.30	1.92	2.39	2.61	2.58
2021	2.71	5.35	2.62	2.66	2.91	3.26	3.84	4.07	5.16	5.51	5.05	3.76
2022	4.38	4.69	4.90	6.60	8.14	7.70	7.28	8.81	7.88	5.66	5.45	5.53
2023	3.27	2.38	2.31	2.16	2.15	2.18	2.55	2.58	2.64	2.98	2.71	2.52
2024	3.18	1.72	1.49	1.60	2.12	2.54	2.07	1.99	2.28	2.20	2.12	3.01
2025	4.13	4.19										