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TESTIMONY BEFORE THE ENERGY, UTILITIES AND TECHNOLOGY COMMITTEE

L.D. 1358: 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

L.D. 1592: An Act to Reduce Energy Costs by Permitting the Ownership of Generation by Investor-owned Transmission and Distribution Utilities

GOVERNOR'S ENERGY OFFICE

April 16, 2025

Senator Lawrence, Representative Sachs, 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 neither for nor against L.D. 1358 and LD 1592.

As of March 1, 2025, it has been 25 years since investor-owned transmission and distribution (T&D) utilities in the state were required to divest most of their generation assets pursuant to *An Act to Restructure the State's Electric Industry* (P.L. 1997, Chapter 316) and were prohibited from future ownership of generation. Maine's utility restructuring law does include a small number of narrow exemptions, including for utilities to own generation when it is necessary to fulfill their T&D obligations in an efficient manner. Another exemption allows affiliates of Maine T&D utilities to own and operate generation so long as it is not interconnected to their T&D systems in Maine. These two bills propose changes to these fundamental components of Maine's restructured electricity markets, raising several questions about the potential implications for competitive markets, risk allocation, and ratepayer impact, among others.

In general, restructuring sought to prevent T&D utilities from participating in competitive generation markets due to the potential for anticompetitive activity or market power flowing from their monopoly ownership and operation of the T&D system. Since restructuring, which most of the New England states pursued around the same time period, robust regional and state wholesale and retail supply markets have expanded greatly in terms of the number of participants and the sophistication of competitive suppliers in these markets. Today there are approximately 270 licensed competitive electricity providers supplying retail electricity in Maine.

To the extent these bills would undo aspects of restructuring, it is likely to impact the competitive generator market and others in the electric industry. More broadly, it's likely that returning to the vertically integrated model of utilities pre-restructuring and before the development of today's competitive regional and state markets would be significantly challenging.



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That being said, there may be reasons for T&D utilities to own, control, or have a financial interest in a generation asset or to allow for an affiliate of a T&D utility to own generation-related assets interconnected into the state which could provide value to ratepayers, to the grid, or to the environment. While there are significant issues that arise from this legislation, in recent years the GEO has expressed a willingness to explore this question and particular, well-defined circumstances which may merit exemption from existing law, in particular as it relates to energy storage assets. Regarding the question of affiliates, GEO is interested in better understanding potential circumstances where the ability of an affiliate of a T&D utility to own generation or generation-related assets directly interconnected into the state may be advantageous, and if allowed, what conditions would be appropriate for the Public Utilities Commission to impose.

In fully considering these bills, it would be helpful for the GEO to understand whether there is a specific use case the sponsor intends to achieve by modifying the relatively narrow portion of the Restructuring Act as contemplated in L.D. 1358, and the broader intent and desired outcomes of the proposed changes contained in L.D. 1592. Understanding the motivation and intended outcomes of this proposal would provide critical context required to weigh the costs and benefits of potential changes to this significant policy.

Thank you for your consideration.

Caroline Colan

Caroline Colan, Legislative Liaison
Governor's Energy Office