



Testimony in Opposition to LD 1592, An Act to Reduce Energy Costs by Permitting the Ownership of Generation by Investor-owned Transmission and Distribution Utilities

**To the Joint Committee on Energy, Utilities and Technology
by Jack Shapiro, Climate and Clean Energy Program Director
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Senator Lawrence, Representative Sachs, members of the Energy, Utilities and Technology Committee, my name is Jack Shapiro, and I am the Climate and Clean Energy Director at the Natural Resources Council of Maine (NRCM). NRCM is a nonpartisan membership organization that has been working for more than 65 years to protect, restore, and conserve Maine's environment, now and for future generations. On behalf of our 20,000 members and supporters, NRCM testifies in opposition to LD 1592, An Act to Reduce Energy Costs by Permitting the Ownership of Generation by Investor-owned Transmission and Distribution Utilities.

This bill would allow utilities in Maine to "own, have a financial interest in or otherwise control generation or generation-related assets" subject to Public Utilities Commission (PUC) rules. In 1997, the Legislature passed the Electric Industry Restructuring Act to introduce competition to power generation in Maine, encourage efficiency and innovation, and to ensure the risks from capital-intensive generation projects were borne by competitive suppliers and their investors, rather than ratepayers.

All things being equal, competition between private enterprises in a market benefits customers. In some cases, competition is not efficient – for example, having multiple companies building poles and wires down the same streets competing for customers. However, power generation is not such a case: there is a well-established competitive generation market in New England.

States with "vertically integrated utilities," that is, where utilities own and operate generation as well as transmission and distribution systems, have seen notorious examples of ratepayers paying for failed or overbudget generation projects. Most egregious in the recent past is the VC Summer nuclear plant in South Carolina, which was abandoned after \$9 billion was spent, the project failed, and ratepayers are now and will continue to pay the bill for years. This bill does include language that would have the Public Utilities Commission (PUC) establish rules ensuring ratepayers are protected, however this approach appears to create and then seek to manage a risk that shouldn't have been created in the first place.

Allowing utilities to own and operate generation also raises the risk of utilities privileging their own assets over those owned by competitive third parties. Interconnecting new generation in Maine has been a well-known challenge over the past several years with extensive delays and high upgrade costs. Utilities' asymmetrical access to system information, i.e., internal operational and system data on loads, capacities, and equipment, subject to their own indeterminate and opaque interconnection standards, would give them an undue competitive advantage in the market.

Finally, the title of the bill indicates that the purpose of the bill is to reduce energy costs. However, the primary cause of high energy costs in Maine is our dependence on fossil fuels, including gas for power generation on the regional grid, gasoline and diesel in transportation, and heating oil and propane for heating, not the inability of regulated utilities to own generation assets.

In summary, taking steps back toward a vertically integrated utility model would unnecessarily reintroduce risks to ratepayers and undermine competition in power generation. For those reasons, we encourage the Committee to vote Ought Not To Pass on LD 1592.

Thank you, and I would be happy to answer any questions the Committee has.