

Nicole Grohoski
Senator, District 7



P.O. Box 1732
Ellsworth, ME 04605

THE MAINE SENATE
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Testimony of Senator Nicole Grohoski in support of
LD 1792, An Act Regarding the Energy Policy of the State
Before the Committee on Energy, Utilities and Technology
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Senator Lawrence, Representative Sachs, and distinguished members of the Energy, Utilities and Technology Committee, my name is Nicole Grohoski, and I am honored to represent the 22 communities of Senate District 7. Thank you for the opportunity to present **LD 1792**, "An Act Regarding the Energy Policy of the State."

This legislation is intended to ensure achievement of three significant objectives.

1. First, that the design of rates for post-restructuring stranded cost recovery from CMP and Versant ratepayers continues in the future to promote the State of Maine statutory policy of replacing fossil fuel use with electricity, the State policy of beneficial electrification.
2. Second, that the design of such rates creates a fair and equitable path for all ratepayers to zero carbon so that, despite any increased costs, all ratepayers thrive.
3. Third, that by achieving the first two objectives, Maine also achieves its statutory carbon reduction goals with all deliberate speed, while protecting ratepayers and Maine's economy from unfair and unnecessary costs.

My review of the last several years of intensive rate design litigation at the Public Utilities Commission ("Commission") and of the resulting Commission decisions has persuaded me that the public interest requires greater clarity by the Legislature of the powers delegated to the Commission to encourage the state policy of beneficial electrification. The Sponsor's Amendment seeks to provide that clarity.

But let me also be clear that I do not consider the language of the Sponsor's Amendment to be final. I considered other language, but chose this to provide clarity of purpose to all. I am aware some may be concerned that this language may raise separation of powers issues. While I am confident it does not, I am open to any language that in understandable terms, on a prospective basis, by a date certain, makes clear the rate design the Legislature believes necessary to best promote beneficial electrification. The setting of rates has long been considered a Legislative

function, not an Executive function. It is on that basis that we should specify the standards for recovery of Net Energy Billing and other post-restructuring stranded costs.

As this Committee knows, the Commission in 2023 allocated stranded costs among customer classes on a kilowatt-hour basis and then rate designed those costs within classes on a flat or per capita basis. The Commission relied specifically on the policy of beneficial electrification to do this. Rate designing based on kilowatt hours would discourage conversion from fossil fuel use to electricity by increasing cost of electricity. The Commission got it right the first time.

But when large Generators complained about sharing equally with other ratepayers in paying stranded costs, the Commission started a new case in which the Generators argued for a kilowatt hour rate design. This would have drastically lowered Generator stranded cost responsibility. Negotiations among the Public Advocate, IECG, CES, and the Generators took several months, and resulted in a unanimous and unopposed settlement, or Stipulation, among more than fourteen parties. The Public Advocate played a key role.

Unfortunately, the Stipulation was rejected. Instead, the Commission decided to rate design stranded costs for all large, higher voltage ratepayers, based 70% on kilowatt hours and 30% based on per capita. This increases some manufacturers' stranded cost payments by from five hundred percent to one thousand percent, and strongly discourages beneficial electrification in those classes where such opportunities are significant.

My purpose is not to criticize the Commission. This is an unprecedented circumstance. Ratepayer costs have increased by nearly \$200 million for NEB alone and that's hitting all ratepayers hard. But, as the Commission often says, it's the Legislature's job to set policy, and our beneficial electrification policy is at risk, as are large manufacturers.

I acknowledge, as did the stipulating parties, that the Stipulation would raise residential and small business rates by less than ten cents a day, or three dollars a month. Unfortunately, out of over 800,000 Maine ratepayers, there are only fewer than 500 what I would call "larger" or higher voltage ratepayers left in Maine. These are manufacturers, colleges and universities, public buildings and others. We need to be careful with how we recover stranded costs.

As you also will hear, the Stipulation sought to solve other problems found in months of negotiations. The unfair treatment of Versant ratepayers, and especially Versant Aroostook ratepayers, while certainly unintentional, can be only partially addressed by reducing NEB costs. To treat Aroostook and other manufacturers fairly, we need the remedies proposed in the Stipulation.

In addition to fairness and promoting beneficial electrification, I intend this resolve to help us look to the future. Maine cannot achieve its carbon goals if rate design creates winners and losers, and if rates are unpredictable. Rate shock is the enemy of carbon reduction, and rate shock clearly is a clear and present danger today. If we ensure a fair and equitable ratepayer path to lower carbon, we will have protected our economy and the public interest.

Thank you for your time and consideration of this bill and my testimony. I'd be happy to answer any questions the Committee may have.