Competitive Energy SERVICES

TESTIMONY BEFORE THE ENERGY, UTILITIES AND TECHNOLOGY COMMITTEE

L.D. 1792 An Act Regarding the Energy Policy of the State

COMPETITIVE ENERGY SERVICES, LLC
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Senator Lawrence, Representative Sachs, and Members of the Joint Standing Committee on Energy, Utilities and Technology, thank you for the opportunity to submit testimony in support of L.D. 1792.

My name is Eben Perkins. I am the Chief Strategy Officer of Competitive Energy Services LLC ("CES"). CES is a full-service energy consulting firm based in Portland. Since CES was founded in 2000, our mission has been to help non-residential end users across Maine navigate the energy landscape. We work with a wide range of energy users across the state, including cities and towns, schools, colleges and universities, manufacturers, hospitals, and a diverse mix of companies and non-profit organizations. Our goal is to ensure that our customers can access the energy sources they need to reliably operate their facilities, to help customers effectively manage their energy costs, and to help customers strategically plan investments in campus and building energy infrastructure to meet their financial, operational, and decarbonization goals.

Since 2021, the Maine Public Utilities Commission ("MPUC") has examined how CMP and Versant should allocate and collect stranded costs produced by the net energy billing program and other state-sponsored renewable energy programs. In January, a compromise was struck among eight parties to try to resolve this issue. Last month, the Commission rejected this uncontested stipulation. The rate design solution chosen by the Commission is a direct threat to the future of manufacturing in Maine, putting the continued operation of small, medium, and large manufacturers across the state in direct conflict with Maine's efforts to decarbonize. Furthermore, the Commission's decision maintains significantly higher stranded cost burdens for households and businesses in Aroostook County, requiring the region that is critical for keeping Maine on track to meet its renewable energy goals to unfairly shoulder the associated costs.

It did not have to come to this. The Commission chose to reject a broadly supported settlement that provides a durable, long-term rate design solution for CMP and Versant to collect future stranded costs from customers beyond just NEB. The stipulation's solution delivers three key outcomes:

1) Provides rate relief for low-income residential customers across Maine;
2) Reduces stranded costs for large customers to a reasonable, non-lethal level; and,
3) Eliminates significant geographic variances in stranded cost rates across Maine, providing rate relief for households and businesses in Aroostook County.

We should not take the recommended action lightly, telling the Commission how to conduct ratemaking. However, if it is not corrected, the Commission's decision will have significant negative impacts on Maine's economy and on the state's long-term decarbonization efforts.

As background, over the last four years the MPUC has conducted four proceedings focused on stranded cost allocation and rate design: Docket No. 2021-00360, Docket No. 2022-00160, Docket No. 2023-00230, and Docket No. 2024-00137. In the most recent proceeding, Docket No. 2024-00137, CES helped craft and supported a settlement agreement among the Office of the Public Advocate ("OPA"), the Industrial Energy Consumers Group ("IECG"), the Brookfield Entities, the Onward Entities, NextEra Energy Resources, Calpine Corporation, and Casco Bay Energy Company[1]. These parties filed an uncontested stipulation with the MPUC on January 24, 2025.

The stranded cost rate design solution included in the stipulation has something for everyone to dislike, the sign of a good compromise. The solution took months to develop and was the product of extensive analysis and negotiation among the stipulating parties, which represent interests covering the full spectrum of Maine ratepayers. While the stipulating parties disagree on numerous issues, we all wanted to produce a durable, long-term rate design solution for CMP and Versant to collect stranded costs from their customers in a manner that enables Maine to meet its beneficial electrification goals, avoids lethal outcomes for Maine businesses, and helps protect Maine's most vulnerable households. CES is proud to have contributed to this effort.

The stipulation details a process for the rate design treatment of stranded costs for customers in CMP's and Versant's respective service territories. At a high level, the solution modestly increases stranded cost charges for residential, small commercial, and medium commercial customers in order to 1) reduce cost burdens on low-income residential customers, 2) set stranded costs for commercial and industrial customers at a reasonable level that enables high kWh-consuming end users to continue surviving in Maine, and 3) eliminate significant geographic variances in current stranded cost rates across the state, which are shown in Table 1.

Table 1. Monthly Stranded Costs by Utility (Fixed Charge Only[2]): July 2024 – June 2025

Rate Class	Central Maine Power ($ per month)	Versant BHD ($ per month)	Versant MPD ($ per month)
Residential	$9.07	$11.64	$13.85
Small Commercial	$13.04	$16.61	$25.07
Medium Commercial	$213.41	$421.41	$678.64
Large Commercial	$12,447.08	$9,693.95	$7,695.28
Subtransmission	$14,442.41	$6,002.29	$12,562.51
Transmission	$26,065.76	$6,002.29	$57,516.60

[1] The Brookfield Entities include Brookfield White Pine Hydro LLC, Rumford Falls Hydro LLC, Black Bear Hydro Partners, LLC, and Great Lakes Hydro America, LLC. The Onward Entities include Hancock Wind LLC, Evergreen Windpower II LLC, and Blue Sky West, LLC. NextEra Energy Resources owns Wyman Station in Yarmouth and Cape Station in South Portland, two oil-fired power plants, and Farmington Solar LLC in Farmington. Calpine owns Westbrook Energy Center, a natural gas power plant in Westbrook. Casco Bay Energy Company owns a natural gas power plant in Veazie and is a subsidiary of Vistra Corporation.

[2] In addition to the fixed monthly charge in Table 1, CMP currently assesses a reconciliation charge of $4.01 per MWh, Versant BHD assesses a reconciliation credit of $1.72 per MWh, and Versant MPD assesses a reconciliation charge of $0.017 per MWh.

To eliminate the significant geographic differences in stranded cost rates by utility and to provide rate relief for households and businesses in Aroostook County, the stipulation's rate formula combines class groupings across Versant's Bangor Hydro District ("BHD") and Maine Public District ("MPD") for the purposes of stranded cost allocation. This addresses the current inequity where households in Aroostook County pay more than 50% higher stranded cost rates than households in southern Maine and where small businesses in Aroostook County pay nearly double the stranded cost rate of small businesses served by CMP.

To reduce the cost burden on low-income customers and to help dilute the 25% of total statewide stranded costs that are allocated to the less than 500 large customers left in Maine, the stipulation modestly increases stranded cost rates for the utilities' 841,000 residential, small commercial, and medium commercial customers. Had the stipulation been approved, approximately $6 million in rate relief would have been generated for low-income customers across Maine during CMP's and Versant's next 12-month stranded cost rate period that starts on July 1st. In terms of the impact on the remaining residential customers, Table 2 shows that CMP's average residential customer would have paid $0.70 per month more between July 2025 and June 2026 due to this increase compared to what the customer is paying in total stranded costs today. Larger customers do not receive a free lunch under the stipulation's rate design solution. As shown in Table 2, CMP's "average" customer in each large class would have paid approximately $85,000 in stranded costs over the next year, nearly 600 times more than the annual cost for the average household.

Table 2. Year-over-Year Change in Cost Had Stipulation Been Approved (CMP Classes)

Rate Class	Class Average Usage (kWh)	Current Rates ($ per year)	July 1, 2025 Rates ($ per year)	**Year-over-Year Change in Cost**
Residential	7,214	$135	$144	**+$8.40**
Small Commercial	10,016	$197	$203	**+$6.09**
Medium Commercial	169,186	$3,240	$3,320	**+$80**
Large Commercial	9,793,895	$188,668	$84,685	**-$103,983**
Subtransmission	11,363,580	$218,911	$85,573	**-$133,338**
Transmission	20,601,669	$395,464	$85,905	**-$309,559**

On April 30, 2025, the Commission issued an order in Docket No. 2024-00137 rejecting the stipulation, and directed CMP and Versant to implement the following rate design on July 1st: 1) CMP and Versant will continue to collect post-restructuring stranded costs through a fixed charge for residential and small commercial customers; 2) CMP and Versant will start collecting post-restructuring stranded costs on a 50% fixed charge and 50% volumetric basis for medium commercial customers; and 3) CMP and Versant will start collecting post-restructuring stranded costs on a 30% fixed and 70% volumetric basis for all large class customers. The Commission ordered the MPUC Staff to consider consolidating the large customer classes across BHD and MPD but made no changes for households and small businesses in Aroostook County.

The Commission's decision will have significant negative impacts on Maine's economy and decarbonization efforts over time. First, the Commission's chosen rate design is an existential threat to high kWh-consuming customers and could force these customers to close or move production outside of Maine. Second, the order completely ignores the impact of the new rate design on smaller manufacturers throughout the state, overlooking a key sector of the economy. Third, the order fails to resolve clear and obvious inequities in stranded cost rates for all Aroostook County classes, which will significantly undermine efforts in the coming years to build Northern Maine Wind. Fourth, the Commission's reasoning behind its chosen solution is based on a factually erroneous conclusion that directly contradicts 35-A M.R.S. §3804.

For the highest kWh-consuming customer in each large class across the state, the rate shock and year-over-year cost impact of the Commission's decision is devastating:

- CMP's largest customer in the transmission class (Rate LGS-T) consumes 224 million kWh per year and will see its stranded cost charges increase on July 1st by **$1.7 million per year,** from an annual cost of $1.21 million today to $2.91 million.
- CMP's largest customer in the subtransmission class (Rate LGS-ST) consumes 155 million kWh per year and will see its stranded cost charges increase on July 1st by **$1.2 million per year,** from an annual cost of $800,000 today to $2.0 million.
- CMP's largest customer in the large general service class (Rate LGS) consumes 70 million kWh per year and will see its stranded cost charges increase on July 1st by **$496,000 per year,** from an annual cost of $432,000 today to $928,000.
- Versant's largest customer in the MPD transmission class (Rate HT) consumes 65 million kWh per year and will see its stranded cost charges increase on July 1st by **$425,000 per year,** from an annual cost of $691,000 today to $1.12 million.
- Versant's largest customer in the BHD transmission and subtransmission class (Rate T-1) consumes 27 million kWh per year and will see its stranded cost charges increase on July 1st by **$413,000 per year**, from an annual cost of $26,000 today to $439,000.
- Versant's largest customer in the BHD primary power class (Rate D-4) consumes 26 million kWh per year and will see its stranded cost charges increase on July 1st by **$298,000 per year**, from an annual cost of $71,000 today to $369,000.
- Versant's largest customer in the MPD subtransmission class (Rate ST) consumes 14 million kWh per year and will see its stranded cost charges increase on July 1st by **$153,000 per year**, from an annual cost of $151,000 today to $304,000.
- Versant's largest customer in the MPD primary power service class (Rate EPT) consumes 11 million kWh per year and will see its stranded cost charges increase on July 1st by **$90,000 per year**, from an annual cost of $93,000 today to $183,000.
- CMP's largest customer in the intermediate general service class (Rate IGS) consumes 7.5 million kWh per year and will see its stranded cost charges increase on July 1st by **$41,000 per year**, from an annual cost of $62,000 today to $103,000.

Maine's manufacturers compete internationally and already face higher operating costs than their competitors due to New England's unique energy market and high winter electricity pricing. Sharply increasing stranded costs on top of a base energy cost premium runs the real risk of being the straw that breaks the camel's back. As new stranded costs are added over time from non-NEB renewable energy procurements such as Northern Maine Wind, the financial pressure on these businesses will become more severe and firms will need to decide whether it is feasible to continue operating in Maine. The Commission's decision adopts a rate structure where being a high kWh-consuming end user is directly at odds with Maine's push towards decarbonization. Driving businesses to close or move out of the state should not be Maine's decarbonization policy.

The Commission's decision to reject the stipulation will not just harm the large manufacturers of the IECG. Small and medium-sized manufacturers throughout Maine are critical to the state's diversified economy, especially in rural areas of the state, yet are completely overlooked by the Commission in its order. The Commission's definition of large class customers includes not only subtransmission and transmission manufacturers like the IECG members, but also the approximately 400 customers throughout Maine that have grid demand greater than 400 kilowatts and take electric service from the utility's distribution system. To put this figure into context, of the roughly 842,000 total electric accounts across CMP and Versant today, excluding lighting accounts, less than 500 end users (0.05%) remain in Maine with demand greater than 400 kW.

Starting on July 1st, 70% of CMP's and Versant's stranded costs will be assessed to small and medium-sized manufacturers throughout the state using per kWh charges, which will penalize the most productive manufacturers with high load factors, meaning they use the T&D system most efficiently and have higher annual kWh consumption relative to other customers in their class. The order lacks any analysis or discussion of the new rate design's impact on IGS or LGS customers; the Commission simply lumps these customers in with subtransmission and transmission classes. Importantly, the Commission makes that false claim that manufacturers are seeing a windfall from participating in NEB, which is simply not true and is unsupported by the record.

Maine's smaller manufacturers deserve better than to be ignored. As fine lumber is manufactured by Hancock Lumber in Bethel, Pittsfield, and Casco, by Moose River Lumber in Jackman, and by Pleasant River Lumber in Enfield and Dover Foxcroft; as Douglas Dynamics makes Fisher snow plows in Rockland; as New Balance assembles footwear at its facilities in Norridgewock and Skowhegan; as Nichols Portland produces auto parts in Portland; as Pride Manufacturing turns out golf tees and Lincoln logs in Burnham; as Tex Tech Industries fabricates felt for tennis balls in Monmouth; as Hardwood Products manufacturers ice cream sticks and mouth swabs in Guilford; as Fiber Materials Inc. makes reinforced composites for aerospace in its Biddeford facility – all these companies will face higher electric costs due to the Commission's chosen rate design. Businesses are grappling with significant uncertainty in the current economy. The last thing they need is to see unbudgeted rate shock and a spike in energy costs. Unfortunately, smaller manufacturers across the state will see this happen on July 1st due to the Commission's decision.

We have a choice before us today whether we want to continue making things in Maine. This is an intentional choice for policymakers, something that is in our direct control. Unlike the Commission's decision, the stipulation's rate design solution enables Maine to maintain a manufacturing base in the coming decades as the state works to decarbonize.

Focusing on Aroostook County, the Commission's choice to not reduce stranded cost rates for residential, small commercial, and medium commercial customers in Northern Maine is unacceptable. From the outset of Docket No. 2024-00137, the issue of inequity was the stated driver behind the proceeding. The MPUC's notice of investigation issued in July 2024 stated that the investigation would focus on identifying and implementing changes to each utility's stranded cost rate design needed to "adjust for inequities or to effectuate legislative policy directives."

Due to the Commission's decision to leave MPD's current rate design unchanged for the smaller classes, households and small businesses in Aroostook County will continue to pay significantly higher stranded cost rates than residential and small commercial customers in BHD and CMP. While it appears that class consolidation will be implemented by Versant for the larger classes across BHD and MPD, the largest customer in Aroostook County will still see its annual stranded cost nearly double, increasing to over $1.1 million starting July 1st. This is not a win. These outcomes are not fair to Aroostook County and were resolved under the stipulation.

As shown in Table 3, the stipulation's rate design brings stranded cost rates for the smaller classes towards parity by combining classes across BHD and MPD in each grouping (i.e., residential, small commercial, and large commercial) for the purposes of spreading out stranded costs. While geographic differences remain in stranded costs between Versant's territory and CMP's territory, the stipulation would have significantly improved the geographic rate variances and inequity.

Table 3. Fixed Monthly Stranded Cost Charge by Utility Had the Stipulation Been Approved

Rate Class	Central Maine Power ($ per month)	Versant BHD ($ per month)	Versant MPD ($ per month)
Residential	$11.98	$11.59	$11.59
Small Commercial	$16.90	$19.29	$19.29
Medium Commercial[3]	$138.33	$234.39	$234.39

For large customers in MPD, the Commission did not explicitly require rate relief:

> The Commission finds that the consolidation of the districts for the large class customers **may** be appropriate. Specifically, it may be appropriate to combine analogous MPD and BHD large rate classes for the purpose of recovering stranded costs. The Commission directs Commission Staff to provide further process in this docket to explore the implications and practicalities of this proposal.[4]

Even if the MPUC staff chooses to approve consolidating the large classes across BHD and MPD, the cost burden on the three remaining HT manufacturers in Aroostook County is unsustainable. Only the stipulation delivers the rate relief needed to protect Aroostook County's economy.

[3] The stipulation's rate design would apply 50% of the stranded costs allocated to the medium commercial class using a fixed monthly change and 50% of the costs using an energy-based charge (for Versant) or a demand-based charge (for CMP). The figures in Table 3 only provide the fixed charge for medium commercial customers, not total monthly stranded cost charges.

[4] Pages 26-27, Commission Order, Maine Public Utilities Commission Docket No. 2024-00137, April 30, 2025.

Finally, the Commission's reasoning included in the order for adopting its chosen rate design directly contradicts the Legislature's directive included in the Beneficial Electrification Policy Act. 35-A M.R.S. §3804 requires the Commission to advance through its decisions and orders beneficial electrification in order to achieve the emission reduction and renewable energy goals of the State, reduce energy costs to consumers and provide economic and climate benefits for all ratepayers. The Commission's decision does not meet this statutory requirement.

In its order, the Commission provides the following reasoning to support its rate design solution:

> … one of the primary purposes of the NEB program is to subsidize distributed renewable generation and thereby reduce GHG created in the generation of electricity by fossil fuel generators. Greenhouse gas emissions are created volumetrically, as natural gas or other fossil generators operate to produce MWh of electricity. **Thus, the more MWh of electricity consumed by customers in Maine and New England, the more GHG emissions result**. Given this volumetric relationship between consumption of electricity and the production of GHG, it is reasonable to use a method tied to consumption to allocate the costs of a program designed to reduce GHG emissions.[5]

The conclusion that increasing electricity consumption in Maine increases the state's greenhouse gas emissions is false. Plain and simple. Increasing the electricity consumed in Maine through the conversion of space heating, industrial processes and transportation to electric technologies reduces the state's greenhouse gas emissions, even if the electricity used to power those heat pumps or electric vehicles comes from natural gas power plants. The Commission's order lacks any evidence or analysis supporting its statement.

A Maine home that consumes 700 gallons of heating oil per year generates approximately 7.13 metric tons carbon dioxide equivalent ("CO_{2e}") in emissions per year for space heating. The same home would generate 5.16 metric tons CO_{2e} in annual emissions if it uses natural gas for heating. Based on the operating efficiency of an air-source heat pump, even if 100% of the electricity used to power a whole-home heat pump comes from a natural gas power plant, such as Westbrook Energy Center in Westbrook or Casco Bay Energy Center in Veazie, generating the electricity to power that heat pump would only produce 4.13 MT CO_{2e} in emissions per year. Based on New England's actual electricity supply mix, which consisted of 50% zero-carbon sources in 2024, the current average generation mix translates to 2.79 MT CO_{2e} in emissions per year to power the heat pump system throughout the heating season.

The same goes for an electric vehicle ("EV"). If a Mainer purchases an EV, drives 25,000 miles per year, and charges the EV at home, this household would consume approximately 8,300 kWh per year associated with EV charging based on the average annual operating efficiency of an EV. Generating the electricity for this EV at a natural gas power plant in Westbrook or Veazie would generate 3.02 MT CO_{2e} in emissions per year, compared to 9.10 MT CO_{2e} in emissions per year from the average passenger vehicle with an internal combustion engine powered by gasoline. Based on New England's actual electricity supply mix, the current average annual generation mix translates to 2.04 MT CO_{2e} in emissions per year to charge this EV throughout the year.

[5] Page 24, Commission Order, Maine Public Utilities Commission Docket No. 2024-00137, April 30, 2025.

Increasing Maine's electricity consumption directly reduces Maine's greenhouse gas emissions. Through the Beneficial Electrification Policy Act, the Legislature clearly directed the Commission to take action that supports higher electricity consumption in Maine. The Commission and the MPUC Staff have made it clear that they do not interpret this directive as such. If Maine is going to achieve its beneficial electrification goals, this fundamental disconnect cannot persist.

For these reasons, CES supports L.D. 1792 and recommends that the Legislature requires the Commission to implement the stranded cost rate design solution included in the stipulation on a going forward basis.

Respectfully submitted,

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