LD 1792, An Act Regarding the Energy Policy of the State

Testimony of Glenn Poole
Before the Joint Standing Committee on Energy, Utilities and Technology
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Senator Lawrence, Representative Sachs, and members of the Joint Standing Committee on Energy, Utilities and Technology:

My name is Glenn Poole. I work as a consultant on energy matters. For over forty years I worked as an electrical engineer in the paper industry advising on energy use, purchase, and sales. I am also serving my third term as a board member of Efficiency Maine Trust, and currently am Chair of the Trust's Board of Directors. My testimony today is my own and does not reflect any opinion of EMT.

The large NEB stranded cost risk is new but real, and the rate design of those costs should not be unpredictable. It should be sensitive to the likely adverse consequences to Maine of placing vast additional costs unnecessarily on Maine's manufacturing sector. Unpredictability of already high costs magnifies the harm to manufacturers. As things are, this battle will recur every year.

Pulp and paper manufacturing, for example, is a capital-intensive business, competing for that capital within a corporation is made much more difficult by high energy prices (the exception being for energy reduction projects). Paper mills outside of Maine, particularly in the South and Midwest, have significantly lower energy costs.

Where there once were at least sixteen Maine paper mills, there now are at most six, with one inactive (Old Town) and two of the six purchasing cheaper electricity from Canada. It is responsible and common sense to take the visible consequences of price elasticity into account in rate design, and that is entirely consistent with Maine's policy of beneficial electrification.

Energy costs play a large role in shifting capital investment or adversely affecting operations for manufacturers. Where a corporation becomes wary about the future cost of production it is likely to slow or pause capital investments. Investments required to meet statutory or legal obligations, such as environmental performance, are necessarily prioritized. After that modernization and increased efficiency are at risk because they become optional. Required paybacks on mill projects become shorter, and there is tough competition from sister companies for capital dollars. If a facility doesn't have a bright future, it starts to fall behind its internal competitors. This all can happen before layoffs, before machine shutdowns, before any public announcements. In my opinion, how Maine handles allocation of stranded cost is clearly of sufficient importance to affect capital investment decisions affecting Maine mills. The Committee should take no comfort that large consumers are still operating in Maine after NEB stranded costs first appeared in utility bills. These costs inevitably will have consequences.