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TESTIMONY BEFORE THE ENERGY, UTILITIES AND TECHNOLOGY COMMITTEE

**An Act to Lower Electric Rates for Maine Ratepayers by Requiring the Payment of Certain Costs from the General Fund
L.D. 1223**

DEPARTMENT OF ENERGY RESOURCES
October 30, 2035

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 Department of Energy Resources (DOER).

The DOER testifies in opposition to L.D. 1223.

Thanks for the opportunity to testify today. This legislation contains several components that may be worthy of discussion, and we would be open to discussing those with the committee. However, my testimony today will focus specifically on the provisions related to the recovery of various utility-incurred costs through rates.

While we are open to exploring alternative financing mechanisms for energy infrastructure investments and programs, requiring all utility-incurred costs from long-term contracts to be paid through the general fund is unworkable for several reasons. This proposal could impact the tools regulators have to protect Maine ratepayers from market volatility, create regulatory and planning uncertainty, and raise the costs of investment or even deter new development and job opportunities from coming to Maine.

Long-term contracts for resources have been effective tools to provide price stability and reduce risk for both utilities and ratepayers. They allow the state to secure predictable energy costs over time, providing an important hedge and insulating ratepayers from the volatility of wholesale electricity markets.

If Maine were to prohibit utilities from recovering those costs through rates and require contract costs to be paid through the general fund, they would face significant uncertainty about whether and when they could recover contract costs, discouraging utilities from entering long-term agreements altogether, resulting in fewer stable contracts and greater exposure to short-term market swings. In addition, by increasing the perceived financial and potential legal risks to utilities, this policy could unintentionally raise their cost of capital, which could make investments in Maine's energy infrastructure, from new resources to grid modernization, more expensive for consumers.



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Prohibiting reliable and predictable cost recovery for long-term contracts may also undermine the state's long-term planning efforts and put the state at a competitive disadvantage compared to neighbors that rely on long-term procurement as a foundation for energy investment and economic development. This would make it more difficult to bring new energy resources online, threatening Maine's progress toward its statutory goals and the grid's long-term reliability as demand is forecast to grow significantly in the decades ahead.

Similarly, limiting critical ratepayer protections, such as the Arrearage Management Program and the Low-Income Assistance Program, to only those funds appropriated by the general fund risks undermining these programs' ability to meet demonstrated needs from year to year. These programs play a vital role in helping vulnerable customers maintain access to essential utility services, particularly during periods of economic hardship or rising energy costs. Tying their funding solely to the state budget process introduces significant uncertainty and could lead to funding shortfalls or delays, particularly in a time when federal support for at-risk households through longstanding programs has become less reliable.

We respectfully urge the committee not to advance this legislation.

Caroline Colan, Legislative Liaison
Department of Energy Resources