

Testimony of the Industrial Energy Consumer Group
Neither For Nor Against L.D. 1223,
An Act to Lower Electric Rates for Maine Ratepayers by Requiring the Payment of
Certain Costs from the General Fund
Before the Joint Standing Committee on Energy, Utilities and Technology
October 30, 2025

Good afternoon, Senator Lawrence, Representative Sachs and Members of the Joint Standing Committee on Energy Utilities and Technology. I am Steven Hudson, an attorney with the firm of Preti Flaherty, here today on behalf of the Industrial Energy Consumer Group (IECG). IECG represents medium and large sized consumers of energy in Maine and advocates for policies that reduce energy costs for our members and cost-effectively help Maine achieve its climate goals. That is the reason we emphasize cost-effective measures, in order to ensure that our collective resources are able to meet the challenge. IECG invites all parties to visit our website, <https://www.getmaineclimateright.com/>, to learn more about the IECG and its advocacy for cost-effective climate mitigation.

IECG supports the policy of moving costs related to achieving Maine's climate goals from electricity costs paid by Maine ratepayers to a broader base, as is done for many other costs incurred to achieve social policy objectives. IECG does so in line with widely accepted rate design principles, as propounded most notably by Professor James Bonbright,¹ which generally provide that rates should generally reflect cost causation. Where policies reflect general social concerns, the costs of such policies should not be included in rates. In addition, electric rates for residential do not distinguish between such ratepayers, under the assumption that costs associated with them are essentially the same.

This assumption on electric rates only applies to the cost of service of electric supply and delivery. When other costs, such as social policy costs, are included in electric rates, they operate as a regressive tax on lower income ratepayers and a burden (and investment disincentive) on businesses that are energy intensive. Moving to payment of such social policy costs on a broader basis, whether through a General Fund appropriation, a state-funded bond, or through an offset such as an income tax credit, converts that regressive tax into a progressive one, asking wealthier Mainers to bear more of such costs.

¹ See Principles of Public Utility Rates, accessible at <https://www.raponline.org/knowledge-center/principles-of-public-utility-rates/>.

The Public Utilities Commission has recognized this issue in its recent deliberations on both the Northern Maine Renewable Program and the Pine Tree Offshore Wind research project. In the latter deliberations Commissioner Scully stated:

As I indicated in our recent deliberations concerning the Northern Maine Renewal Energy Development Program, I remain quite concerned about the cumulative impact on ratepayers, of our various public policy initiatives, include the net energy billing program as well as this procurement, the Northern Maine Procurement, and other legislatively directed renewal energy programs. I hope that policy makers will consider the cumulative impact of such programs on rates, the costs of which we refer to as stranded costs, as we as a State continue our efforts to decarbonize our energy systems. I continue to believe that funding such important programs through electricity rates is regressive, distorts the real price of delivered electricity, undercuts our beneficial electrification goals, and imposes serious financial challenges to low and moderate income rate payers.²

IECG agrees with Commissioner Scully's comments and therefore supports LD 1223's effort to implement a more progressive approach to paying these costs. We believe that other states are considering similar approaches to deal with the challenges of improving energy affordability while making progress on reaching a lower carbon future. We will try to locate any examples that might be helpful to the Committee.

We have not had a chance to fully review the amendment being presented today, but the IECG Board will review it during their November meeting. We are pleased with the sponsor's commitment to develop a comparable refundable tax credit for businesses and will be happy to work with the sponsor, the Committee and interested parties on LD 1223.

I am happy to answer questions now or at the work session. Thank you for the opportunity to provide comments on LD 1223.

² MPUC deliberations on Docket #2022-00100, February 22, 2023.