Testimony of Industrial Energy Consumer Group
in Support of
LD 1554, *An Act To Provide Climate Change Transition Assistance for Maine's Energy-intensive Businesses*
April 27, 2020

Senator Lawrence, Representative Berry, distinguished members of the Joint Standing Committee on Energy, Utilities and Technology; I am Steven Hudson of Preti Flaherty, testifying on behalf of Industrial Energy Consumer Group, in strong support of LD 1554, *An Act Regarding the Solicitation of Contracts for Distributed Resources That Use Renewable Energy*. As members of this committee know, IECG is an association of large energy consumers in Maine that advocates at the state, regional and federal level for rapid and efficient climate mitigation while assuring reliability and low costs for all consumers. We thank the sponsor for bringing this bill forward for your consideration. We also thank Michael Stoddard of the Efficiency Maine Trust for providing his testimony in advance of this hearing.

The origins of this bill lie in multiple circumstances affecting large energy-intensive manufacturers:

- Many of Maine's large industrials are unable or unwilling to take full advantage of the Custom program of the EMT, often due to the reasons stated in EMT's testimony. As previously, reported by EMT in response to a PUC inquiry, Maine's industrial sector (measured as transmission & sub-transmission level customers) actually receives less RGGI funds than its proportional share would be – and this has been true for many years.
- Many of these same companies experienced substantial economic hardship during the pandemic last year, but were ineligible for either federal assistance, such as the PPP program, or for state assistance deploying federal recovery funds.
- The Climate Action Plan calls for reduced carbon emissions from Maine's industrial sector (a sector which the Department of Environmental Protection reports has significantly decarbonized itself since 1990), but without providing a specific plan for doing so or any vehicles for accomplishing this goal.

This bill grew out of discussions amongst IECG members about trying to create a funding vehicle that would be more readily used by Maine's large industrials, and in consideration of these other circumstances. As this committee is well aware, while IECG often opposes additional assessments on ratepayers, we have argued for several years that the climate mitigation work the state is undertaking needs to be funded from other fossil fuel sources which contribute greenhouse gas emissions. We say this in full recognition of the fact that we are large consumers of oil and other fossil fuels and will end up paying our share of such fossil fuel assessments. While many of our industrial processes do not have readily available zero-carbon alternatives, we believe that where we can cost-effectively reduce our fossil-fuel footprint, we should do so. This bill is an attempt to provide support for such efforts, support that as noted, these companies already pay for through the RGGI surcharge.

L.D. 1554 is a starting point for discussion about how the state can partner with us on climate change transition efforts while maintaining our cost-competitiveness within our specific industries. We agree that the bill as drafted is not in a final version that the Committee should adopt and we ask for the opportunity to engage in discussions with the EMT, Governor's Energy Office, and other interested parties on whether there is a path forward for an industrial climate program during this Legislature.

We do disagree with EMT's statement that "adding complex program requirements may stifle program participation, as was the Trust's experience with previous 'affected customer' legislation." 2016 P.L Ch. 498 gave customers the option of accepting the rebate or participating in the EMT's programs, and it was that provision that may have reduced program participation. We note that there at the height of this now-expired short-term program, only about 12-15 customers in total qualified and participated, so there was no mass exodus away from EMT. What this really reflects is that over these four years, the largest customers did not find the existing programs as valuable as the rebate.

EMT raises other points. It asks if $3 million is a reasonable amount of the RGGI funds to allocate to the "top 10-15 customers in the state". The prior program enacted in 2016 was based on an estimate of the impact of the RGGI surcharge on these same large customers, so it does seem to us that this is a reasonable amount, especially in light of rising RGGI allowance prices and auction revenues. IECG is prepared to examine this issue more closely with EMT and others.

EMT also asks whether eligible customers would welcome and take advantage of these loans, citing past reluctance for loan programs. We understand that many of the state's largest manufacturers do indeed have complex debt structures that may preclude them from taking on any additional liabilities. However, we also understand from our members that a new program, patterned after the PPP program, may be viewed differently. IECG members viewed the sustainability of operations as an important element of the new program, and some note that if such support had been available in 2020, they would have been able to avoid layoffs. This bill is intended to incent investment and job retention in Maine through investment in these Maine companies that might not otherwise occur.

EMT asks more detailed questions about the bill that IECG believes can be answered by discussions between the interested parties for presentation to the committee at work session. Regarding those questions:

- IECG notes that EMT has had to deal with companies which cease operation under its current programs, so we expect no difference there.
- IECG assumes that the loan payments are deferred for the five years of the term and if all conditions are met, then the full amount of the loan is forgiven.
- EMT asked specific questions on program rules. IECG's intent was to answer such questions during EMT rulemaking. While we sometimes disagree with EMT on specific issues, we hold EMT in high regard for its efforts in the state and its stewardship of its resources and are willing to engage in a constructive rulemaking effort along with all interested parties.

Finally, we note that if the program is not attractive to Maine's energy-intensive businesses, then no program funds would be expended. We would not oppose a review and report-back provision to allow EMT to inform all parties whether it recommends the program be repealed after some period of operation.

We thank the sponsor again for bringing this bill forward and we are committed to working with the Committee and all interested parties to address Maine's climate efforts in ways that help sustain Maine's manufacturing sector and the economic benefits it provides.