

TESTIMONY OPPOSING LD 1634, AN ACT TO CREATE THE MAINE GENERATION AUTHORITY

Senator Chair Lawrence
House Chair Berry

Members of the Energy, Utilities and Technology Committee
Senator Lawrence, Representative Berry and members of the Energy, Utilities and Technology Committee. My name is Debra Hart and I am a resident of Manchester, Maine. I own Hart Public Policy and am speaking to you today in opposition to LD 1634, An Act to Create the Maine Generation Authority on behalf of my clients, the Dirigo Electric Cooperative Companies.

Dirigo opposes LD 1634 because it creates an unregulated electric generation utility funded by electric ratepayers through surcharges that are unrelated to their electric service. LD 1634 proposes that the Maine Generation Authority (Authority) develop generation to sell to ISO-NE pursuant to a risk-free, anti-competitive T&D ratepayer-funded model.

The proposed Authority would have the benefit of guaranteed funding through a kWh surcharge from every ratepayer in Maine and a loan from Efficiency Maine Trust (also funded by T&D utility ratepayers) to meet its revenue requirements when sales to ISO-NE fail to cover the cost of managing the Authority and operating and maintaining its generation facilities. The Authority proposes to levy such surcharges each year without oversight or rate regulation by the Maine Public Utilities Commission. The proposed structure deprives T&D utilities and their customers of any representation in rate changes.

In prohibiting T&D investor-owned utilities from owning generation assets and engaging in generation-related business activities, the 1997 restructuring law opened up the electric generation market to competition. Generation facilities, most of which are regulated by the Federal Energy Regulatory Commission (FERC) through participation in wholesale energy markets, operate in a competitive market that protects retail customers from high-cost energy from monopolistic generation companies. LD 1634 proposes to reinstate this captive customer market with one key exception – the ratepayers will get nothing in return for the money they pay to the Authority. The surcharge is really a tax on electric service; this bill should be referred to

the Taxation Committee to determine whether a governmental entity may impose a charge for no reciprocal value outside of the State's tax structure.

LD 1634 does not include an economic or business analysis, and to our knowledge, one has not been provided by the sponsors. This body should not be approving the start-up of a billion-dollar company (estimate based on planned generation development) without a thorough evaluation and consideration of the required investment.

As with any commodity, when the energy market is flooded with generation in excess of load, the market price per MWh will plummet, resulting in insufficient sale prices to recover operational costs; it is probable that the Authority will never generate enough income from sales to release Maine ratepayers from the compulsory surcharges. To our knowledge, the bill sponsors have not engaged ISO-NE in any discussions concerning the transmission system impact of adding 35 gigawatt hours of energy by the end of 2024.

As of May 4, 2021, ISO-NE is processing 495 active project interconnection requests for a total of 33 gigawatts of net capacity. ISO-NE's Operating Reserve Deficiency Information study for the Capacity Commitment Period of 2024-2025 demonstrates a net installed capacity requirement ranging from 1,600 MW below to 3,200 MW above the required reserve capacity depending on the projects currently in the queue. The Authority's proposed projects for 2024 (35 gigawatts), not to mention the 2025-2033 projects, are untenable from a market perspective because only 1,600 MW of capacity at best is available in 2024-2025.

Even if market capacity was available, my clients do not support a tax/surcharge on electric service or the authority to unilaterally establish and change such tax/surcharge without oversight of the Maine Public Utilities Commission.

The Dirigo electric consumer-owned utilities ask that you do not pass LD 1634.