

Testimony of Industrial Energy Consumer Group
In support of
LD 1634, *An Act to Create the Maine Generation Authority*
Before the Joint Standing Committee on Energy, Utilities and Technology
May 5, 2021

Senator Lawrence, Representative Berry, members of the Joint Standing Committee on Energy, Utilities and Technology; I am Steven Hudson, an attorney with the law firm of Preti Flaherty, here today to provide testimony on behalf of Industrial Energy Consumer Group (IECG) in support of LD 1634, *An Act to Create the Maine Generation Authority*. 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.

As this Committee is very much aware, whether the issue is natural gas pipeline capacity, the NECEC line, net energy billing, resource portfolio standards, energy efficiency and conservation, IECG's mantra for over 30 years has been and remains "Cost Matters". Our members, along with many other businesses in Maine, compete in international markets. As energy-intensive manufacturers, we need low-cost energy to produce our products – without which, we lose ground competitively, our facilities lose the ability to attract investment and jobs will be lost – the losses of Madison Paper, Lincoln Pulp & Paper, and the Millinocket mills are unfortunate examples.

The Committee is also aware that IECG is fully supportive of Maine's climate goals. These goals are very ambitious, and as the Maine Climate Council has noted, can only be achieved through the electrification of space heating and transportation – and then only if the electricity supplied to these sectors is from renewable, zero-emission generation sources. These generation sources need to be developed – thousands of MW of solar and on-shore and off-shore wind and the electricity storage capacity to match the generation from these intermittent resources to loads. IECG respectfully reiterates our disappointment that the space heating and transportation sectors continue to rely on the electric ratepayers to help them achieve decarbonization. We have suggested numerous times that Maine will not achieve its goal

without all sectors stepping up to pay their fair share; but policymakers continue to turn away from this basic element of climate justice. Since it appears that electric ratepayers will remain the easy targets to pay for achieving climate goals adopted by policymakers, the least those policymakers, including this committee can do is minimize the cost increases that ratepayers must bear while shouldering the burden for those other sectors.

Building this infrastructure will require the investment of billions of dollars over the next few decades. As we have seen in Maine and every other state in the country, regardless of who makes the initial investments – private developers, investor-owned utilities, municipal utilities, electric cooperatives, or public utility commissions, the costs will ultimately be borne by ratepayers. The IECG wants these costs to be as low as possible.

How to achieve this goal is challenging. L.D. 1634 provides at least one low-cost option worth considering: the creation of the Maine Generation Authority. Like the Maine Turnpike Authority, which can borrow money today on a tax-exempt basis for 30 years at interest rates below 3%, the Maine Generation Authority will be able to issue tax-exempt, 30-year bonds on comparable terms.

By comparison, Maine ratepayers are charged 8% to 10% by our utilities on any money they invest to provide electric service, and as much as 10% or more on the money invested by private developers who participate in state subsidized programs. Further, as we have seen in Massachusetts, when utilities enter into contracts for the output of renewable generators, these utilities claim they require a 2.75% premium on the costs of the contracts, ostensibly to protect shareholders from any risks. Not only are ratepayers paying developers a very high rate on their investments, but ratepayers are also paying utilities an additional amount that is higher than what would be charged in total by the Maine Generation Authority. As we have said about net energy billing, Maine cannot afford to waste money in pursuit of our climate goals – there is far too much work to do.

The parties objecting to considering changes to the status quo are exactly who you would expect – those who benefit the most from that status quo. The only difference is whether it is

above market rates of return for new wires or above market rates of return for project developers. Maine ratepayers deserve better, and Maine will fail at its climate mission without considering better options. We also note in passing that, if nothing else, such a public financing vehicle might at least let local Maine developers retain ownership of their projects – as opposed to selling out to investment firms such as the Carlyle Group or Blackrock.

IECG wants to see Maine meet its emission targets ... but at the lowest cost possible. The committee must take every opportunity to explore options that might be more cost-effective than the status quo – whether it is transmission and distribution build-out, grid resiliency and growth of distributed generation, or grid scale renewable generation development, as proposed in this bill. At the very least, the committee should take the time to seriously consider establishment of the Maine Generation Authority. We appreciate that this represents a major undertaking for this session. Fortunately, the Maine Turnpike Authority provides a very successful template for showing us how to do this. Thank you for the opportunity to provide testimony on L.D. 1634. I would be happy to answer any questions now or at the work session. IECG is prepared to participate in any discussions on this topic with the committee and all interested parties.