

130th Maine Legislature
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Committee on Energy, Utilities and Technology

LD 1634: An Act to Create the Maine Generation Authority

Testimony of Samuel May in Support

Senator Lawrence, Representative Berry, members of the Committee, my name is Samuel May. I am submitting this testimony in support of LD 1634 – An Act to Create the Maine Generation Authority.

As Dr Silkman has pointed out in his testimony, a significant de-carbonization of Maine's economy will require the substitution of non-fossil fuels as the source of power generation. In order to meet our climate goals, we will need to generate power via solar, wind, hydro, biomass etc. on a large scale. Instead of paying as you go for imported gasoline, heating oil, natural gas, we will need capital investment in new generating facilities. This will cost significant amounts of monies, but the good news is there is a vast market to provide debt financing.

At a high level there are three sources of funding available for investment – equity, debt, and retained profits. Government does not issue “equity” as a means of funding. Rather it uses taxation! And generally speaking, government does not operate with the intention of generating profits to plough back into its' operations. Which brings us to debt.

According to data from the Municipal Securities Rulemaking Board and the Securities Industry Financial Market Association, the corporate securities market, ie non governmental, totals \$10 trillion, while the municipal securities market totals \$4 trillion.

The municipal category comprises revenue bonds and general obligations bonds with revenue bonds accounting for 60% and general obligation bonds 40%.

That's \$2.4 trillion of revenue bonds out in the market already.

The market for revenue bonds is deep and broad. More than one million issuers, 35,000 trades per day, \$12 billion average daily trading amount. Two thirds of these securities are held by individual investors. Default rates for these bonds is 18 hundredths of one percent, vastly lower than for corporate bonds at 1.74%.

The annual amount of new revenue bonds issued is around \$400 billion each and every year.

There is a vast marketplace out there waiting to fulfill our needs.

Here is a quote from the MSRB on what a revenue bond is and is not.

“Revenue bond’ is the term used to describe a bond that is payable from a specific source of revenue... The issuer of a revenue bond is not obligated to pay principal and interest on its bonds

using any source other than the source(s) specifically pledged to the bond. Revenue bonds are payable from identified sources of revenue and do not permit the bondholders to compel taxation or legislative appropriation of funds not pledged for payment of debt service.”

The Maine Generation Authority will be fully insulated from the State of Maine with no bleed over to General Obligation bonds and bond ratings.

Thank you,

Sam May

Sam May is a former Wall St analyst with significant experience in both Silicon Valley and Hong Kong. He lives in Portland and is co-founder of Maine Harvest Federal Credit Union.