



SOLAR ENERGY ASSOCIATION OF MAINE

Testimony in Support of L.D. 1634

An Act to Create the Maine Generation Authority

Steven L. Weems, Executive Director

Solar Energy Association of Maine

To the Joint Standing Committee on Energy, Utilities, and Technology

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Senator Lawrence, Representative Berry, and other members of the Joint Standing Committee on Energy, Utilities, and Technology: my name is Steve Weems, Executive Director of the Solar Energy Association of Maine. We are pleased to support LD 1634, and thank Representative Grohoski and the cosponsors of this innovative legislation, which would bring the Maine Generation Authority into being. We agree with the essential rationale for this initiative, which we describe as the compelling need to decarbonize our lives at a reasonable cost. Establishing the Maine Generation Authority could save billions over the next 30 years, which would help us achieve this climate goal. This alone earns our support for LD 1634, while acknowledging there are ramifications we may not fully understand. Please interpret our testimony today as strong support for the stated purpose of the Authority, while we learn more about important powers and implementation concepts.

The Solar Energy Association of Maine (SEAM) is a broad coalition of solar energy supporters, advocating for the development of solar electricity of all project sizes and ownership models, for the benefit of all Maine people. It is a not-for-profit corporation governed by a diverse Board of Directors.

Dr. Richard Silkman has produced seminal work about what needs to be done and the associated costs necessary to achieve Maine's climate-related goals

through 2050. This will require the displacement of virtually all fossil fuel use by electricity generated from renewable sources, what's known as "beneficial electrification." This need is well-established. What isn't quite so widely appreciated is the massive shift over 30 years from spending money on fuels to funding the costs of capital assets. He explains in his published work how this can be done at a reasonable cost, which he shows could be held to a total cost of \$6 billion per year, equivalent to Maine's average annual total energy spend during the years 2000-2016, by the use of tax-exempt debt.

Dr. Silkman covers this and many related concepts in detail in his book – *A New Energy Policy Direction for Maine: A Pathway to a Zero-Carbon Economy by 2050* – and in his testimony on LD 1634. The critical variable is the cost of financing a total of about \$60,000,000,000 (yes, \$60 billion) in new plant and equipment (electric utility delivery infrastructure; solar and wind generation; and battery storage) over the next 30 years. The cost difference between debt priced at say 3% for tax-exempt bond capital (available to a not-for-profit entity like the Maine Generation Authority), and a blend of private equity and debt capital priced at say 8-10%, for investment of this magnitude is enormous. It probably is enough to determine whether we will go down the path of beneficial electrification successfully. This success is a matter of survival, but we have to believe we can afford it. This by itself is enough to justify the creation of the Maine Generation Authority, because it would give us access to less-expensive, tax-exempt debt for the majority of the investment cited above.

It isn't immediately obvious what the total savings would be, because the legislation to create the Authority would be permissive. This means the Authority would not have monopoly power to create new generation assets, nor would it be in the electricity delivery business. It would have to compete with private enterprise to win generation business, so over time we probably would get our power from a mix of public and private sources. Nonetheless the Authority would have significant competitive advantages (e.g., access to tax-exempt debt, the power of eminent domain, exemption from property taxes) that would allow it to become a low-cost renewable energy provider, which presumably would have the

additional valuable effect of reducing the cost of private energy via competitive market forces. The Authority could invest in solar, wind, and storage facilities. Companion legislation to authorize the formation of a statewide consumer-owned utility (COU) would extend the advantage of access to tax-exempt debt into the delivery utility sector, with similar benefits.

SEAM especially likes the following features of LD 1634 as drafted:

- The Authority's access to tax-exempt debt, via revenue bonds, not general obligation bonds backed by the full faith and credit of the State of Maine.
- The permissive nature of the Authority's charter, which would give it complete advantages but require it to compete in the marketplace.
- The legislation would require the Authority to function as a project development and financing entity, prohibiting it from constructing, operating, or maintaining and generation that is developed. This would limit the Authority's role to development and finance.
- The clear limitation on the types of projects in which the Authority could invest to clean energy generating or storage facilities.

These are really strong, positive features of the bill. We note the following provisions of interest, the merits of which we would like to consider further:

- The power of eminent domain.
- The apparent exemption of the Authority from property taxes. It is not clear to us at this time whether the Authority would have any obligation, intention, or limitation about making payments in lieu of taxes (PILOTs).
- The appointment process for the voting directors, specifically whether it might be preferable to insulate the Authority further from the Augusta political process by changing to direct popular election of the directors.
- The jurisdiction of the Maine Public Utilities Commission (PUC), if any, in the affairs of the Authority.

We intend to listen, learn, and may submit supplemental testimony as a result.