

Testimony on LD 1634
Committee on Energy, Utilities and Technology
Dick Woodbury, Yarmouth
May 5, 2021

Senator Lawrence, Representative Berry, and Members of the Committee on Energy, Utilities and Technology. My name is Dick Woodbury. I am an economist, and I am testifying in support of LD 1634, An Act to Create the Maine Generation Authority.

The Maine Generation Authority, or some similar entity, is the *ONLY* way Maine can affordably lower its carbon imprint in any transformational way. As this committee knows, beneficial electrification is the heart blood of a low-carbon or zero-carbon economy, and roughly speaking, we need to quadruple its availability – doubled once to support electric vehicles and other electric transportation and doubled again for electric heating and industrial uses. This magnitude of change, or anything remotely close to it, will require a financed capital investment of billions of dollars in new electricity generation and storage capacity.

What LD 1634 makes possible is the financing of new electricity and storage capacity using revenue bonds with an interest rate of 2-3 percent. That compares with rates of 8-10 percent if these same investments were made by private entities. Importantly, these rate differences are not one-time expenses at the time of sale; they compound over the life of the bonds, and they pass forward into electricity prices. The [analytic report](#) by my economist colleague Richard Silkman lays out the compounded cost of these alternative ownership structures carefully, comprehensively, and persuasively; and if there is one document you should read before voting on this bill, Dr. Silkman's outstanding analysis is what you should read.

The Maine Generation Authority is modeled on the Maine Turnpike Authority. That comparison is straight forward, and we all understand well the basic operation of the Turnpike Authority. Both the Maine Turnpike Authority and the proposed Maine Generation Authority would be quasi-public entities, overseen by an independent Board, and authorized to issue low-interest revenue bonds, gaining the advantage of low rates, but backed by future users of the capital asset—toll payments or electricity purchases, respectively—not by taxpayers more broadly.

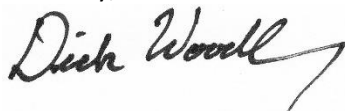
What this committee may not realize is that the public benefit of the Maine Generation Authority will be dramatically larger than the Maine Turnpike Authority. The difference, and why the Maine Generation Authority is so critically important, is what their respective borrowing would cost in the absence of the Authority.

If there were no Maine Turnpike Authority, the highways and bridges of the state would still be publicly owned and could be built and maintained with low-interest government bonds, just like we authorize periodically for the road construction and maintenance activities of the Maine Department of Transportation. There is no particular interest rate advantage to the Maine Turnpike Authority over Maine DOT; the advantage is the use of toll revenues to pay off those bonds, rather than using tax revenues to pay off those bonds.

In the case of the Maine Generation Authority, the advantage is two-fold. Not only are the bonds backed by the future revenues from electricity users, rather than by taxpayers; it is also the very existence of the Maine Generation Authority that makes possible the low interest rate investments. This is a monumentally larger financial advantage that we can achieve *ONLY* by creating the Maine Generation Authority; and that advantage is the *ONLY* way we can achieve the electric generation and storage capacity needed to feasibly meet any transformational emissions-reduction target.

I cannot emphasize enough how critical this bill is to the state, and I strongly urge its passage. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Dick Woodbury". The signature is written in a cursive style with a long, sweeping tail on the "y".

Dick Woodbury