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Testimony in Support of
LD 2077, "An Act Regarding Customer Costs and the Environmental and Health Effects of Natural Gas"
January 23, 2024

Senator Lawrence, Representative Zeigler and distinguished members of the Joint Standing Committee on Energy, Utilities, and Technology,

My name is William Harwood, here today as Public Advocate, to testify in enthusiastic support of LD 2077, "An Act Regarding Customer Costs and the Environmental and Health Effects of Natural Gas." This bill gives us the opportunity to hit the "pause" button on further expansion of natural gas within the State while we study what role we want gas to play in our energy future. We thank Representative Zeigler and Senator Lawrence for sponsoring this important piece of legislation.

The time has come when we can no longer allow expansion of the natural gas industry in Maine to be "business as usual". If we are serious about meeting our climate change goals, we must begin the discussion of phasing out our reliance on all fossil fuels, including natural gas.

This bill basically proposes a pause in expansion of gas while we study the future of natural gas in Maine. Specifically, Section 1 of the Act prohibits gas utilities from charging existing customers for the costs of new mains and service lines needed to expand service to serve new customers. Such new infrastructure should be paid by the new customers requesting service. Section 2 of the Act would prohibit the expansion of natural gas service into any municipality that does not currently have such service. Section 3 of the Act prohibits gas utilities from offering "promotional allowances." Section 7 directs the PUC to study the rate impact of future expansion of natural gas in Maine.

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I want to emphasize that this bill focuses on expansion of the gas industry. This bill is not intended to interfere with the ability of any gas utility to continue to supply gas to its existing customers. The past investments that the utilities and ratepayers have made in order to deliver and use gas will not be disturbed by this legislation. However, the State should address the important question of whether new gas customers should be added.

I am not expert on environmental policy and how best to reduce GHG emissions necessary to achieve our climate goals. However, it is pretty obvious that we need to phase out our reliance on fossil fuels and phase out the release of methane from natural gas. How quickly that happens, I will leave to others. But we should not ignore the potential impact on consumers resulting from this critically important shift. And we should not ignore the potential for large amount of unrecovered costs that may be "stranded" due to phasing out natural gas. More specifically, we cannot leave the most vulnerable residential ratepayers holding the bag when those customers with resources and alternatives abandon natural gas in favor of a cleaner energy source.

The economics surrounding the sale of oil is not regulated by state government, but the sale of natural gas is. When we designated natural gas providers as public utilities, like electric and water utilities, the State entered into a regulatory bargain with those gas utilities that carefully laid out the utility's rights and responsibilities. More recently, the PUC has questioned the regulatory bargain with gas utilities by suggesting shareholders bear some of the risk of financial losses resulting from competition. Now that the climate crisis is a major emphasis of State policy, we need to revisit that regulatory bargain and make sure that it is compatible with our climate strategy. If not, we need to change it.

Maine is not alone in facing this challenge. Many other states are addressing it. Attached is a Summary from a recent Order of the Massachusetts Commission concluding that removing incentives to add new customers is in alignment with that State's GHG emission reduction targets and reduces the risk of future stranded costs.

Today, some Maine gas utilities promote themselves as "growth utilities". This ought to ring an alarm bell for all of us. In the case of Summit Utilities, it spent $300M building a gas distribution system designed to serve 15,000 customers. After 10 years of aggressive marketing, it serves less than 5,000 customers. This has created a serious financial problem for the utility. While its investors may want to see Summit "grow" its way out of this dilemma, we need to stop and ask whether doing so is in the public interest.

To boost sales, some of the gas utilities have entered into special rate contracts with large industrial users whereby the utilities deliver gas at a rate that barely covers the variable or incremental cost of service, a price far below the full cost of serving these customers. This practice may be good for increasing sales volume, but it raises the troubling question of whether it is good public policy for the environment or, more specifically, for residential ratepayers who may be expected to make up the revenue shortfall needed to cover the full cost of serving these industrial customers.

Currently, approximately 75% of all the gas delivered by Summit Utilities is delivered to eight industrial customers that are all served at discounted rates pursuant to special rate contracts. How many more of such deals are going to be negotiated before we say enough is enough.

In conclusion, I urge you to support this important legislation. We can't let the gas utilities continue their "business as usual" approach to expansion and ignore the economic consequences. Thank you for your time, attention, and consideration of this testimony. The Office of the Public Advocate looks forward to working with the Committee on LD 2077 and will be available for the work session to assist the Committee in its consideration of this bill.

Respectfully submitted,

William S. Harwood

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