



March 14, 2012

TESTIMONY OF JAMIE PY, President
Of the Maine Energy Marketers Association
BEFORE THE JOINT STANDING COMMITTEE
ON Energy, Utilities, and Technology

In OPPOSITION to LD 1864, "AN ACT TO IMPROVE EFFICIENCY MAINE TRUST PROGRAMS TO REDUCE HEATING COSTS AND PROVIDE ENERGY EFFICIENT HEATING OPTIONS FOR MAINE'S CONSUMERS" Governor's Bill

Senator Thibodeau, Representative Fitts, and members of the Energy, Utilities, and Technology Committee, my name is Jamie Py. I am the President of the Maine Energy Marketers Association (MEMA). MEMA is a trade association composed of approximately 500 member companies and over 8,000 permanent people working in the energy delivery and service businesses delivering heating oil, biofuels, motor fuels, propane and kerosene and offering service for the equipment that operates on these fuels. In addition, our members own many convenience stores throughout Maine. We also provide education and training to the heating, ventilation, air conditioning, weatherization, and energy auditing trades for hundreds of Maine citizens annually through our courses at Maine's community colleges and at our own state of the art hands on training facility in Brunswick. Our members provide many solutions for Maine people to reduce their energy costs.

We are opposed.

While we recognize the Governor's goal to reduce the cost of energy for Maine people, we do not believe however that Government intervention into the free market is a wise method for achieving that goal. Maine government has attempted to outsmart the market many times over the past 40 years, and unfortunately parts of this bill indicate "here we go again". This bill does a few things that are very problematic from our point of view:

- It requires the Efficiency Maine Trust to create an electric heating program to convert customers to electric heat.
- It requires the program to provide low interest loans and allows utilities, CMP and Bangor Hydro, to offer these loans. The bill requires the use of the existing system benefits charge, an existing tax on electric, for the purpose of assisting or subsidizing, in the electric conversions.

- The bill further allows CMP and Bangor Hydro to get their electric heating program customer loans subsidized by the system benefits charge. These would be loans for heat pumps, thermal bricks, etc... So if CMP or BHE need a 10% return on the conversion loans but only charge 1% to the customer, the remaining 9% is required to be paid to CMP and BHE by Efficiency Maine using the SBC (tax) that is today given to Efficiency Maine. See bill section 10119-A (8)
- These would be risk-free loans
- Finally, “the costs and earnings of ... the utility participating in the electric conversion program ... must be accounted for as direct costs and earnings of the utility for rate making purposes. THIS MEANS THAT THE RATEPAYERS WILL PAY FOR THE UTILITY’S PROGRAMS FOR UPGRADES and CONVERSIONS. See bill section 10119-A (9)

In sum, under this bill proposal, the monopoly electric utilities; may give loans to their customers for electric conversions or other electric equipment upgrades, the loan terms will be subsidized by the existing system benefits charge on electricity; the loans will be therefore risk-free; further, any costs to the utilities associated with the conversion programs (such as advertising, staffing, salespeople, anything) will be considered a core cost of business for the utility and thus completely recoverable through ratemaking at the PUC.

- The electric ratepayers will be paying the utilities (who are guaranteed a fair and reasonable ROR under PUC law) to convert Mainers to electric heat. There is no risk to the utilities. They win and are guaranteed a rate of return on their efforts to convert people to electric heat and to in essence use more of the product they sell.
- The utilities apparently have convinced the Governor’s office that they can reduce their T&D costs by running more electricity through their wires. On a per unit basis, this may be true. However, the System Benefit Charge was intended to REDUCE electricity usage to avoid costly capacity upgrades and additional generation facilities which would increase electric rates. This bill reverses that policy and will be used to increase electricity use through heating.
- Further, this bill turns the decades of public policy of discouraging monopolistic utilities from entering private markets on its head. This bill pays them handsomely to use the full force of monopolistic power to crush free marketplace competition. This bill is a windfall for the Spanish energy giant Iberdrola (CMP), one of the largest energy companies in the world based in Spain, and Emera (BHE), another large energy company based in Canada. THIS IS A MAJOR PUBLIC POLICY CHANGE. The non regulated energy marketers, oil, propane, wood, pellets, are at a major disadvantage to monopolistic utilities already. This bill is completely the opposite of a free market approach.
- If electric heating systems such as heat pumps and thermal bricks are competitive in the market, they are free to participate. In fact, they are available and competing today and will succeed or fail based on customer choices. The utilities can set up their own subsidiaries and go at it in the market.
- Other energy or equipment marketers such as: stove shops; corner stores; appliance vendors; will not get subsidized loans and certainly will not get their expenses of the program paid for by the ratepayer as is written in to this bill.

- It was not long ago that deregulation which decoupled electric generation from transportation and delivery was intended to increase electric generation market competition and lower costs. The transmission and distribution utilities, CMP and BHE, were still regulated monopolies under the PUC. Now the Governor's bill is entering the free and open heating market and wants to use CMP's and BHE's monopolistic power to drive electric heat conversions. Non monopoly energy providers cannot compete against this.
- If this bill passes, then the oil, propane, wood, and pellet businesses must likewise be placed under the PUC in order to attain this same level of competitiveness or be allowed to similarly execute a program that taxes the masses (socializes the cost) and privatizes the profits.
- Existing energy providers and energy advisors routinely save Maine households by selling efficiency and conservation. It is what we do every day. New oil, propane, pellet, wood and other energy fuels offer competitive products and services that customers are free to choose.
- By giving electric utilities this much of an unfair advantage, the Governor is picking electric heat as the future for Maine. It was only two years ago that the previous Governor wanted 35,000 homes a year converted to electricity stating that the Acadia heat pump would use cheap off shore wind energy. The Acadia heat pump is a failure and off shore wind energy is yet to be tested let alone price determined.

We are also opposed to the potential politicizing of the Efficiency Maine Trust. It was only 3 years ago that this committee determined as good public policy, that an independent Trust would serve to represent the customers well. While not perfect, the alternative, as recommended in this bill would definitely become a political football. A bastion of earmarks if you will. In fact, the bill does exactly what the public policy of 3 years ago tried to avoid – political pressure to support one energy group over another

Section 2: Does not the Governor appoint the Board?

Section 3: Placing the EMT budget into the appropriations committee is dangerous. Sweeping accounts is not an unheard of practice by all sides of the isle.

Section 5: We are unsure what section 5 of the bill means. I believe EMT already does this? Will EMT become the business marketing arm for Iberdrola for instance?

Section 6: must be eliminated in its entirety for reasons stated above.

Section 7: What is the point? Does anyone voluntarily donate? What is the real purpose here?

Section 8: While not necessarily a bad idea as rebate programs can be successful, is this not what EMT is charged to accomplish already?

Thank you.