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Chairman Lawrence, Chairman Berry and Members of the Energy, Utilities and Technology Committee,

The Office of the Public Advocate (“OPA”) testifies neither for nor against LD 434 “An Act To Price Carbon Pollution in Maine” which bill requires an assessment on the carbon content of fuels sold by a distributor in the State. This bill defines “distributor” and requires a distributor to submit on a monthly basis the required assessment to the Public Utilities Commission. The commission is required to transfer any assessment it receives to the Carbon Content Assessment Fund, which the bill establishes. The bill requires the commission at the end of each fiscal year to transfer funds from the fund to transmission and distribution utilities in the State. The funds are to be used to reduce the rates of those utilities' customers in a manner that is equitable and that provides maximum benefit to the economy of the State. The bill gives the commission the authority to review the books and records of a distributor and to impose an administrative penalty if necessary. It requires the commission to adopt routine technical rules.

LD 434 is a carbon tax proposal which raises some questions and concerns that the OPA wishes to point out to this Committee:

1. 4551(1) The definition of a “distributor,” from whom the tax will be collected, is written so broadly (imports or causes to be imported gas for use or sale) that it could apply to interstate gas pipelines, gas utilities, large gas users buying their own gas and even individual small business and residential customers. This definition should be clarified so it is known exactly who the burden of collecting/remitting the tax is intended to fall on.

2. 4551(3) This section on collection also needs to be clarified to deal with matters like if the burden of remittal falls on end users like business and residential customers, how can they report what they have “sold” each month? If being collected and remitted by gas utilities, how will the assessment be made on their end use customers? By volume consumed? Pro rata? And, if gas utilities need to start collecting the assessment, will there be a dispute about them facing an administrative burden? And what related costs could/could not be passed to ratepayers as a result the requirement to collect this tax?

3. 4551(4) On the use of the fund this creates, should we be agreeable with the fact that the impact of this tax will fall on the relatively small number of gas users in the state, which I believe the total number of accounts for all 4 gas utilities is still less than 50,000, but the amounts collected will be used to reduce rates for all of the much larger population of electric customers? There is definitely a fairness concern here that should be addressed, both with subsidization by the minority of benefits for the majority and the collection of amounts from regulated and (mostly) unregulated entities, for the benefit of electric ratepayers. This mechanism might make more sense if it were directed only at natural gas electric generators, which it isn't.

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 383, and will be present at the work session to assist the Committee in its consideration of this bill.

Respectfully submitted,



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