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To: Joint Standing Committee on Energy, Utilities and Technology

From: Denny Gallaudet, Sierra Club Maine

Date: January 23, 2020

**Re: Testimony in Support of LD 1748 An Act To Allow for the Establishment of
Commercial Property Assessed Clean Energy Programs**

Senator Lawrence, Representative Berry and members of the Committee on Energy, Utilities and Technology, my name is Denny Gallaudet. I am Treasurer of the Maine Chapter of Sierra Club. Sierra Club represents over 18,000 members and supporters. On its behalf, I am speaking in favor of LD 1748. I was formerly President and CEO of Casco Northern Bank, a predecessor to Key Bank of Maine.

Largely as a result of actions taken by this Committee last year, Maine businesses can now move forward to invest in projects that result in energy savings improvement, including renewable energy installations such as distributed solar. Such projects can provide Maine businesses with both substantial cost savings and also environmental benefits.

However, investment in such projects is currently held back by an inadequate supply of financing suitable to the cash flow characteristics of these projects. For example, a roof top solar array has a useful life up to 40 years and carries a manufacturer warranty of 25 years on the panels. Also, the levelized cost of roof top solar electricity is very frequently much lower than the standard offer. Yet banks and other lenders do not extend financing much beyond the 10 year range.

In my judgement as a banker, this mismatch is a classic example of market failure. And in this case the market failure is caused by the monopoly power of the banking industry.

This Committee is of course no stranger to monopoly power in the energy field and the need for government action to correct market failures arising from such power.

The banking industry is monopolistic because government has granted it the exclusive power to create money. Whenever a bank makes a loan it is creating money, in the form of new deposits. The power to create money has great force and is unfortunately prone to error, as we discovered once again in 2008. For this reason banks are everywhere regulated with great care.

LD 1748 is a reasonable request of the Committee to extend regulation of the Maine banking industry. This modest regulatory change is for a narrow but important enhancement of the public good – to extend the financing term of commercial projects that result in energy savings improvement.

LD 1748 will accomplish this enhancement principally by granting C-PACE mortgages a priority over all existing bank and other debt except tax liens. Existing creditors will have the protection



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of a negative pledge, meaning they can veto any project that creates too much leverage in their estimation.

C-PACE offers long-term financing that covers 100 percent of the project cost and is repaid over a period of from 15 to 30 years. The payments are structured as a regular line item on the property tax bill. When a property is sold, the C-PACE assessment can stay with the property and transfer to the new owner, who enjoys the ongoing utility cost savings associated with the project.

Experience in other states has shown that this simple change substantially increases the availability of credit on sensible terms for C-PACE qualifying projects.

This Committee will no doubt receive testimony from Maine banks who are aggrieved by this modest dilution of their monopoly power over the creation of money. This is a natural response but a short sighted one.

This Committee will recall the Edison Electric Institute's claim that distributed solar would bring on a death spiral for its regulated utility members. And as the green energy revolution has unfolded, many of its members have failed to prosper. But other members saw green energy as an opportunity and are now enjoying record high stock valuations.

As a banker, I look on LD 1748 as an opportunity for forward-thinking Maine banks to participate in the transition to a green energy economy and grow along with their commercial customers.

In summary, the Sierra Club Maine Chapter strongly supports LD1748 and believes it holds great promise for increasing commercial investments in energy savings improvements.

We ask this Committee vote LD 1748 Ought to Pass.