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LD 699 An Act to Reduce Future Energy Costs

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Testifying: In Opposition

Senator Lawrence, Representative Zeigler, Members of the Joint Standing Committee on Energy, Utilities and Technology, my name is Kathleen Newman, presenting testimony in opposition to LD 699 An Act to Reduce Future Energy Costs.

This proposed legislation seeks to pre-empt the citizens-initiated bill that you will hear later this session, An Act To Create the Pine Tree Power Company, a Nonprofit, Customer-owned Utility.

Maine people will be asked to vote on this question:

Do you want to create a new quasi-governmental owned power company governed by an elected board to acquire and operate existing electricity transmission and distribution facilities in Maine?

During a previous failed attempt to pass similar legislation, the Maine Public Utilities Commission was directed to undertake a study of the economics of a government takeover of Maine's electric utilities. The PUC engaged London Economics who determined that the third-party private management company hired to run the new quasi-government agency would charge \$80 million per year as a management fee. This would be a new cost currently not paid by CMP and Versant customers who only pay the actual cost of operations without markup.

This proposal would require the third-party, for-profit operator to charge less than current costs, which effectively means they would need to reduce operating costs, which most likely would mean cutting back on critical operations and staff – there is no other way to produce operational savings.

Competing measure

Maine's Constitution speaks to a competing measure as an "amended form, substitute, or recommendation of the Legislature." This legislation clearly meets that definition in relation to the Pine Tree Power referendum.

Pine Tree Power referendum language:

Private sector, competitive, performance-based operations. The company shall contract by means of a competitive public solicitation the services of at least one qualified

nongovernmental entity, referred to in this chapter as "the operator" or "the operations team," to provide cost-effective, private sector operations, maintenance, customer accounts management and customer service and information and to assist as necessary in regulatory affairs, capital planning and administrative services. The company may not contract with an operator that has managed a company found to be unfit within the previous 10 years. The company may contract with separate operators for each of the service territories of the acquired utilities, or to meet discrete operations, maintenance or other requirements. In requesting and evaluating bids pursuant to this section, the board shall consider anticipated costs; professional, operational and managerial experience; familiarity with the systems to be administered; and ability to improve customer service and employee morale. The company may establish additional criteria for its solicitation and shall determine the period and the specific terms of each operations contract. The commission shall review and approve, reject or approve with conditions any contract between the company and an operator before it takes effect. A contract with an operations team must reward proven Page 7 performance, not the provision of capital, and must provide for the efficient and effective fulfillment of the company's purposes under section 4002

LD 699 contradicts that language by adding conditions and requiring a different standard for the commission's review and approval:

2. Approval conditioned on finding of rate reduction and other benefits. The commission may approve a contract under subsection 1, only if the commission finds that:

A. Taking into account the utility's other anticipated or actual revenues and expenses, the contract is reasonably likely to reduce by at least 10% the average, combined transmission and distribution rates paid by customers of the utility or, if the utility is the successor in interest to an investor-owned transmission and distribution utility, its predecessor immediately prior to the start date of the contract, for at least the first two years of the contract;

B. Taking into account the utility's other anticipated or actual revenues and expenses, the contract is reasonably likely to have a net positive impact on rates, reliability and customer service over the duration of the contract; and

C. The utility's expenses are not paid for by state or local tax dollars, except to the extent that certain expenses may be tax-exempt or were tax-funded prior to the start of the initial contract.

Further, LD 699 as amended applies only to a "consumer-owned transmission and distribution utility" with more than 50,000 customers, and it relates to a "third party private operator." Currently, there are no COUs in Maine this large, and there are no electric utilities in Maine with a third-party operator. However, Pine Tree Power would be such an entity. LD 699 is coming forward primarily to amend a citizen initiative that has not been passed. This is the essence of a competing measure.

While supporters of Pine Tree Power often highlight how their proposal would remove profit incentive from grid operators, many don't realize that Pine Tree Power is proposing that after the formation of the quasi-governmental board, that entity would need to go out and hire a for-profit company to operate the grid.

If LD 699 were enacted and voters pass the Pine Tree Power referendum no operator could successfully operate the utility without drastic reductions in operations. Achieving a 10% savings could mean cuts to services like storm restoration and tree trimming, delays in new customer interconnections, and a halt to investments to increase reliability and meet Maine's climate goals. And that is assuming Pine Tree Power can even find an existing power company willing to come in to the run grid. What will happen to Maine if there are no companies willing to submit a bid because the incentive to do so simply doesn't work?

This legislation betrays a worry by supporters that Mainers won't buy Pine Tree Power as it's written. Passing a bill that says it will achieve 10% savings doesn't make it so – it merely provides a talking point for the upcoming campaign. The people of Maine will vote on the merits of a government takeover of Central Maine Power Company and Versant in November and that decision should be made without an 11th hour amendment in the Legislature that promises savings that are unachievable. We urge you to vote Ought Not to Pass on LD 699.

Thank you for your consideration.