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PUBLIC UTILITIES COMMISSION

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Testimony of the Maine Public Utilities Commission
Neither for Nor Against
LD 699, An Act To Reduce Future Energy Costs

March 8, 2023

Senator Lawrence, Representative Zeigler, and Distinguished Members of the Joint Standing Committee on Energy, Utilities, and Technology (Committee), my name is Deirdre Schneider, testifying neither for nor against LD 699, An Act To Reduce Future Energy Costs on behalf of the Public Utilities Commission.

LD 699 applies to the review and approval of an initial contract for more than \$10,000,000 between a large, consumer-owned transmission and distribution (T&D) utility and an entity to provide operations, maintenance, customer account management or customer service to that utility. It specifies that the utility may not enter into an initial contract for these services without Commission approval, and the Commission may only approve such a contract if the Commission makes certain findings, including that the contract is reasonably likely to reduce by at least 10% for the first two years of the contract, the average, combined T&D rates paid by customers of the utility, or if the utility is a successor to an investor-owned T&D utility, its predecessor immediately prior to the start date of that contract.

The calculations required by this bill to ascertain whether there will be a rate reduction of at least 10% may be difficult to perform (for example, if the operating contract is ready for approval ahead of finalization of other rate components, particularly in the first year of a transfer to a COU) and can be artificially manipulated in a manner that is adverse to ratepayers. For example, one can adjust a repayment schedule on debt or defer costs, so that rates in the first two years are lower but lead to much higher rates in later years. Moreover, given our responsibility to ensure safe, reasonable and adequate service, there may be a conflict between this cost reduction mandate and the imperative to ensure customers are receiving quality service. Deferred maintenance to lower rates as required under this legislation, for example, could lead to an unacceptable degradation of service.

The Commission is also concerned that the bill is not sufficiently clear on what happens if the Commission does not approve the contract. A utility tasked with providing service to more than 50,000 customers cannot be without an entity to operate and maintain the distribution system. If there is no entity that can contract with the utility to meet the requirements in statute, it would appear that the utility is unable to fulfill its statutory duties as a public utility, but there is no remedy provided to the Commission to address this scenario under these particular and unique set of circumstances.

I would be happy to answer any questions or provide additional information for the work session.