

Written Testimony on LD 1708 - An Act To Create the Pine Tree Power Company, a Nonprofit Utility

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We at the Progressive Policy Institute are writing today in opposition to proposed legislation mandating a government takeover of the investor-owned electric utility Central Maine Power which we believe would add to both taxpayer and consumer costs, and potentially harm reliability and sustainability.

The creation of a government power entity would not ensure lower rates for consumers. Indeed, according to the Maine Policy Task Force and an Office of the Public Advocate report, such a move could cost Maine taxpayers billions in new expenses.

Nor would the new government power entity ensure better reliability for consumers. Indeed, the expertise and experience of Central Maine Power as a competitive regulated entity is likely to provide far better reliability, as studies have shown.

More broadly, any new government power company would also lack the immediate access to capital which is crucial to making long-term investments in clean energy to lower emissions, a key goal claimed by the government takeover proponents.

The history around the country of other attempts at government takeovers of utilities is illustrative, and should be powerful cause for concern. In 2010, the City Council of Boulder, Colorado voted to cut ties with its regional investor owned utility. But even ultra-liberal Boulder soon realized the downsides of such an attempt, including near-term taxpayer costs and actual delays in investments in clean energy. In the event, after a decade of consideration and tens of millions of taxpayer dollars spent, Boulder decided its local investor -owned utility provided the best mix of new clean energy, low cost and reliability.

A number of localities that undertook a government takeover came to regret it and switched back at high expense. The town of Hercules, California municipalized it's electric power in 2003, and after a 30% rate increase, sold the system back to PG&E June of 2013.

In Vero Beach, Florida, after consumer complaints surfaced about high municipal electric rates compared with Florida Power and Light's rates, the sale of Vero Beach back to FP&L was approved by ballot initiative in 2013 and occurred in 2018. A customer using 1000 kw a month with Vero Beach could expect to save around \$27 a month as FPL rates were about 20% lower than the municipal utility. This lesson was not lost on other Florida cities, like Jacksonville, where the city council had discussions about municipalizing but following studies on the topic changed course, deciding that they should focus on strengthening the existing utility.

Maine does have a few small government-run utilities, but these average fewer than 10,000 customers. The new government entity that would be created under this bill would be responsible for providing power to more than 800,000 people, a hugely different order of responsibility, investment requirements, economic and safety considerations.

The Progressive Policy Institute generally believes that the best way to provide affordable, safe, reliable, and sustainable energy for most regions of the country is through well-regulated, investor-owned utilities who have the access to capital, technology, experience and know-how to deliver the best product to consumers. The goal of decarbonizing electric power is important, and the state should work with its utilities, as is happening around the country, to make sure emissions can be reduced with renewable energy and other sources without undermining key safety, cost and reliability goals. We are confident that Maine's regulators and Central Maine Power can do the same without government ownership, but far less confident a government-run entity can do so.

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