

Peter Fromuth
Yarmouth

130th Maine Legislature
First Regular Session – 2021
Committee on Energy, Utilities and Technology

L.D. 1708: An Act to Create the Pine Tree Power Company

Testimony of Peter Fromuth in Support

Senator Lawrence, Representative Berry, and Members of the Committee, I appear today in support of L.D. 1708. I live in Yarmouth and work as a corporate counsel. I present this testimony as a private citizen and ratepayer.

In 2019 Maine decided to de-carbonize its economy, a goal which can bring enormous health, economic and environmental benefits. Achieving these benefits from renewable sources will require a three and a half-fold expansion of our energy transmission and distribution grid at an estimated cost of approximately \$60 billion (A New Energy Policy Direction for Maine, Richard Silkman, Nov. 2019).

Can our investor owned electric utilities serve the ambitious social mission Maine adopted in 2019? Let us remember that CMP and Versant have a social mission now – to provide reliable service at a reasonable price. Unfortunately, they are failing that mission today.

Reliability is best measured in outages. In 2019, the latest year of American Public Power Association data, Maine tied West Virginia as the state with the highest number of outages. The metric for the number of minutes per outage was more than three times greater than the average of investor-owned utilities elsewhere. And the total outage duration was twice as long as the average, and four times longer than publicly owned utilities.

Customer satisfaction tracks those results. In 2020, J.D. Power surveyed residential and business customers. Out of 142 rated utilities, Versant ranked 140th, CMP held the anchor spot at 142; among business customers CMP was number 80 of 80.

Despite such a poor service record, Maine's residential ratepayers pay a premium to get it. In fact, a study completed this March found that the state's investor-owned utilities charge on average 58% more to deliver electricity than Maine's publicly owned utilities.

Given that CMP and Versant are already performing so poorly in their comparatively modest social mission today, it would be extremely unwise to expect that their performance would somehow improve as the scale of the challenge increases three-fold.

Doubtless the Members of the Committee will be warned that governments are just not up to the job of operating major electricity grids; the evidence shows otherwise. More than 49 million Americans, in every state except Hawaii, get all their electricity from consumer owned utilities; they seem pleased with the results. In the same ratepayer satisfaction survey in which CMP and Versant sit on the bottom, consumer owned utilities occupy nine of the top ten rankings. The outage records tell a similar story: public power producers average less than half the number of outages as occur at Maine's investor-owned utilities and the outages last a fraction of the time.

Although opponents assert that Pine Tree Power would be government-run, that is not the case. An elected board would oversee a management staff but a private operating company, selected following a competitive bid, would run daily operations.

Also, the sheer magnitude of the cost to de-carbonize the energy economy will be critical. Our investor-owned utilities, by law, exact a return on equity for transmission and distribution of at least 10% overall. Given the much increased size of the grid necessary to meet state climate goals, that would be a prohibitive burden on residential and business ratepayers and state bonding capacity, likely crowding out other important priorities. Further increasing the rate base would be the high cost to

amortize borrowing by CMP and Versant on the private capital market.

By contrast, Pine Tree Power would have no shareholders and the savings would be reflected in lower bills and more resources to build out the grid to carry a much greater load from renewable sources. Pine Tree's financing would also bring major savings. Relying on revenue bonds amortized by a steady ratepayer funding stream it would enjoy a lower risk rating, and just as important, as a public non-profit it would be exempt from federal taxes.

In sum, the bill before you, to create the Pine Tree Power Company, represents an extraordinary opportunity to promote the economic, environmental and physical wellbeing of Maine, I urge you to vote in favor.