



Maine Municipal
Association

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Testimony of the Maine Municipal Association

Neither For Nor Against

*LD 1708 – An Act To Create the Pine Tree Power Company, a Nonprofit Utility, To Deliver
Lower Rates, Reliability and Local Control for Maine Energy Independence*

May 20, 2021

Senator Lawrence, Representative Berry and members of the Energy, Utilities and Technology Committee, my name is Neal Goldberg, and I am providing testimony neither for nor against LD 1708 on behalf of MMA's Legislative Policy Committee.

Once the Pine Tree Power Company purchases investor-owned utilities there will be no putting the genie back in the bottle and there will be no margin for error. Assuming things go as planned however, there are many rewards to be reaped.

Multiple professional studies and expert reviews indicate a strong possibility that creating the Pine Tree Power Company will lower rates and improve service reliability. Regarding lower rates, the Association believes the company can accomplish this through equity accrual rather than the current "rent" payments and profit returns to rate-payers instead of investors. Regarding service reliability, the Association is optimistic. By all accounts Maine is below par for service reliability in the nation, making opportunities for improvement easy to come by. Failure of investor-owned utilities to make these low-hanging improvements is proof that a change of leadership is merited.

Research also indicates municipalization will promote investment in modern energy solutions. Presently, there is concern that investor-owned utilities, driven by returns on investments, are intentionally obstructing the expansion of clean energy projects. Now is the right time to let the Pine Tree Power Company eliminate that concern. Maine is on the threshold of an energy revolution and needs to choose if it will be led by distant investor interests or local consumer interests. Once profit incentives are removed from planning decisions, investment will flood to the types of energy projects Mainers want. On this matter, there is great hope that the Pine Tree Power Company funnels investment into a rapid transition to renewable energy generation.

Municipal officials invite the benefits that municipalization of electricity transmission and disruption can offer, but they also feel obliged to remind this Committee of what is required to make this bill practical and how much is at stake for the taxpayer.

These are some of the assumptions that must prove true in order for the Pine Tree Power Company to be successful:

1. There must be a smooth takeover of CMP and Versant, marked by minimal litigation over a relatively short period of time.
2. Fair-market values should be near 1.5x the book value of the acquired property.
3. Competitive bids for private-sector operations improves free market competition.
4. The bonding power of Maine's ratepayers is sufficient to make the company financially secure on day one.

Finally, and most importantly,

5. The Pine Tree Power Company upholds a promise to continue making payments in lieu of taxes (PILOTs) forever, which are based on the real-time assessed value of the property.

The likelihood of these aforementioned assumptions proving true is for this Committee to determine, because if they are not this legislation could be catastrophic for municipal budgets.

The Pine Tree Power Company's acquisition of investor-owned property removes an estimated \$90 million from property tax commitments. MMA estimates that over 3% of all local property taxes are paid by Central Maine Power and Versant. For municipalities like Lewiston that portion is close to 10%, representing over \$4.5 million in revenue for the city.

Municipalities are willing to consider losing the largest taxpayer in town only if the state can match those tax commitments in perpetuity. Legislation absent of this forever guarantee is risky for municipal officials to gamble on, because reversal of the requirement to make PILOTs will leave massive voids in municipal budgets. Veteran municipal officials have experienced the fiscal strain of unfulfilled promises and some need more reassurance than LD 1708 currently provides. From the perspective of these municipal officials the benefits of the Pine Tree Power Company are undeniable and its failure would be insurmountable.

The 2019-2020 report conducted by London Economics International (LEI) summed up the municipal fear about a similar bill, "The plain reading of LD 1646 appears that [Pine Tree Power Company] can continue to pay local property taxes, *if its Board so wishes*."¹

A subsequent review of LEI's report by Dr. Gordon Weil recommended more explicit language that defined the state's commitment to municipalities. Dr. Weil's review suggested a redraft that "guarantees to municipalities all of the property tax revenues they would have received from the IOUs."²

Fortunately there is reason to believe Dr. Weil and LEI's recommendations might be incorporated into LD 1708. Through this bill's drafting process, the sponsor has continuously invited local input, included friendly language to municipalities, and demonstrated a willingness to find middle ground. The Association is greatly appreciative of this consideration and the sponsor's readiness to consider additional safeguards our members may suggest.

Thank you for your thoughtful attention to this important matter.

¹ London Economic International LLC, "Evaluation of the Ownership of Maine's Power Delivery System," February 15, 2020. Emphasis added.

² Weil, Gordon L., "Review of 'Evaluation of the Ownership of Maine's Power Delivery System,'" February 23, 2020.