

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

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Committee on Energy, Utilities, and Technology, May 20, 2021

Honorable Committee Chairs Senator Lawrence & Representative Berry and Members of the Energy, Utilities and Technology Committee. Thank you for the opportunity to submit written testimony on [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](#).

[Acadia Center](#) is a non-profit, research and advocacy organization incorporated in Maine and committed to advancing the clean energy future by offering real-world solutions to the climate crisis. Acadia Center tackles complex problems, identifies clear recommendations for reforms, and advocates to create significant change that supports a low-carbon economy across the Northeast which can then be a model for application elsewhere. Acadia Center identifies regional, state, and local improvements that will dramatically reduce carbon pollution and improve quality of life throughout the Northeastern United States.

Acadia Center testifies neither for nor against LD 1708.

The motivation behind LD 1708 is, at least in part, drawn from frustration with the performance of Maine’s investor-owned utilities (IOUs). The State’s IOUs have recently ranked very low in national customer satisfaction surveys and have acted far too slowly in support of the State’s decarbonization efforts. While there is broad agreement about the many problems that Maine’s IOUs face, Acadia Center is not in a position to say whether or not a community-owned utility, as proposed in LD 1708, is the best solution to these problems. Acadia Center would urge the Committee to establish a formal process for determining whether the establishment of a community-owned utility in Maine would serve the public interest. In the alternative, the Maine Climate Council, in its *“Maine Won’t Wait: A Four-Year Plan for Climate Action”* recommended a Power Transformation Stakeholder Group tasked with examining and providing recommendations regarding transformation and planning of Maine’s electric sector to help achieve greenhouse gas emission reductions. This stakeholder framework should inform policymakers on utility ownership, structure, and planning necessary to help accelerate and achieve beneficial electrification for the entire State to meet our climate goals as rapidly and affordably as possible.

Maine can solve the problems of existing utility business models by implementing other policy reforms.

Under existing utility regulation, the incentives that IOUs face do not serve the interests of the Maine’s residents. A main cause of misaligned incentives is Cost of Service Regulation (COSR), under which utilities earn a regulated rate of return on capital investments like poles, wires, and substations, but pass-through operational expenses like salaries, leases, and demand response payments to customers. Utilities’ high returns are approved by utility regulators - and paid for by consumers. This structure creates a clear incentive for utilities to build and upgrade traditional infrastructure projects, rather than pursue clean energy programs or innovation that may be more aligned with

societal and climate goals, but not as financially attractive. From Acadia Center’s perspective, this dynamic would not necessarily change under a Community Owned Utility model.

This dynamic does not have to persist. Acadia Center is proposing reform solutions under a framework called *RESPECT: Reforming Energy System Planning for Equity and Climate Transformation*. While there are several components of the *RESPECT* framework, the most important in this case is that the entity that conducts energy system planning must be entirely separate from the entity that owns the grid infrastructure. Today, these functions are both held by the investor-owned utilities, which creates significant conflicts of interest. Because utilities own and earn a profit on grid infrastructure, they have a financial stake in planning outcomes. Maine should remove system planning functions from the utilities that earn returns on those investment choices. Instead, a neutral-third party could conduct long-term system planning. This new planning entity could answer more directly to state regulators, allow for greater stakeholder engagement, and span beyond the existing boundaries of current electric and gas utilities to conduct the holistic planning that Maine needs to address the climate crisis.

Planning reforms enjoy broad support in Maine.

The [Maine Utility/Regulatory Reform & Decarbonization Initiative \(MURRDI\)](#) Stakeholder Group includes experts and senior officials from State agencies (including Governor’s Energy Office, Efficiency Maine Trust, the Public Advocate, and the Commission), Maine’s two investor-owned utilities (CMP & Versant), representatives of the State’s two biggest cities, and several renewable companies and environmental organizations. In April 2021, after more than six months of high-level discussions and deliberations, MURRDI released a [report](#) that includes nine recommendations to help “plan, build, and operate an electricity grid that meets the State’s aggressive climate and energy requirements while maintain a safe, reliable, secure, and affordable le grid.”

One of the nine recommendations reflects support for the proposals in the *RESPECT* framework:

- To investigate, adopt, and implement an all-encompassing, long-term, strategic grid planning process, with an eye toward phasing out fossil fuels and separating utility planning from ownership.

Maine should “adopt and implement a forward-looking, holistic grid planning process with input from stakeholders that allows key actors to more strategically make system operations, planning, and investment decisions.” While this holistic planning process could be led by a range of entities, the MURRDI stakeholder group broadly agreed that it should *not* be led by the investor-owned utilities. The MURRDI report specified that “utilities play a critical role but should not lead the planning process given the long-term planning horizon and desire to holistically integrate generation and DERs.” By removing the long-term planning functions from investor-owned utilities, Maine can better serve the interests of its residents and meet its climate and energy goals.

Acadia Center looks forward to working with this Committee on Maine’s utility structure and planning policy strategies. Thank you again for the opportunity to provide testimony. Please do not hesitate to contact me if you have any questions.

For more information:

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