



Testimony in Opposition to 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](#)”

Senator Lawrence, Representative Berry, and the distinguished members of the Committee on Energy, Utilities, and Technology, my name is Nick Murray and I serve as policy analyst for Maine Policy Institute, a nonpartisan, non-profit organization that advocates for individual liberty and economic freedom in Maine. Thank you for the opportunity to testify on LD 1708.

The electrical grid is truly an incredible feat of engineering, guaranteeing near-instantaneous transfer of energy production and distribution in accordance with moment-by-moment shifts in demand. This is not an institution that would benefit from state ownership and management by elected officials. No offense to the members of this committee, but professionals in the energy industry are more qualified to run these enterprises than politicians and their associates.

Simply, the drive to profit in a competitive marketplace cultivates the sorts of benefits that the sponsors of this bill seek. The piece that is missing is competition.

The sponsors’ attempts to explain the differences between an “investor-owned” utility (IOU) like Central Maine Power (CMP) and a “consumer-owned” utility (COU) like the proposed Pine Tree Power Company (PTPC) fail to recognize the economic realities of incentives. As the testimony from Worthington Sawtelle, LLC of York mentions, the sponsors have grossly overstated the benefits of the PTPC business model, in terms of cost-savings, reliability, and capacity for decarbonization.¹

Whereas IOUs may balance risks and costs between their shareholders and ratepayers, COUs only have ratepayers on whom to balance their books. Pointing to a COU’s ability to manage its assets as a form of income recognizes that this is a service best performed by private wealth managers, who have a proven track record in this arena. There is much less reason to be confident that a publicly-elected board would perform the same or better.

Though this proposal intends to make large-scale updates and renovations to the current paradigm of energy transmission for Maine residents to lower rates and boost

¹ <https://mainelegislature.org/legis/bills/getTestimonyDoc.asp?id=165136>

customer satisfaction, it is unlikely that the newly-formed and indebted PTPC will be nimble enough to administer these changes in any reasonable time period.

Last February, Boston-based London Economics International, LLC (LEI) published a report analyzing LD 1646 from the 129th legislature, a similar proposal to establish a quasi-public entity to purchase power and contract operations of transmission and distribution (T&D) in Maine.² As the LEI report's "sensitivity analysis" notes, the overall costs and the estimated time needed to recoup the initial purchase may vary dramatically, even with minor changes to the many variables: the growth rate in Maine's energy consumer base (population), the acquisition price of the IOUs' property ("net book value"), the rate of interest paid on debt related to acquisition of utility property by the COU, and the rate of profit from the COU's managed assets.³

Back then, LEI estimated the "net book value," or initial price of acquisition, to be around \$4 billion, but recently, CMP stated that it believes its T&D would be closer to \$13 billion to purchase.⁴ LEI estimates that it could take up to 20 years for the public-owned utility to recoup the initial purchase costs from the existing utility companies. This project could take decades to become a better deal for the consumers who supposedly own the project, if ever.

Other provisions exist in LD 1708 that were also present in LD 1646 and could contribute to significant cost overruns during implementation. PTPC would be able to take advantage of cheaper credit through its tax-exempt status, but it would still be on the hook for "payments in lieu of taxes" to the localities in which its newly-acquired utility property exists.

Also, PTPC must contract out the operations of running a utility, made up of the previous employees of CMP and Emera under their current collective bargaining agreements. Although this bill does not require PTPC to retain these workers for five years, as LD 1646 did, it does require that workers are paid according to the higher amount between the two collective bargaining agreements' total for wages and benefits, if not equal. Is there a ballpark total cost estimate for this idea?

Mainers need a more competitive market for energy, not less. An immense transfer of assets to a quasi-public corporation, whose leadership is under no obligation to understand or embody the economics or science of reliable energy transmission, presents a crisis of accountability.

² [H.P. 1181, LD 1646](#) | 129th Maine Legislature

³ [MPDA Report Feb 15 Final](#) - London Economics International

⁴ www.pressherald.com/2021/04/19/consumer-owned-power-advocates-unveil-plan-to-oust-cmp-versant/

Of course, there is nothing in Maine law which would prohibit a truly independent nonprofit corporation from raising, investing, and leveraging funds to negotiate with Central Maine Power and Versant to purchase transmission lines, but it should not need state-backed eminent domain power to force its way into the market.

Despite the best intentions of sponsors, this proposal will likely cause Mainers who hate their power company to hate it even more. It would not solve the problem of a lack of accountability, reliability, and transparency, but rather make those aspects worse. Please deem LD 1708 "Ought Not To Pass" and spare the state from this wasteful and economically destructive move. Thank you for your time and consideration.