

Testimony of Peter Murray re LD # 1708 An Act to Create the Pine Tree Power Company
Public Ownership of Transmission and Distribution Utilities

Ms./Mr. Chair and Members of the Joint Committee on Public Utilities:

Thank you for allowing me to appear and speak with you today. I am a lawyer and live at 104 North Street in Portland. My half-century of Maine law practice has included public utility law including many appearances before the Public Utilities Commission in a variety of electric power, communications, and transportation matters. Recently, I have represented groups of ratepayers of Central Maine Power Company in proceedings concerning the 2017-2018 metering and billing snafu and the use of inappropriate disconnection notices in the winter. My remarks are in terms of Central Maine Power Company, but they apply to Versant as well.

Efficient economics requires that ultimate consumers of services such as electricity transmission and distribution, obtain the highest quality services at the lowest cost that such services can be provided over time. In many parts of the economy, this combination is provided by free and vigorous competition among purveyors of various goods and services. In a competitive market the exercise of choices by consumers incentivizes providers to maximize service and reduce price to the lowest sustainable level.

In the case of electric power transmission and distribution, there is no competition among providers. Duplication of poles and wires by competitive providers would add costs in excess to the savings provided by competition among them. Electricity transmission and distribution service is what is called a “natural monopoly”.

Unlike competitive providers, the incentives for the monopolist are to provide the least service for the highest price, thus increasing its bottom-line return. Unless constrained, the monopolist is in the position to give poor service at a high price without any adverse consequences.

In Maine privately owned electric transmission and distribution monopolies are restrained from inflating prices and cutting services by Maine Public Utilities Commission regulation. The Commission is given the power to set service standards and rate ceilings in an effort to protect the captive ratepayers from monopolistic practices by the utility.

As recently as the 1960s and 70s in the early days of my utilities practice, Central Maine Power Company was a relatively small company, largely owned by Maine shareholders and managed by Maine managers. Its operations were confined to the State of Maine. Under these conditions, PUC regulation plus the social accountability of CMP's decisionmakers were largely successful in keeping rates and services at acceptable and reasonable levels.

Things are far different now. CMP is no longer managed and largely owned by Mainers. It is now a wholly-owned subsidiary of a multi-utility service company (Avangrid), which is in turn 100% owned by a massive international energy conglomerate based in Spain (Iberdrola). CMP's guiding star in this firmament is the bottom-line profits it can generate ultimately for Iberdrola. Naturally, prices have been increased and service levels have been allowed to fall. The use of an affiliated but unregulated service company to provide many of the services required by CMP to serve its customers permits additional income and profits to be flowed to the parent from Maine ratepayers. Against all this, the Maine Public Utilities Commission is

scarcely able to fulfil its mandate to ensure Maine ratepayers get high-quality electric service at reasonable cost.

The current economic motivation of CMP's owner and managers is to generate as much profit as possible by providing as little service at as high a price as they can get away with. It is time to turn the page on this. With a publicly owned utility, the driving motivation of its managing board is the opposite, namely to provide as much service to the public at as low a price as possible. Access to tax-exempt public financing makes public ownership of Maine's transmission and distribution utilities even more attractive than the current arrangements. Public ownership and operation of electric distribution systems is well established not only here in Maine, but in systems large and small across the United States.

As Maine continues to seek to limit and reduce CO2 emissions, its electric transmission and distribution system will play an ever more vital role. Now is the time to get this crucial public infrastructure into public hands.