

Testimony in Support of 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

Committee on Energy, Utilities and Technology

Dick Woodbury, Yarmouth

May 20, 2021

Senator Lawrence, Representative Berry, and Members of the Committee on Energy, Utilities and Technology. My name is Dick Woodbury. I am an economist, and I am testifying in support of 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. I have 3 key reasons for supporting this bill.

The first, and most important, is that it is the *ONLY* way Maine can affordably lower its carbon imprint in any transformational way. As this committee knows, beneficial electrification is the heart blood of a low-carbon or zero-carbon economy, and roughly speaking, we need to quadruple its availability – doubled once to support electric vehicles and other electric transportation and doubled again for electric heating and industrial uses. Updating our electric transmission infrastructure will require a financed capital investment of several billion dollars; and we can choose between 2-3 percent financing rates as a ratepayer-owned entity or 8-10 percent financing rates as an investor-owned utility; and those rate differences compound over the life of the bonds. The [testimony](#) and [analytic report](#) by my economist colleague Richard Silkman lay out the compounded cost of these alternative ownership structures; and I encourage you to read Dr. Silkman's outstanding analysis.

The second reason I support this bill is the misaligned incentives of the investor-owned utilities, as they relate to the grid structure of the future. The grid of the future is not just a grid that supports higher electricity use; it is a grid whose production and distribution geography and functionality is different from today's. The future mega-producers, wind and solar, are in different geographic locations than today's mega-producers; and still more importantly, there will be much more decentralized production and storage in the form of home solar and community solar. The investor-owned utilities profit most by using the existing grid infrastructure, not a new one; thus, they often oppose the types of investments and financing schemes that are critical to the transition ahead, such as net metering.

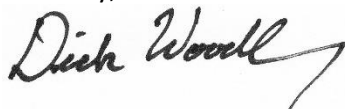
Third, I perceive a near total loss of responsible public partnership and citizenship since the existing utilities have been controlled by multi-national conglomerates. That is not a criticism, per se; its inherent in their ownership structure, which mandates that everything these companies do is in the interest of maximizing profits for their shareholder. We should not expect anything different from a multi-national conglomerate. But the notion that these companies are acting as *PUBLIC* utilities in the *PUBLIC* interest, appears to me contrary to the evidence, as they sue Maine people to deny public voice on infrastructure investments, demand rate increases to compensate for every hiccup, send millions of dollars of ratepayer dollars out of Maine, and impede the foundational public policy imperative of averting climate change. This is not the ownership structure we want anymore.

Two years ago, when I first heard about the idea of creating a ratepayer-owned utility, I wrote an [Op-Ed](#) contrasting MEMIC, the Maine Employers Mutual Insurance Company, with the CMP-Avangrid-Iberdrola monopoly in Maine. I have reattached those observations, and I continue to believe that the ownership changes proposed in LD 1634 will be similarly positive for Maine people.

Let me share one last thought. For obvious reasons, this bill will launch a major legal battle with powerful corporate interests. But at the end of the day, that battle is about little more than determining the fair price Maine should pay to CMP-Avangrid-Iberdrola shareholders for the existing grid assets. Yes, the battle will have costs, but they pale in comparison to the amount ratepayers are transferring out of the state and country because of the current ownership structure. So, I ask this committee, and this legislature to engage that battle, let the courts decide whatever asset price is fair, put this chapter behind us, and move on to a better ownership structure for the indefinite future of our state.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Dick Woodbury". The signature is written in a cursive, flowing style with a long, sweeping tail on the final letter.

Dick Woodbury

Maine Voices: Public power proposal offers opportunity to match, top MEMIC's success

pressherald.com/2020/01/07/maine-voices-public-power-proposal-offers-opportunity-to-match-top-memics-success/

By Dick Woodbury

January 7, 2020



YARMOUTH — The Maine Employers Mutual Insurance Co., MEMIC, is among the most spectacular success stories of Maine business and policymaking history. Since its formation in 1993, workers compensation premiums have declined by 60 percent, workplace injuries have dropped by half and \$285 million in dividends have been returned to its policyholder owners, including \$22 million last year.

In a bill before the Maine Legislature, we have an opportunity to match and even exceed what MEMIC achieved, using the identical model but in a different industry: electricity distribution.

ABOUT THE AUTHOR

Dick Woodbury, an economist and a Yarmouth independent, served in the Maine Legislature from 2002 to 2008 and from 2010 to 2014. He was also a weekly commentator on Maine Public Radio's political roundtable, "Across the Aisle," from 2014 to 2018.

MEMIC originated from a blue-ribbon commission established by the Legislature in 1992 to address a marketplace crisis. At the time, the workers compensation insurance rates paid by Maine employers and mandated by workers compensation laws were two to five times higher than in other states, leading some companies to move their operations away. Among its recommendations, the commission proposed a new, privately run mutual company in the workers compensation marketplace.

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With a mutual company, it is the customers or policyholders who own the company and share in any efficiencies or profits. A mutual company is still a private enterprise, neither government-run nor taxpayer-funded. It's just that the company's owners are its customers, rather than outside investors.

Electricity distribution is the ideal industry to replicate MEMIC's success. First, it is a public utility that should operate in the public interest. Second, it is a monopoly industry. Third, it is the custodian for an intricate network of transmission corridors that are intended for public

benefit, not entrepreneurial gain. Fourth, it is an industry integral to the public policy challenges of averting climate change and revolutionizing renewable-energy production and distribution for the future.

Over the last several decades, many Maine companies have sold to multinational conglomerates, Hannaford to Ahold Delhaize, Poland Spring to Nestle, Bath Iron Works to General Dynamics, Central Maine Power to Avangrid/Iberdrola. For most products, ownership by massive conglomerates involves some loss of Maine identity and corporate citizenship, but does not fundamentally alter the marketplace, its efficiencies, its employees or its customers.

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The same cannot be said for Central Maine Power, as demonstrated by its not-even-close last-place ranking in [J.D. Power's survey](#) of business users of electricity around the country, or by the ongoing and heated controversies surrounding [billing](#), [reliability](#) and [a western Maine transmission corridor](#). None of these issues will be effectively resolved by a multinational conglomerate, whose primary accountability is to non-Maine shareholders.

In its 2020 session, the Maine Legislature will consider a bill, [L.D. 1646](#), that would lay the groundwork for a new consumer-owned private enterprise, the [Maine Power Delivery Authority](#). The bill was introduced by state Rep. and Energy Committee Chair Seth Berry to address what many of us feel is a failing yet critical public utility. Its timing is particularly important as we plan for the foundational reinvestments in the electricity transmission grid that will be required for our renewable energy future.

Just like MEMIC, the Maine Power Delivery Authority would be a private enterprise, neither government-run, nor taxpayer-funded. Just like MEMIC, any operational efficiencies or profits would be returned to ratepayers in dividends. Just like MEMIC, it would be managed by industry professionals, and overseen by a board of Maine-based, consumer-concerned citizen ratepayers. And just like MEMIC, it would be capitalized by private borrowing, not government borrowing, collateralized by the future stream of ratepayer revenues.

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We are facing two big CMP-related decisions right now. One is the transmission corridor across western Maine. I'm not at all opposed to a redefined and potentially expanded transmission network as part of a comprehensive renewable energy development plan. But

I'm firmly opposed to giving the CMP-Avangrid-Iberdrola monopoly one iota of additional clout in Maine's energy landscape.

The other decision is about L.D. 1646, an inspiring first step toward a consumer-owned electricity distribution company, modeled brilliantly on the creation of MEMIC in the 1990s. I can't wait for the new Maine Power Delivery Authority to become the MEMIC of the 2020s.

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