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Chairman Lawrence, Chairman Berry and Members of the Energy, Utilities and Technology Committee,

My name is Barry Hobbins and I am the Public Advocate with the Office of the Public Advocate and I am here today to testify 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.”

The OPA commends Representative Berry and the many cosponsors for submitting this ambitious piece of legislation and their acknowledgement of the need for more reliability and transparency from investor owned transmission and distribution utilities in Maine.

Representative Berry began this process in the 129<sup>th</sup> Legislature by submitting LD 1646, “An Act To Restore Local Ownership and Control of Maine's Power Delivery Systems.” Subsequently, the PUC commissioned London Economics International LLC to analyze LD 1646 and in February of 2020, the *Evaluation of the Ownership of Maine's Power Delivery System* was released. The report found that there would be long-term rate relief benefits to the Maine ratepayer of a larger-scale, nonprofit, and consumer-owned utility due to the lower cost of capital. The Pine Tree Power Company, as a utility with its own stream of revenue, could potentially be able to finance its debt without need for State guarantees or backing, such as a moral obligation commitment from the State. Based on the analysis from the study, as a

consumer owned utility, Pine Tree Power Company could be able to issue tax-exempt debt, which would allow the company to issue debt at lower interest rates than investor owned companies, and would not require an equity return for its investors. Improvements to the grid via electrification and an ever-growing number of renewable energy projects are coming and access to the aforementioned lower cost capital, which could be beneficial to Maine consumers, assuming the company is well-managed and efficient.

The OPA does have concerns about the risks associated with the transition from an investor-owned utility to the Pine Tree Power Company and the potential impact of such risks on current customers. According to the LEI evaluation mentioned earlier, “Given the transaction costs for setting up the MPDA and the acquisition price for the T&D assets may be a premium over current NBV, electric ratepayers may see an increase in electric rates for some period of time.”

There is also the potential for significant legal ramifications that may take years to litigate in court. The OPA would have concerns that the resulting legal costs may be transferred to ratepayers.

In conclusion, the LEI report also mentioned “legal, regulatory, technical, financial and operational issues related to the LD 1646 proposal and its implementation” that also may be applied to LD 1708 and there are other advantages and disadvantages to this proposed legislation that people testifying before the OPA will have discussed today. When all is said and done, this is a public policy discussion. If this bill passes, the citizens of Maine will vote on the referendum this coming November, pursuant to Section 13 of LD 1708, which was not a provision of LD 1646. If the bill fails, the supporters of this bill can revisit this issue via their constitutional right to a Citizen’s Petition Referendum (Title 21-A, Chapter 11, subsection 901. Petitions).

Thank you for your time, attention and consideration of this testimony. The Office of the Public Advocate looks forward to working with the Committee on LD 1708, and will be present at the work session to assist the Committee in its consideration of this bill.

Respectfully submitted,



Barry J. Hobbins  
Public Advocate