

## **The Numbers Add Up to a Yes on Pine Tree Power**

by Marianne Hill

<https://www.pressherald.com/2023/10/21/commentary-the-numbers-add-up-to-a-yes-on-pine-tree-power/>

The owners of CMP and Versant claim that what has been a most excellent investment for them would be a disastrous one for Mainers. The numbers show otherwise. These regulated monopolies enjoy guaranteed rates of return on equity of about 10%. The cost of debt issued is also assured to be covered. In 2022, CMP's base for a specified rate was over \$2 billion.[1] The almost risk-free returns naturally appeal to the shareholders of these utilities, and the current risk of takeover has been an unpleasant surprise.

You may wonder exactly how profitable CMP and Versant are and what price would make their purchase a sound investment: valid questions, but there are few numbers available on the websites of the Public Utilities Commission (PUC) or the Office of the Public Advocate. Although the PUC receives detailed annual reports from these companies, they are considered confidential and not made available to the public.[2] A few numbers have come out during recent debates, including those presented here. The PUC, for example, confirms the above 10% figure, and the Office of the Public Advocate mentions that these utilities have over \$850 million in deferred income taxes on their books.[3] The firm hired by opponents of Pine Tree Power say that the present book value of CMP and Versant is \$5.4 billion.[4]

The purchase price of CMP and Versant will not be the widely-cited \$13.5 billion, but one deemed "fair and reasonable" through a court process.[4] Both CMP and Versant have been purchased in recent years, and the courts will not allow huge deviations from precedent or from book value. CMP reported a book value of \$4.2 billion in 2022 and Versant \$1.2 billion. [5] And, importantly, the cost of acquisition depends on the expected rate of return for investors - this is set by the PUC and the Federal Energy Regulatory Commission! Lower guaranteed returns, more in line with the regulated rates found in Europe, could cause the acquisition cost to drop dramatically. [6]

There are two major uncertainties associated with the establishment of Pine Tree Power. One is how much money the current foreign owners of Maine's

utilities will throw into litigation against the buyout. Another is the question of the priorities of those who will be elected to the board of the new utility. To address the last question: we know that the elected board will not be focused on ensuring high profits, and that it will have at its disposal all the expertise it needs to meet its legislated responsibilities of: ensuring reliability, affordability and accountability in its provision of electricity, as well as aiding Maine to achieve its climate goals. The newly-gained right of public access to information will enable Mainers to assess how well the board is doing, and members can be replaced at election time if voters so choose. This is not possible with investor—ownership, no matter how dissatisfied customers are.

Will the savings from the lower cost of investment under Pine Tree Power be passed on to consumers? That depends on the newly-elected board: so, be careful whom you vote for!! Watchdog groups will be applying pressure to the board to fulfill its promise. Will the transition be smooth? There are many national experts from other consumer-owned and publicly-owned utilities available to aid in this. [7]

Experience has shown that the PUC is at a disadvantage when facing off with highly-paid corporate lawyers and executives. This will end, and Efficiency Maine, as well, will face less opposition to changes that advance clean green energy.

Our large investor-owned utilities have indulged in cost-cutting at the expense of consumers, workers and the environment. The priorities of these public utilities will only change under new ownership — many who reluctantly support consumer ownership acknowledge this. The need for Pine Tree Power is urgent and the time is now!

Marianne Hill is an economist living in South Portland. She did the state economic forecast for Mississippi from 1990 to 2013. Her Ph.D. (economics, 1983) is from Yale.

[1] Based on email from Liz Wyman: "... the transmission ROE (return on equity) is within the jurisdiction of FERC and the docket number for the case is FERC Docket No. ER20-2054,

which should provide the back-up calculations for the most recent CMP and Versant tariffs. I believe the current rate is 10.57%.

The PUC has jurisdiction over the distribution rates and the ROE as set in the last rate case of was 9.35%.” Liz Wyman, General Counsel

Maine Public Utilities Commission, 207-287-1321

CMP’s rate base is reported in the 2022 Annual Report of Avangrid, p.9. Total proprietary capital is in CMP’s annual report to the PUC.

[2] Annual reports to Maine PUC from CMP and Versant.

Net income of each is given on p. 8 line 24 and deferred income taxes on p. 6 line 53.

Or CMP’s is at:

[https://s24.q4cdn.com/489945429/files/doc\\_downloads/regulatory/2023/06/cmp-2022-electricioureport.pdf](https://s24.q4cdn.com/489945429/files/doc_downloads/regulatory/2023/06/cmp-2022-electricioureport.pdf)

**From:** "Harwood, William" <[William.Harwood@maine.gov](mailto:William.Harwood@maine.gov)>

**Subject:** RE: sources for my op-ed needed

**Date:** September 25, 2023 at 4:14:24 PM EDT

**To:** Marianne Hill <[hillmarros@aol.com](mailto:hillmarros@aol.com)>

Thanks, Marianne.

Unfortunately there are no public links to these filings because they contain confidential information.

We are careful in the rate cases to make sure the ratepayers get the full benefit of any deferred taxes.

Best,

Bill

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[3] <https://www.maine.gov/meopa/> Office of Public Advocate fact sheet on Pine Tree Power. Gives number for deferred income taxes of CMP. Compare to annual reports attached.

Includes link to LEI study:

<https://legislature.maine.gov/doc/4350>

[4] <https://maineaffordableenergy.org/wp-content/uploads/2021/12/Whitepaper-Analysis-of-Government-Controlled-Power-in-Maine.pdf>

See p. 12 and 14. Above gives Concentric's analysis done for opponents of question 3. They assume purchase price of twice book value and a start date of 2030 p.12, 14.

[5] See annual reports to PUC, p. 3 line 10. Or see internet search on net utility plant FERC Form 2022 Central Maine Power, and then on net utility plant FERC Form 2022 Versant

[6] See p. 3 [https://www.spglobal.com/\\_assets/documents/ratings/research/itt-2020-emea-regulated-utilities.pdf](https://www.spglobal.com/_assets/documents/ratings/research/itt-2020-emea-regulated-utilities.pdf) More recent data require purchase.

[7] <https://publicpower.org>