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Paul R. LePage
GOVERNOR

23 April 2018

The 128th Legislature of the State of Maine
State House
Augusta, ME

Dear Honorable Members of the 128th Legislature:

Under the authority vested in me by Article IV, Part Third, Section 2 of the Constitution of the State of Maine, I am hereby vetoing LD 257, "An Act to Allow Microgrids That Are in the Public Interest."

LD 257 is a potentially dangerous and expensive path. Since 1913, the Maine Legislature has recognized the importance of regulating public utilities both for public safety and consumer protection purposes. 35-A M.R.S.A. § 101 states that the purpose of this utility oversight is to ensure "safe, reasonable and adequate service." However, LD 257 allows a microgrid operator to perform the same functions as an electric utility, but without applying a similar obligation to the microgrid operator to provide safe and adequate service. In fact, LD 257 requires the PUC to approve any microgrids that meet only a handful of conditions in the bill and goes further to specify that microgrids are not public utilities and are not subject to regulation as public utilities.

Supporters of this bill have argued that this radical departure from more than 100 years of utility regulation will allow microgrids that can lower costs, improve reliability, and promote renewable generation. However, the supporters of LD 257 have not provided any explanation of how microgrids could simultaneously improve reliability and lower costs. At this point, there is simply no magic solution that will create a more reliable grid for less money.

Supporters have also not addressed how incorporating small-scale renewable generation, which depends on the wind to blow or the sun to shine and lacks economies of scale, would improve system reliability or lower costs. Neither have supporters addressed why Maine's nearly 20-year-old policy of prohibiting vertical integration in the ownership of electric distribution infrastructure and generation should be ignored for microgrids.

In addition, LD 257 does not include protections for continuing customers of an incumbent utility who, when other customers leave to that utility to join a microgrid, could be asked to pay for the utility's stranded investments.



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Most important, however, LD 257 presents serious public safety concerns. Utilities are governed by a variety of laws carefully crafted over decades to ensure that utilities operate safely. For example, utilities and other entities are required to share poles in order to limit the number of fixed hazards along the roadway. It is critical to the safety of the employees working on the poles, as well as the general public, that the electric lines be reliably de-energized when necessary. Increasing the number of entities that might be the responsible for de-energizing the electric wires could easily introduce an additional, and dangerous, level of confusion.

In addition, while LD 257 does allow the Public Utilities Commission (PUC) to oversee operations and impose conditions at the time of approval of a microgrid, it does not provide explicit provisions for enforcement if those conditions are subsequently violated.

By allowing the creation of *de facto* electric utilities that are not required to follow the same rules and safety regulations applied to electric utilities, LD 257 would create dangerous situations, enforcement loopholes, and bad policy.

For these reasons, I return LD 257 unsigned and vetoed. I strongly urge the Legislature to sustain it.

Sincerely,


Paul R. LePage
Governor