London Economics International LLC

Evaluation of the Ownership of Maine's Power Delivery System

prepared for

Joint Standing Committee on Energy, Utilities and Technology

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LEI was retained to evaluate the impacts and costs/benefits associated with the creation of the Maine Power Delivery Authority as presented in LD 1646

Scope of work included four items as described in Resolves 2019, ch. 107

- Analysis of the **costs and benefits**, both *short-term* and *long-term*, of the proposal as presented in L.D. 1646;
- Examination of **legal, regulatory, technical, financial and operational issues** related to the LD 1646 Proposal and its implementation;
- Assessment of **anticipated impacts**, both *positive* and *negative*, of the LD 1646 Proposal on the State, including but not limited to impacts of **electricity rates, utility employees and ratepayers**; and
- Development of **alternatives** or **amendments** to the LD 1646 Proposal to address any identified obstacles to its implementation.

The Project Team's analysis included:

- Review of LD 1646 and past testimony on the issue;
- Interviews with key stakeholders, including the sponsors and drafters of the Bill, the Maine Governor's Energy Office, the Office of the Public Advocate, and finance experts;
- Gathering of data from the IOUs and public sources;
- Legal research and review of case studies;
- Development of an impact assessment model to evaluate short- and long-term impacts on electric transmission and distribution ("T&D") rates; and
- Preparation of a report with the results of the impact assessment and a discussion of the identified legal, regulatory, technical, financial, and operational issues.

Important tradeoffs were identified: costs and benefits depend on the perspective of the affected party

- **Short-Term (10 years) Costs and Benefits:**
  - **Job security** for local unionized labor in the short-term, but **higher electric T&D rates** for T&D ratepayers;
  - Under MPDA ownership, ratepayers may experience **higher electric T&D rates** than what they would have otherwise been, due to financing costs of an acquisition premium over net book value;
  - If income tax on profits by the contractor is less than the taxes paid by the IOUs, there would be a **loss in state tax revenues**, but **electric T&D rates will be lower** than what they would have been under IOU ownership;
  - There may also be a **loss in local property tax payments** as the continuation of local property tax payments by the MPDA is conditioned on having "revenues [that] exceed current expenditure and necessary reserves." With lower property tax payments, **electric T&D rates may be lower** than what they would have otherwise been.
- **Long-Term (30 years) Costs and Benefits:**
  - If the MPDA can secure lower financing costs than under IOUs for future investment, ratepayers may pay **lower electric T&D rates** in the long-term;
  - If the management fee earned by the contractor is lower than the IOUs' pre-tax return on equity, there would be **lower electric T&D rates** but also a **loss in state tax revenues**.
- **The Project Team does not take a view as to the validity (or priority) of any specific perspective. Rather, the report identifies the tradeoffs that the Legislature may want to further analyze and consider**

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Some important considerations and impacts are not guaranteed to be resolved by LD 1646

- **LD 1646 does not provide "local control" to the T&D electric ratepayers**
  - The MPDA Board is not elected directly by ratepayers; it is appointed by the Governor
  - The MPDA Board represents a wide range of stakeholders and would not solely represent the interests of electric T&D ratepayers
- **LD 1646 does not preserve the current level of independent, regulatory oversight of electric T&D operations in the State by the MPUC**
  - MPDA is defined as a consumer-owned utility in LD 1646, and its proposed rate increases would not be subject to the same MPUC advance investigative powers and oversight that apply currently to the IOUs
- **LD 1646 does not eliminate the costs of administration and management of the T&D electric utility business**
  - The MPDA will still need to either directly hire a professional management team or contract out for executive management services
  - A contractor will want to earn a reasonable profit on the services it provides
- **LD 1646 does not guarantee improvements in reliability and customer service at no additional cost**
  - Improvements in reliability will be a function of the contractual agreements, the expertise of management, and the spending budgets approved for operations, maintenance and capital investment
- **LD 1646 does not ensure financial benefits to local residents**
  - Maine taxpayers may experience reduced public services or higher taxes if (state or local) tax revenues decline due to MPDA's tax-exempt status and lower taxable compensation paid to the contractor
  - Higher electric rates in the short term may also detrimentally impact commercial and industrial electric customers, which can lead to negative consequences for Maine residents employed by such companies

LD 1646 should include provisions to assist in resolving legal and regulatory obstacles to the transfer of assets from the IOUs to the MPDA

- **The MPDA would be a COU and subject to the regulation by the MPUC as a COU as specified under Title 35-A**
  - A *public utility* is commonly defined as an entity “owning, controlling, operating or managing” utility plant for compensation
  - MPDA may not meet this definition until the acquisition has been settled
  - Legislature may want to consider the merits of providing the MPDA with immediate utility status
- **The MPDA would likely need to seek approval from FERC**
  - Provisions may want to direct the IOUs to timely file and pursue approvals under Section 203 of the Federal Power Act (as well as any state approvals)
- **Current law appears to require MPDA to file a petition to the MPUC for a certificate of public convenience and necessity to provide service in the area currently being served by the IOUs (Section 2012/05)**
  - IOUs could litigate this process
  - Legislature may want to consider whether the MPUC should be required to decide if service by MPDA is required by the public convenience and necessity, or whether some other standard or requirement should apply

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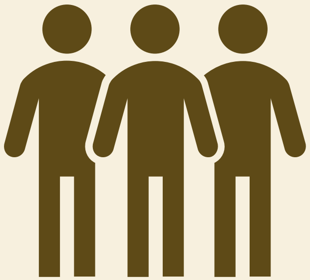
The Legislature may want to reconsider selection of MPDA Board members and regulatory oversight of MPDA

- **LD 1646 allows for State control over T&D assets, as Board members are not selected directly by customers, but by the Governor**
  - MPDA is not customer controlled
  - State policy is not always aligned with "local community"



- **A "stakeholder board" as envisioned in LD 1646 also increases risks for conflict among Board members**
  - As a hypothetical example, Board member representing labor groups and the Board member representing industrial customers may have conflicting views about increasing rates to meet higher labor cost needs
  - Customer election of Board members might more closely align ratepayer interests and Board decisions

- **MPDA may not be subject to advanced suspension and investigation of rate increases, if it files rate changes under 35-A M.R.S.A. §3502, which applies to COUs**
  - Given the size and scope of the impact of rate increases by the MPDA and because the profile of the Board might give rise to concerns of certain specific interests being represented or not represented, the Legislature may wish to reconsider the MPUC's regulatory role

MPDA's acquisition of the property of the existing IOUs raises questions of constitutionality regarding eminent domain and compensation (the acquisition price)

- **Section 4003(5) of LD 1646 states that the MPDA will pay the IOUs the NBV of the utility facilities and any utility property unless there is a mutually agreed purchase price**
  - LD 1646 requires that initially there be a period of one year or two years during which the authority and the IOUs would engage in negotiations
- **if a purchase is not accomplished within that one- or two-year period, then the MPDA is authorized to take the property by eminent domain**
  - Initiation of such a process is likely to trigger litigation with regard to the legality of the taking itself
  - the owner of the property being taken has a period of three years to file an application with the County Commissioners to determine the amount of damages to be paid by the party taking the property
  - after the County Commissioners render a decision on the amount of the compensation, that county decision is appealable to the Maine Superior Court for that county (35-A M.R.S.A. §6507), which might initially involve multiple appeals to multiple courts
- **But eminent domain process may result in MPDA being in possession of property for which it does not yet know the final price**
  - this could impact financing and cast uncertainty over operations and investment

- **Public entities (e.g. MTA) and utilities are granted authority to take property by eminent domain**
- **Maine's Constitution incorporates two provisions that act to limit the power of the State to take private property, which the MPDA would appear to overcome by appropriate legislative findings:**
  - ***"Due Process" clause*** (Article I, Section 6-A): "No person shall be deprived of life, liberty or property without due process of law..."
  - ***"Takings" clause*** (Article I, Section 21): "Private property shall not be taken for public uses without just compensation; nor unless the public exigencies require it."

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A potential model for an alternative process may be found in the Rangeley Water Company/Rangeley Water District case

Possible steps in such a process might include the following:

1. MPDA determines property to be taken and compensation offer to be made
2. MPDA delivers notice directly to IOUs of property to be taken and compensation to be paid
3. IOUs have 30 days to petition a single designated Superior Court to determine pricing
4. Parties and the judge would decide upon a referee or referees with expertise and capabilities to determine the price
5. Expedited schedule for a trial or hearing to be held for presentation of evidence to the referee, who's. decision would then be submitted to the court
6. Superior Court would make a decision within 30 days; the decision would be appealable to the Maine Supreme Judicial Court on an expedited basis
7. After any appeals are resolved and a final decision exists, the MPDA would have one year to file a notices of condemnation and take the property

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The existing responsibilities for operations and administrative services would be fulfilled by the contractor hired by the MPDA

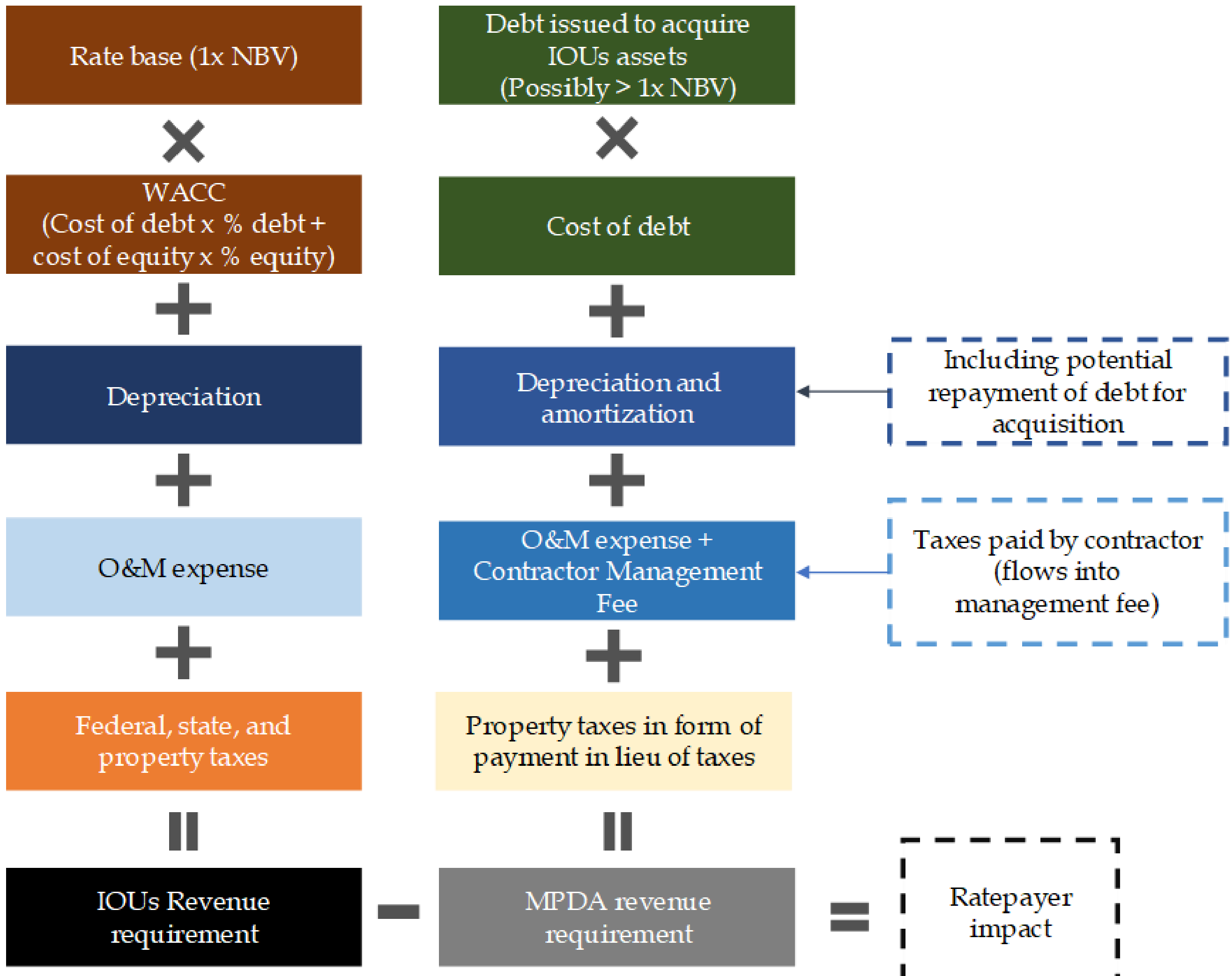
- **MPDA will "contract by means of a competitive public solicitation the services of a qualified nongovernmental entity" to provide operations and administrative services**
  - the contractor is a for-profit entity, will require a profit
  - contractor's costs and profit margin will be recovered through rates
  - there are only a limited number of operators in the world that have the capability and experience to operate a T&D system reliably and are willing to operate under a contractor model
- **LD 1646 provides protections for unionized labor that the Contractor will need to meet**
  - Equivalency requirement to match the benefits and wages of the strongest collective bargaining agreement in existence at the time of MPDA"s takeover of assets from IOUs, as well as job guarantees for five years
  - LEI estimates that the equivalency requirement would increase operating costs by an additional $3.8 million per year
- **Synergies from consolidation possible but not likely to be significant**
  - MPDA will need executive management (this can be "in-house" or the Contractor can provide)
  - Merging back office activities may also create some costs savings

The arrangements for soliciting and selecting a contractor, and the agreement between the MPDA and the contractor will be critical to balancing and achieving MPDA's goals of cost controls and improved performance and reliability

LEI developed an impact assessment model that looks at short-term and long-term benefits to ratepayers from LD 1646

- **LEI's impact assessment model projects the annual revenue requirement under two future states: MPDA ownership ("MPDA Scenario") versus IOU ownership ("Status Quo" Scenario)**
- ***Ratepayer impact* is measured by the difference in revenue requirements between MPDA and the Status Quo Scenarios**
- **Timeframe: 2024-2054**
- **All relevant elements of LD 1646 are captured in the revenue requirement projections**

Structure of LEI's Impact Assessment Model



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The primary objective of the impact assessment model is to isolate how revenue requirements are affected due to financing and operation differences that are linked to ownership

- **In the assessment model, it is possible to change the value of almost any input affecting the revenue requirement**
  - because of the primary objective noted above, certain inputs are intentionally held constant between the two scenarios
- **LEI developed a starting point set of assumptions for its analysis which is called the "Reference Case"**
  - this is not the only plausible set of assumptions or the "most likely"
- **The future is uncertain; important insights and observations emerge with sensitivity testing of different inputs value**
  - for example, testing a wide range of ratebase growth trends proxies for possibility of increased investment needs due to Climate Change policies, etc.

- **LEI's impact assessment model is <u>not</u>:**
  - **a rate forecast model** – the model does not forecast a $/kWh transmission or distribution rate
  - **a calibrated financing strategy model** – the model does not aim to depict a calibrated and refined financing strategy for the MPDA to minimize ratepayer costs
  - **a tariff model** – the impact assessment model does not allocate the revenue requirement estimates to different customers
  - **an asset valuation model** – the model does not aim to provide a recommendation on the price that MPDA should pay the IOUs to acquire their assets

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Assumptions for the input values in the Reference Case are based on publicly available information

Assumption	Value used
Annual capex as a % of rate base (rate base growth)	6.5% - Based on the weighted average of CMP and Emera's 5-10 year investment plan. This results in approximately 3.5% annual rate base growth after deducting 3% depreciation per year
Average depreciation rate	3.0% per year - Based on historical averages
Real discount rate	3.5% - Based on based on the discount rate used by the US House of Representatives Committee on Transportation and Infrastructure as discussed in Section 7.5.5
Base cost of debt	5.1% - Based on Emera's historical cost of debt. However this is modeled to change dynamically over time based on MPDA's expected credit rating
Acquisition multiple	1.5x NBV - Based on a similar proposed acquisition price negotiated by ENMAX for Emera Maine, and the implied acquisition multiples from publicly traded US T&D companies as discussed in Section 7.3.1
MPDA transmission allowed return on capital	8.0% - Based on the allowed return on capital for ISO-NE municipal transmission owners
Management fee	1.5% - Based on other industry examples of the percentage of assets under management
Capex split between T&D	47% for distribution - Based on CMP and Emera's investment plans
Taxation	Debt for acquisition is not assumed to be tax free, but debt for new capex is assumed to be tax free up to a cap
O&M cost growth rate	1.27x of rate base growth - Based on the historical relationship for CMP and Emera

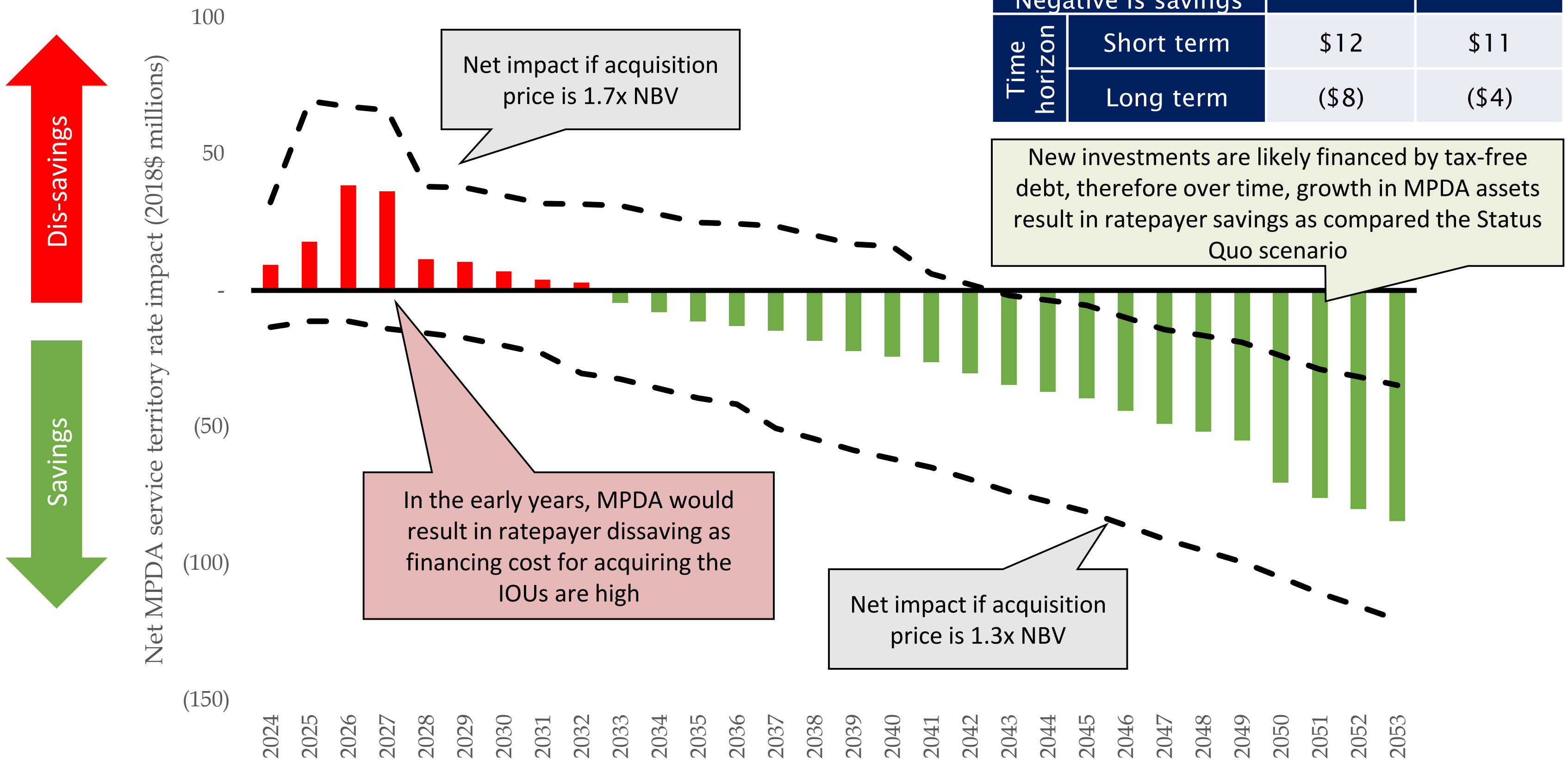
Note: detailed discussion of the Reference Case assumptions can be found in Section 7.3 of the Report

Under the "Reference Case", LD 1646 results in short-term dis-savings and long-term savings to electric ratepayers

Savings/Dis-savings are in relation to two future scenarios: MPDA vs the Status Quo, and *not* in relation to current rates

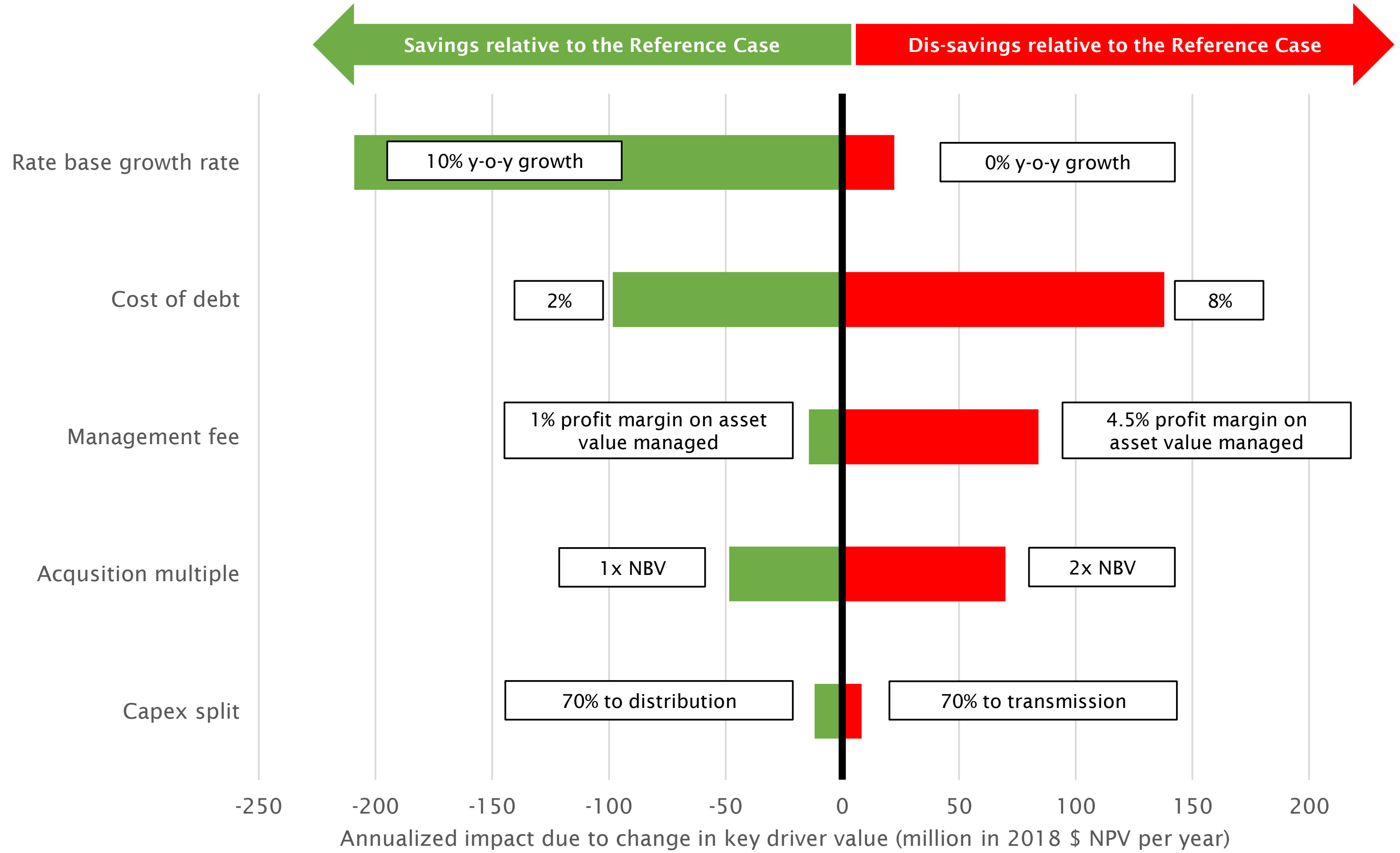
- LEI analyzed the Net Present Value ("NPV") of the differences between scenarios
- 30-year NPV sum was then annualized so that the 10-year short term and 30-year long term impacts can be compared side-by-side

Annualized impact (2018 $ million) Negative is savings		Real discount rate	
		3.5%	5.5%
Time horizon	Short term	$12	$11
	Long term	($8)	($4)



LEI identified the most impactful drivers for electric ratepayer savings using single factor sensitivity tests

Range of annualized ratepayer impact for different key drivers



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LEI also conducted two-dimensional sensitivity analysis in order to understand how ratepayer savings change in relation to a range of values for two drivers

Annualized ratepayer impact in 2018 $ millions per year (over 30 years, 3.5% discount rate) rate base growth vs acquisition premium

Acquisition value as multiple of NBV

Rate base y-o-y growth rate	1	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2
10%	(247)	(235)	(223)	(211)	(199)	(187)	(175)	(158)	(144)	(132)	(117)
9%	(204)	(192)	(181)	(170)	(158)	(146)	(134)	(118)	(105)	(93)	(79)
8%	(160)	(149)	(138)	(127)	(116)	(104)	(89)	(78)	(65)	(54)	(39)
7%	(127)	(116)	(106)	(95)	(84)	(72)	(58)	(46)	(34)	(23)	(9)
6%	(101)	(91)	(80)	(71)	(60)	(49)	(35)	(24)	(12)	(1)	12
5%	(80)	(70)	(61)	(51)	(40)	(31)	(17)	(7)	4	16	31
4%	(63)	(54)	(45)	(35)	(26)	(16)	(4)	6	19	34	49
3%	(52)	(42)	(33)	(24)	(13)	(3)	9	22	40	53	73
2%	(45)	(35)	(26)	(13)	(5)	7	17	36	47	65	78
1%	(39)	(30)	(21)	(9)	(0)	13	22	40	55	72	81
0%	(33)	(25)	(17)	(6)	3	15	31	48	57	70	78

Green cells represent a reduction in T&D electric rates under MPDA (savings to ratepayers)

White cells are around the breakeven point (neutral to ratepayers)

Red cells represent an increase in T&D electric rates under MPDA (dis-savings to ratepayers)

Tax status for debt raised for acquisition assets has a much larger impact on ratepayer savings than tax status of new debt for capex

30-year annualized impact – Debt for capex are tax-free up to cap

Acquisition value as multiple of NBV

Rate base y-o-y growth rate	1	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2
10%	(247)	(235)	(223)	(211)	(199)	(187)	(175)	(158)	(144)	(132)	(117)
9%	(204)	(192)	(181)	(170)	(158)	(146)	(134)	(118)	(105)	(93)	(79)
8%	(160)	(149)	(138)	(127)	(116)	(104)	(89)	(78)	(65)	(54)	(39)
7%	(127)	(116)	(106)	(95)	(84)	(72)	(58)	(46)	(34)	(23)	(9)
6%	(101)	(91)	(80)	(71)	(60)	(49)	(35)	(24)	(12)	(1)	12
5%	(80)	(70)	(61)	(51)	(40)	(31)	(17)	(7)	4	16	31
4%	(63)	(54)	(45)	(35)	(26)	(16)	(4)	6	19	34	49
3%	(52)	(42)	(33)	(24)	(13)	(3)	9	22	40	53	73
2%	(45)	(35)	(26)	(13)	(5)	7	17	36	47	65	78
1%	(39)	(30)	(21)	(9)	(0)	13	22	40	55	72	81
0%	(33)	(25)	(17)	(6)	3	15	31	48	57	70	78

30-year annualized impact - No tax-free debt allowed

Rate base y-o-y growth rate	1	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2
10%	(155)	(143)	(130)	(118)	(105)	(92)	(80)	(62)	(47)	(33)	(17)
9%	(129)	(117)	(105)	(93)	(81)	(68)	(56)	(39)	(25)	(13)	4
8%	(103)	(91)	(80)	(68)	(56)	(44)	(28)	(16)	(3)	9	27
7%	(83)	(71)	(59)	(48)	(36)	(25)	(10)	2	15	28	43
6%	(68)	(57)	(47)	(36)	(23)	(11)	4	14	26	40	53
5%	(56)	(46)	(36)	(25)	(14)	(4)	11	22	35	48	63
4%	(46)	(37)	(27)	(16)	(6)	6	18	30	48	62	79
3%	(39)	(29)	(20)	(8)	1	15	26	48	64	83	97
2%	(35)	(26)	(15)	(4)	6	18	28	51	67	81	97
1%	(32)	(23)	(14)	(2)	8	20	29	56	65	82	90
0%	(29)	(21)	(12)	(2)	9	20	43	55	65	77	84

- **LEI believes that debt raised to acquire existing assets may not qualify for tax-exemption**
  - but debt raised for new capex can be tax-exempt (up to a cap)
- **Tax status for new capex does not have significant impacts to rates, as the larger share of debt is related to debt for the acquisition**
- **But if all debt is tax-free, it is more likely that formation of MPDA would result in ratepayer savings**

30-year annualized impact - All debt are tax-free

Acquisition value as multiple of NBV

Rate base y-o-y growth rate	1	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2
10%	(272)	(263)	(253)	(244)	(235)	(225)	(216)	(207)	(197)	(188)	(178)
9%	(231)	(219)	(210)	(201)	(192)	(183)	(174)	(165)	(156)	(147)	(137)
8%	(184)	(175)	(167)	(158)	(149)	(140)	(132)	(123)	(114)	(105)	(97)
7%	(150)	(141)	(133)	(125)	(117)	(109)	(101)	(91)	(83)	(74)	(66)
6%	(122)	(114)	(107)	(99)	(91)	(83)	(75)	(67)	(59)	(50)	(40)
5%	(100)	(92)	(85)	(78)	(70)	(63)	(56)	(48)	(40)	(32)	(22)
4%	(82)	(75)	(68)	(61)	(54)	(47)	(40)	(32)	(25)	(18)	(9)
3%	(70)	(63)	(56)	(49)	(41)	(35)	(28)	(20)	(12)	(5)	4
2%	(60)	(54)	(47)	(40)	(33)	(27)	(20)	(10)	(4)	4	13
1%	(52)	(46)	(39)	(33)	(27)	(20)	(14)	(5)	2	12	19
0%	(43)	(38)	(33)	(27)	(21)	(15)	(8)	(1)	7	15	22

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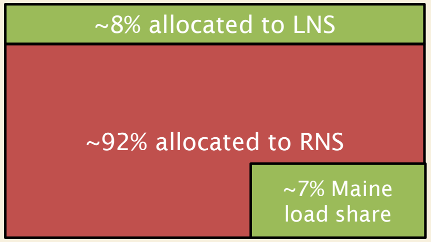
MPDA's transmission business has smaller ratepayer savings than distribution even though transmission currently represent more half of the IOU rate base

- **Acquisition premium for transmission assets unlikely to be allowed for inclusion in rate base for the transmission revenue requirement calculation**
- **But MPDA's transmission is expected to be allowed to earn an 8% return on capital instead of its actual cost of capital due to ISO-NE municipal transmission rate arrangements**

Total change in MPDA's transmission revenue requirement



Transmission impact relevant to MPDA customers = 8% + 92% x 7% = **14.4%** of total MPDA transmission revenue requirement change

- **Approximately 15% of the change in revenue requirement would impact Maine ratepayers**

Acquisition value as multiple of NBV

Rate base y-o-y growth rate

30-year annualized impact – 70% future capex in transmission

	1	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2
10%	(171)	(158)	(149)	(139)	(129)	(120)	(110)	(97)	(85)	(75)	(64)
9%	(140)	(131)	(121)	(112)	(102)	(92)	(82)	(69)	(58)	(49)	(38)
8%	(110)	(101)	(91)	(83)	(73)	(64)	(51)	(42)	(31)	(22)	(10)
7%	(87)	(79)	(70)	(61)	(52)	(43)	(31)	(21)	(11)	(1)	12
6%	(69)	(61)	(53)	(44)	(35)	(26)	(14)	(6)	4	13	27
5%	(55)	(47)	(39)	(31)	(22)	(13)	(2)	7	16	26	39
4%	(45)	(36)	(28)	(21)	(12)	(4)	7	15	26	39	51
3%	(40)	(30)	(21)	(13)	(4)	5	15	27	41	57	70
2%	(36)	(27)	(18)	(8)	2	11	22	37	48	63	75
1%	(32)	(24)	(16)	(6)	4	16	25	40	54	69	77
0%	(27)	(20)	(13)	(4)	5	17	32	48	57	68	75

30-year annualized impact – 70% future capex in distribution

	1	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2
10%	(345)	(330)	(316)	(302)	(286)	(271)	(256)	(236)	(220)	(201)	(186)
9%	(285)	(271)	(257)	(243)	(228)	(213)	(199)	(180)	(163)	(148)	(133)
8%	(223)	(210)	(196)	(182)	(169)	(155)	(137)	(123)	(107)	(93)	(79)
7%	(174)	(161)	(148)	(135)	(122)	(109)	(91)	(78)	(63)	(50)	(35)
6%	(139)	(126)	(114)	(100)	(88)	(74)	(58)	(45)	(32)	(19)	(3)
5%	(110)	(98)	(87)	(74)	(62)	(50)	(34)	(22)	(8)	5	21
4%	(87)	(76)	(66)	(54)	(42)	(29)	(16)	(4)	13	30	47
3%	(68)	(59)	(49)	(35)	(25)	(10)	2	22	41	56	77
2%	(56)	(46)	(34)	(23)	(13)	1	12	34	48	66	82
1%	(47)	(38)	(26)	(15)	(3)	8	18	47	57	72	86
0%	(39)	(30)	(22)	(10)	1	13	32	49	59	74	82

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A high interest rate environment would reduce ratepayer savings otherwise associated high investment needs in the electric grid

Annualized ratepayer impact in 2018 $ millions per year (over 30 years, 3.5% discount rate) rate base growth vs borrowing cost

MPDA cost of debt

Rate base y-o-y growth rate	2.0%	3.0%	4.0%	5.0%	6.0%	7.0%	8.0%
10%	(437)	(360)	(278)	(195)	(105)	(9)	89
9%	(362)	(296)	(226)	(153)	(74)	10	98
8%	(288)	(233)	(174)	(111)	(43)	29	107
7%	(230)	(183)	(133)	(79)	(18)	45	114
6%	(183)	(143)	(101)	(53)	(0)	55	118
5%	(147)	(112)	(76)	(35)	12	64	124
4%	(118)	(88)	(56)	(20)	23	76	132
3%	(95)	(70)	(41)	(7)	41	89	126
2%	(77)	(56)	(30)	1	44	89	116
1%	(62)	(44)	(22)	9	52	84	107
0%	(48)	(34)	(16)	13	52	79	99

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LD 1646 also impacts various government tax revenues

Tax revenue sources

- Profit of the contractor would be taxable
- Local property taxes would be made by MPDA in form of payment in lieu of taxes *(language in LD1646 implies that MPDA would pay such taxes if it has sufficient revenues)*
- Services provided by MPDA may still be subject to sales tax *(but it is not 100% clear under LD 1646's language)*

Tax revenue reduction

- MPDA would be exempt from federal and state income taxes
- Loss of tax revenue from IOUs income taxes
- New debt raised by MPDA for capex would be federal and state tax exempt

The Project Team recommended four changes to legislation and four studies to better inform expectations around ratepayer savings

Changes to legislation

- Section 4002(1) of LD 1646 regarding Board selection that considers the possibility of ratepayers electing the Board as opposed to appointment by the Governor;
- Section 4003(5) of LD 1646 to provide for a clear process in which the MPDA would first settle on an acquisition price for the IOUs assets before proceeding with the transfer of assets and other startup arrangements;
- Section 4003(5) of LD 1646 depending on whether the Legislature would defer responsibilities of the protection of unionized labor to the MPDA Board to allow flexibility in rate-setting; and
- Section 4003(8) of LD 1646 to allow the MPUC to fully regulate the rates and investment plans of the MPDA in addition to the regulatory powers it currently has with respect to traditional COUs.

Additional studies

1	Study of various tax issues related to MPDA
2	Technical study on the future capex needs of Maine's T&D network
3	Financing study to design and optimize MPDA's capital structure
4	Study around the design of the competitive procurement process and optimal contractual agreement for the contractor

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The Project Team also suggested clarifications to certain language in LD 1646

▶ Clarifications

- Section 4002 of LD 1646 directing the IOUs to timely file and pursue any required approvals under the Federal Power Act, including Section 203;
- Section 4002 of LD 1646 on the applicability and relationship of Section 2102/2105 of 35-A M.R.S.A, specifically whether the MPUC is required to decide if service by MPDA is required by the public convenience and necessity, or by some other standard;
- Section 4005(1) of LD 1646 on whether the MPDA's sales will be fully exempt from Maine's sales tax; and
- Section 4005(2) of LD 1646 if MPDA has to keep payments in local property taxes the same as they would have been under IOU ownership or if they have the discretion to pay less (or more).