

4-25-1963

Robert N. Haskell Letter Concerning the Cross Rock Project, 1963

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My name is Robert Haskell. I'm President of Bangor Hydro Electric Company and I'm also President of East Branch Improvement Company, the owner and operator of the storage dams on the East Branch of the Penobscot River. The largest of the basins, Chamberlain-Telos, is adjacent to the Cross Rock pool.

I refer to this only because in their initial presentation to me the Cross Rock Project would have taken over our Penobscot storages and reversed the flow from Maine to Canada. Unless amended to protect these storages that have been of great benefit to the Penobscot River since 1842, this legislative document now before you gives to the Authority the right to these properties. As the promoters know, I prepared a protective amendment which they did not choose to include in the bill that you have before you.

But let's leave this relatively minor problem and get down to the broader aspects of the bill.

Bangor Hydro is a small company. We are only a little over 1% of the New England picture and have not much more than 10% of the investor-owned utility capability in Maine. So whether we would or would not be a Cross Rock customer is of little importance in the overall question of whether or not New England utilities find Cross Rock power to be attractive. We don't -- and these are the simple, understandable reasons.

Cross Rock power is peaking power. We require peaking power and will continue to need peaking power. No question about that. But let's look at how peaking power fits into our picture.

In the first place, they propose quite sensibly, that the 345,000 volt transmission line have a step-down at only one point in Maine. Lewiston, I think, is where they last proposed the Maine substation. So, over Central Maine lines, this peaking power would come to us at Veazie. I won't bore you with the costs involved in this energy transfer and the capital expenditures required. Let's just say "that's how Cross Rock power would come to eastern Maine." And understand I am in complete agreement with the engineering and economic conclusion that you just don't tap a 345,000 volt line for the small amount of peaking power that we could use.

So how do we provide for peaking power: We do it and will continue to do it by building relatively small peaking plants out on the ends of the long transmission lines required to serve our customers.

Three years ago we put 8,000 KW into Medway to insure service reliability to Lincoln, Mattawamkeag, and Millinocket and when our system requires peaking power this unit goes on the line for system capacity, when transmission line failures occur the unit goes on automatically and service is almost instantly restored. We call it a dual function -- peak knocking and end-of-the-line capability.

Two years ago we faced up the problem of service dependability on Mt. Desert Island. When the Ellsworth transmission line went out all the Island was in darkness. So again we combined peak knocking with the end-of-the-line function and installed another 3,000 KW unit in Bar Harbor. Last year we firmed up the eastern end of the territory by installing a new peak knocking unit at Eastport as added insurance to service continuity in Washington County and its important defense installations. With costs of these units at

\$75 to \$85 per KW, it just does not make sense to us to face up any 40-year contract for Cross Rock peaking power via a Lewiston, Maine, interconnection. Much better, we conclude, that we make our own installations at carefully chosen spots and have the power where we want it when we want it.

Now, if I may, I am going to take off my power company hat and put on an old and well worn legislative hat, battered around these corridors for fourteen years or so spent in the legislative branch of State government.

Since I'm going to talk about taxes, maybe I'll be excused if I note that those fourteen years included quite a bit of time and work on the Taxation Committee and on the Appropriations Committee.

Now let's try to see what you are doing when you accept the promoter's argument that goes something like this:

"We know the thing won't go if it has to be an investor-owned, tax-paying venture. But if you will grant us local property tax exemption, we'll offer 5% of our gross income to the State and hope to make a go of it."

Now, just what kind of trade is this? Let's use Bangor Hydro as an example. In 1962 our tax bill was about \$2,500,000 on income of around \$9,700,000. That's nearly 26% or at least five times the tax deal that you are being offered. And, just in passing, note that a tax-free deal for us would let us cut rates by 25% and show the same earnings on our stockholders' investments. If we could get a 5% deal, we could cut our rates by 20% and still have the same earnings.

But all of that may not be too impressive in this case before you this afternoon. So let's get right down to the bill and

have a look at what this tax-free philosophy means to the towns.

Unless the legislature has changed very substantially in the last term or two, a good part of your time is spent wrestling with town finance problems and no small part of the overall picture is involved in your efforts to aid the towns in their local cost of education and their finance problems related to highways, welfare and all the other costs that bring the Maine Municipal Association over here pleading the financial woes of the towns.

Now we have generating plants in 11 towns. These plants have a maximum capability of about 105,000 KW or around one-seventh of the Cross Rock capability. I think you will be surprised, maybe amazed, when I certify to you that our little company, in 1962, paid \$424,774 to the towns on assessments against only the generating plants. Veazie picked up over \$110,000; Ellsworth got nearly \$79,000; Enfield and Howland received about \$59,000; Medway the same, \$59,000; and Milford got \$45,000 and so on.

If you want to do a little mental arithmetic with me, all you need to do is to multiply 700,000 KW proposed at Cross Rock by \$4 per KW and come up with nearly \$3,000,000 and then if you want to continue your arithmetic, put a cumulative 5% increase in local tax rates for the next 10 or 15 years and you come up with the obvious conclusion that if built by investor-owned companies and built in the State of Maine, this same capacity would be yielding not \$6 or \$700,000 a year but would yield \$6 or \$700,000 a year to the communities.

Now I don't claim that Cross Rock is going to bring to a sudden halt all of the new generating plant installations in

Maine. That would be stupid. But I do think that this Committee should recognize and well consider that for every 10,000 KW of tax exempt power that investor-owned utilities buy, some small town, based on our average costs, will lose \$40,000 a year in municipal tax revenues and sure as can be will come into Augusta with better justified demands for more and more State subsidy funds.

As I said, I'm not wearing a power company hat and preaching a sermon on public vs. private power. I'm trying my best to tell you that when a Maine legislature embraces any of these deals involving freedom from local taxes you will live to regret it.

I ran my finger across a map from Allagash Plantation to the New Hampshire border and just made a rough count of the cities, towns and townships that this 345,000 volt line might cross. I counted 55. It might be 40 or it might be 70.

That isn't important. But it is important that before you get yourselves too far into this tax-free philosophy that you visualize a 10,000 acre strip running across the State of Maine on land either purchased or taken by eminent domain that will be forever tax-free as far as local tax rolls are concerned. Obviously, the taxes lost must be placed upon the shoulders of the remaining tax payers in these towns.

So, my concluding thought is this:

You are responsible only to the citizens of Maine. Sure, within reason, you want to be helpful to New Brunswick and to Quebec, and you want to be good neighbors to the other New England states. But, for the life of me, and I say this with my old legislative hat still on, I can't believe that you should push this good neighbor act so far as to impose obvious tax

revenue losses on Maine citizens and Maine communities.
Better that you do what needs to be done to maintain
investor confidence in the private utility industry in Maine.
You have on this bill given to you that opportunity.

R.N. Haskell
4-25-63