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# Electric Utility Restructuring:

## *What Does It Mean for Residential and Small Retail Consumers in Maine?*

by Lewis Tagliaferre & Susan Greenwood

*On March 1, 2000, Maine will offer electric power through open competition, a restructuring that poses both advantages and disadvantages to residential and small retail consumers in Maine. While electric restructuring in Maine has been thoughtfully developed, the basic question of whether electricity rates will be lower for the average consumer will remain uncertain for some time. This uncertainty is linked not only to Maine's electricity rate bidding process but also to potentially oligopolistic national trends. In addition, whether individual consumers achieve savings in their electricity costs will be determined, in part, by their choice of electricity supplier. While some consumers may prefer a higher-cost supplier because of the value-added services that accompany that option, others may make no choice and, by default, receive the standard option—where rates are determined by the Maine Public Utilities Commission (MPUC). In this article, the authors describe the factors that initiated the push toward restructuring, the history of the enabling legislation, and relevant portions of the MPUC's Consumer Education Program. To consumers, the authors emphasize the importance of aggregation—clusters of buying groups—and detail how the nature of open competition may affect them. In particular, they call attention to the additional services that may be provided by electricity suppliers. Finally, in discussing the implications of deregulation, they lay out the uncertainties that lie ahead for consumers, policymakers, and regulators as Maine opens itself up to competition in the electric power market.*

*Portions of this article appear in Surviving Utility Deregulation, an executive report to the Electrical Contracting Foundation, in press*

### THE RUSH TO COMPETE

On May 29, 1997, Governor Angus S. King signed into law a major reform of Maine's electric utility structure (Revised Maine Statutes Annotated, Title 35-A). As a result, by March 1, 2000, Central Maine Power, Bangor Hydro-Electric Company, and Maine Public Service will no longer own power-generating plants, although they will continue to operate and maintain the transmission and distributions systems that deliver energy to homes and businesses, and they will continue to be regulated by the Maine Public Utilities Commission (MPUC).

Maine is one of twenty-three states to have passed such laws. Three more have negotiated competition with incumbent utilities. In general, roughly half of those states with high-cost power want to open up retail competition sooner, and the other half with low-cost power want more time for study and planning. Regardless of the pace, electric utilities all over the country are being required to make available to customers alternative sources of power and related energy services. These changes are being driven by the Energy Policy Act of 1992, the implementation decisions of the Federal Energy Regulatory Commission, and state policy enactments—all of which resulted from the organized efforts of consumer groups and large energy users to obtain the benefits of more competition.

Monthly summaries available from the Department of Energy predict that by the year 2005 most states will have opened the market for retail choice of electricity to almost all categories of consumers. By then the Department estimates that about one-half of commercial and industrial users and one-fourth of residential consumers will have switched power suppliers. In 1996, Rhode Island, California, and Pennsylvania passed the first deregulation legislation; those states that adopted deregulation early will have made the conversion from regulated monopolies to open competition by the year 2002. But the pace and the methodology vary between states; they are moving in uncoordinated fits and starts, and are organizing several different forms of retail competition. In Maine, as retail electric competition goes into effect on March 1, 2000, large and small consumers will be able to choose the supplier of their electricity and related services.

### HISTORICAL MILESTONES LEADING TO RESTRUCTURING

The trend toward utility competition was initiated with the Organization of the Petroleum Exporting Countries (OPEC) oil embargo of 1973, which stimulated passage of the federal Public Utility Regulatory Policy Act of 1978 (PURPA). After the enactment of PURPA, Maine's policymakers rigorously adopted its provisions. Unfortunately, the implementation of these provisions led to spiraling high electric rates after a long period of stable low costs (for additional background information on PURPA and its effects in Maine, see Lee and Hill (1995)). Thus, for Maine and other states, the Energy Policy Act of 1992 (EPAct) provided relief in establishing mechanisms for utility competition. The EPAct exempted wholesale power generators from the Public Utility Holding Company Act of 1935 and established rules for creating a competitive national wholesale power market. The EPAct also enabled utilities to transfer their assets to holding companies and set up unregulated subsidiaries—the exempt wholesale generators.

In their summary of the evolution of Maine's electric utility industry, Lee and Hill (1995) note that the transition from an electrical monopoly towards an industry with significant competition was driven by two events: the overestimation of the growth in demand for electricity, and the erratic price of oil. These events, coupled with Maine's high electricity costs and the intent to shift the risk of future investments in generation technology from ratepayers to shareholders, pushed Maine toward the 1997 passage of Title 35-A of Maine Revised Statutes Annotated, Chapter 32, Electric Industry Restructuring.

### THE RESTRUCTURING LAW

Maine's Electric Industry Restructuring law offers consumers the right to purchase generation services directly from competitive providers, with the opportunity to form groups of consumers or aggregations. The competitive providers themselves are exempt from most of the previous regulations, and detailed procedures govern the licensing of competitive electricity providers. In order to be licensed, they must demonstrate legal and financial responsibility, show evidence of their ability to enter into binding arrangements with transmission and distribution utilities, and at least 30% of their energy portfolios must come from renewable resources.

The standard-offer service, sometimes called the default provision, is the option customers will get if they choose not to buy their power from a competitive provider.

Under the restructuring law Maine's three investor-owned utilities were required to divest themselves of all generation assets and generation-related business activities. As a result, the assets owned by Central Maine Power, Bangor Hydro-Electric Company, and Maine Public Service have been purchased, respectively, by the FPL Group (Florida Power and Light), PP&L, Inc. (Pennsylvania Power and Light), and WPS (Wisconsin Public Service) Power Delivery, Inc. These new owners are classified as exempt wholesale generators by the EPAct, which frees them from certain financial and legal restrictions stipulated in the Public Utilities Holding Company Act of 1935. Also, they do not have to be licensed through the MPUC regulatory process as do retail electricity suppliers. Thus, power generation is deregulated.

Maine's investor-owned utilities will be regulated only in the transmission and distribution of electricity (sometimes referred to as T&D or "wires" companies or, more formally, as local distribution companies (LDC)). On the itemized billing that went into effect January 1, 1999, this local distribution cost is referred to as the delivery service charge. On the other hand, billing and metering services, which are also provided by transmission and distribution utilities, are subject to competition, and are governed by consumer protection standards. Utilities also were given the means to recover "stranded costs"—legitimate and verifiable costs made unrecoverable by restructuring. A reasonable opportunity to recover these costs is provided by MPUC through the rates of the transmission and distribution utilities. The restructuring law also addresses the issue of cross-subsidies—benefits accruing to utility affiliates as they venture into new markets, such as heating, air-conditioning, and ventilation. The law prohibits the sharing of market information between affiliated and nonaffiliated competitors and the distribution utility.

A standard-offer service, or default electric rate, is made available to all consumers as part of the competitive choice process. Standard-offer service guarantees a source of electric power to those consumers who do not elect an alternative provider. By law, consumers are protected against unfair and deceptive business practices—the so-called "bait and switch" and

"slamming" tactics. However, to assist consumers in making informed decisions, MPUC is also required to implement a consumer education program.

#### THE STANDARD-OFFER SERVICE

The standard-offer service, sometimes called the default provision, is the option customers will get if they choose not to buy their power from a competitive provider. Different states have different ways of offering this provision. For example, Massachusetts initially chose to have one set rate for all customers. In contrast, Maine has a more complex system, which is divided into three major categories—residential and small nonresidential, medium nonresidential, and large nonresidential. The system, designed by the MPUC, initiated a bidding process on August 2, 1999. MPUC will choose three or more firms to provide standard offer service in areas previously served by the state's investor-owned utilities. On the other hand, the consumer-owned utilities may conduct the bidding process themselves. These bids are due by October 1, 1999, with a decision to be made by December 1, 1999.

#### THE CONSUMER EDUCATION PROGRAM

The Consumer Education Program's Comprehensive Plan is funded through a legislatively approved, four-year assessment of the transmission and distribution utilities, and is consonant with the general funding for the MPUC. The Plan is an impressive document detailing over two years' worth of educational activities to inform Maine citizens of the intricacies of electric utility restructuring. Major target audiences include residential customers, especially low-income persons, the elderly, the functionally illiterate, the hearing and visually impaired, and small commercial consumers including nonprofit organizations, churches, and municipalities.

An extensive plan to educate consumers through direct mail, media advertising, Website, and community outreach is now in operation with a budget of \$1,423,000. The first and second of

four planning phases have already occurred with the completion of some initial marketing research, and with itemized billing—the latter of which began in January 1999. The important third phase begins in September 1999, with educational strategies leading up to the actual implementation of electric choice in March 2000. Finally, the fourth phase will consist of a postcampaign evaluation and the provision of ongoing support. Beginning in January 2000, the Plan will feature a presentation entitled, “Choice Month is Coming—Here’s Help,” and from March 2000 to October 2000, the presentation will be, “Choice is Here—What You Need to Know.”

### THE INITIAL INTENTIONS OF RETAIL COMPETITORS

At present Maine is somewhat uncomfortably poised on the eve of restructuring. We say “uncomfortably” because of the aforementioned major issues remaining to be resolved between now and March 1, 2000, when open competition for marketing retail electric power begins. This discomfort manifested itself in a recent survey of potential retail competitors conducted in March - April, 1999. C-E-C Group of Springfield, VA, in conjunction with the University of Maine’s Department of Sociology, surveyed the retail competitors who had registered in Maine to market power, an initial step prior to the more complex licensing procedure. Registrants received a two-page questionnaire asking them to comment on a variety of issues, including their marketing plans and their reactions to components of the restructuring law. Eventually, nine out of a possible ten companies returned the survey. The results reveal the marketers’ attitudes as well as the potential services they intend to offer to consumers.

In addition to competitive electric power, the marketers indicated that they planned to offer energy usage audits and efficient equipment retrofits financed through performance contracts, energy system leasing, operation and maintenance, power quality and reliability improvements, telecommunications services, real-time pricing, security alarm systems, and energy information, including usage analysis, consolidated billing, and automatic metering. Not all marketers will be offering all these services, so both residential and small business consumers will have to carefully evaluate these offerings to find the best combination for their needs, including the kilowatt rate per hour.

In regard to attitude, the marketers indicated they had specific concerns about the components of the standard offer and the green

requirements; they expressed some worry over whether the market in Maine would truly be competitive, and whether Maine consumers would understand the complexities of the issue. We assume that the MPUC’s Consumer Education Plan will alleviate some of these worries. However, one important option for consumers to be aware of is the opportunity to join an aggregation.

### AGGREGATION: A VALUABLE CONSUMER OPTION

An aggregation is a buying group—consumers clustered by an aggregator, a legal entity, for the purchase of a commodity service. Since residential and small commercial users may not be profitable for energy suppliers at the market-clearing competitive price, aggregations will increase the negotiating clout of these users. The vertically integrated investor-owned utilities, municipal utilities, and rural electric cooperatives have previously performed this function. In today’s restructured power market, other entities could perform this function. An aggregator could be a local chamber of commerce, a church district, a homeowners’ association, a city government, or a school district. However, after an aggregator signs a contract with a competitive supplier, all its members may be obligated to use that supplier for the term of the contract (unless it is made a voluntary transaction).

In Maine, seven retail power marketers are now licensed through the MPUC as aggregators/brokers: Energy Atlantic, LLC (Presque Isle); Energy Options Consulting Group, LLC (Wayne); Enron Energy Services, Inc. (Dublin, Ohio); Maine Health and Higher Educational Facilities Authority (MHHEFA); Maine Municipal Bond Bank, doing business as Maine PowerOptions (Augusta); SYNERNET, Inc., doing business as PowerNet, Inc. (Portland); and Weil and Howe, Inc. (Augusta). Through MHHEFA, all health and higher education facilities are eligible to join, and a bill has recently passed the legislature to admit other nonprofit organizations, such as churches. However, the legislature reversed its earlier policy of allowing individuals who work for those facilities to also join. In 1998, Maine PowerOptions began aggregation with heating oil, and has initiated electricity aggregation. This aggregation will make membership available to municipalities and school districts throughout the state—with considerable electricity cost savings. The MPUC’s Comprehensive Plan notes that most of Maine’s businesses are small- to medium-sized and often have fewer than fifty employees. Therefore, aggregation is a valuable option for these businesses, one that will produce lower electric rates as economies of scale come into play.

## IMPLICATIONS OF ELECTRIC UTILITY RESTRUCTURING

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Although moving spasmodically, practically all states have embarked on plans to open retail competition of power and related services to all consumers. However, the transition to retail competition must tread several politically sensitive issues that consumers as stakeholders should understand. These issues include:

- trying to preserve low rates for consumers who have traditionally benefitted from them; while encouraging a competitive market;
- allowing states the freedom to deal with the issue of stranded costs;
- protecting consumers from unfair business practices, such as cross-subsidies; and,
- accommodating the popular demand for “green power.”

For consumers, we note that—while low cost electricity provided the main impetus for legislative restructuring—the bottom line may not be the cost of electricity. Some consumers may be willing to pay higher prices when those prices include performance contracts and other additional services. A performance contract would mean that the power marketer—the supplier of electricity—shared the savings of energy efficiency building retrofits with the consumer. For example, a supplier might offer to repair or replace home electrical wiring as part of its marketing strategy (this is similar to telephone companies’ wiring protection plans). Or, as consumers state their preference for environmentally sensitive “green” power, they may be willing to pay higher costs. (However, if consumers switch suppliers for environmental reasons, that switch does not necessarily mean they will receive green power. Indeed, it may only mean that more electricity from green sources will go to the regional grid and not specifically to the individual consumer. Still, an individual choice for green power encourages its increased use.)

In states that adopted deregulation earlier than Maine, electricity suppliers have begun to offer nonutility services, such as property insurance, health benefits, fuel, overnight delivery, wireless telephone service, and personal computer and office supplies (Tagliaferre, 1999). Evaluating the proposed benefits of these new value-added services can be confusing and vexing to the uninformed buyer.

In the initial surveys taken to aid the MPUC in its development of a Consumer Education Program, the agency tested real knowledge—based on answers to true and false questions—and found that residential and commercial customers’ knowledge about restructuring is very weak. This lack of knowledge is reflected in the Washington International Energy Group’s 1999 statement that, to many people, what is happening in the electric industry really doesn’t matter because, at this point, consumers are not interested in choice.

However, consumers soon will have a compelling need to become interested. As companies develop into national competitors and move into different states to establish new consumer bases and effect mergers or acquisitions, consumers will only benefit if they are educated. Overall we expect that the transition to a truly competitive market will be protracted and costly to many firms for two reasons: the lack of ability to merge corporate cultures successfully and efficiently, and the tendency to control uncertain outcomes by overplanning.

## MERGING CORPORATE CULTURES

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Corporate cultures will be merging in Maine and elsewhere as out-of-state companies purchase generation assets as well as other holdings of formerly state-owned utilities. Such mergers offer the benefits of a wider base of operations, increased knowledge, and additional human resources. Yet to achieve greater economies of scale, they bring the burdens of a more impersonal corporate culture and a loss of jobs through downsizing. To some extent, the Energy East Corporation—with its purchase in June 1999 of CMP Group’s transmission lines and other assets—will face this challenge (CMP Group is the parent company of Central Maine Power).

In addressing the potential problems of mergers, Feldman and Spratt (1999) make three trenchant points: first, because policy statements alone are not strong enough to create cultural acceptance, companies should focus on value-driving actions; second, emphasis should be placed on role modeling desired behavior rather than on an attempt to change people’s belief systems; and, third, swift action is needed to effect the cultural merger. If these goals are met, consumers will benefit directly as companies provide reliable service at prices achieved through economies of scale, and indirectly as the overall economic climate is improved.

This topic might well be addressed in an extended educational effort through the MPUC’s Consumer Education Plan, especially

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since knowledge of Maine's business culture is an important, though often unrecognized, issue. After talking with many businesspeople involved in mergers and acquisitions, we realize that different business cultural norms exist throughout the country. These norms represent the unwritten protocols of how to do business—with whom do you speak first, whose opinion needs to be solicited, and who shouldn't be ignored—which are different across companies, industries, and geographic regions. Thus, the task for policymakers becomes how to account for this subjective level of change: Will policies designed to benefit Mainers (such as the "green" requirement that retail electricity suppliers need to have 30% of their portfolio in renewable resources) scare away what might be healthy competition? While it is probably too early to know the answer to this question, we note the Edison Electric Institute's warning: "The undertaking of retail access will require more time and effort than any of the participants anticipate" (1999: 141). We believe that part of Maine's educational effort needs to be geared toward helping businesses understand that their corporate culture needs to change—as the Edison Electric Institute recommends—from "top to bottom," and that employees "should be taught to embrace competition and [to realize] that restructuring is not about losing customers" (144). Business culture, the importance of which is often unacknowledged, needs to be dealt with as a major issue affecting successful mergers and acquisitions.

#### THE HAZARD OF OVERPLANNING

The transition process, as it applies to mergers—and restructuring in general—can be confusing to consumers. Our own experience in dealing with consumers' puzzled and sometimes hostile reactions to restructuring is supported by Crandall and Ellig (1997), who note initial pessimistic forecasts about the benefits of restructuring. Also, in examining the policy implications of restructuring, they write: "Legislators and regulators should resist the temptation to elaborately plan either the structure of markets or the transition process" (67). They believe that markets will benefit consumers if the markets are allowed to develop without

overregulation. Likewise, Feldman and Spratt (1999) argue that any corporate transition strategy should be based on economic criteria rather than on statements of company vision or values.

Nationwide, some impatient energy users are strongly lobbying for new federal legislation to accelerate and standardize deregulation among the states. Reorganizations have been instituted by utility executives in reaction to their real and anticipated loss of monopoly franchises. They must develop new sources of revenue to compensate stockholders for sales lost to reduced energy prices and aggressive competitors. While these developments may not affect Maine initially, as companies develop a nationwide base, the marketing of new services by utilities may ultimately impact residential and small commercial users.

#### AN UNCERTAIN HORIZON

Earlier we listed the major aspects of the MPUC's Comprehensive Plan for the Consumer Education Program. As documented by the Edison Electric Institute (1999), consumer education has been a major focus in states that have already deregulated. Consumer education is important in establishing successful competitive markets. The initial findings of the MPUC's consumer research reveal low levels of awareness coupled with concern about the reliability of service and cost. Some consumers who live in rural regions are worried that their area will receive inadequate attention (this finding emerged from a focus group held in northern Maine). Across all focus groups, it appears that consumers mistakenly believe if they decline to take any action, nothing will change. The Comprehensive Plan recommends that consumers understand the consequences of taking no action: by default, they will be accepting the standard-service offer. Yet the MPUC also emphasizes that any benefits to the consumer will evolve over time rather than being instantaneous, and may reflect the choices consumers make in an uncertain landscape.

While some consumers may realize immediate benefits from deregulation, Annette Arribas of Energy Atlantic believes that residential customers won't benefit much from restructuring unless

... economic improvement could well depend on the ability of the MPUC to be both vigilant and flexible.

they join an aggregation. Echoing that sentiment is Douglas Stevenson of Energy Options Consulting Group. He also emphasizes that unaggregated consumers must understand the metering and billing procedures, which are subject to competition. The MPUC will “establish minimum standards necessary to protect consumers of these services and codes of conduct governing the relationship among transmission and distribution utilities providing electric billing and metering services” (Maine Revised Statutes, 1997). However, Stevenson’s comments highlight the complexity of the situation for the unaggregated consumer. For example, consumers should ask if their potential competitive service provider uses a standard load characteristic. If a standard load characteristic—similar to an average rate of use or estimate—is used (rather than exact metering), then residential customers may not realize any benefit or may even lose money. Thus, the term “unbundling” ultimately means that consumers have to compare prices for electricity, billing and metering services, transmission and distribution, and other associated options—a daunting task for the uninitiated. (For this purpose, changes in billing documentation went into effect January 1, 1999, to provide consumers with a detailed cost breakdown.)

As noted earlier, standard-offer service bids will be chosen on December 1, 1999. Essentially, this waiting period buys time for the consumer to become more knowledgeable, since some retail electricity suppliers may wait to find out what the standard offer is before selling power in Maine. On the other hand, an atmosphere of uncertainty is created for the potential bidders. While the process of requesting standard-offer bids is in itself a process fostering competition, it still creates uncertainty on the part of those entities licensed to retail power and those who might want to establish a customer base in Maine. Maine’s process is very different from Massachusetts, where initially the standard-offer service was so low that it discouraged competition. Since January 1, 1999, competition in Massachusetts has grown because of the increase in standard offer rates. (See a fuller discussion of the Massachusetts situation in Edison Electric Institute, 1999.) At this time it is difficult to know how much residential and small retail consumers will benefit from the potential competition. And it is difficult to know whether there will be enough firms to provide healthy competition. The C-E-C Group/University of Maine survey conducted earlier revealed mixed feelings about the

procedure for soliciting standard-offer bids. Only time will tell whose vision is more accurate. At this point we believe that the MPUC’s work has provided for healthy competition without the overplanning deemed detrimental to the transition process.

#### BACK TO THE FUTURE?

We find it tempting to invoke some of the feelings behind the statement, “the more things change, the more they stay the same.” Perhaps that statement contains unwarranted pessimism. Still, before the 1930s the United States had oligopolies—a few powerful firms dominating the market—which provided essential energy commodities. In 1935 the Public Utilities Holding Companies Act allowed regulated monopolies to form in the interest of consumers. Now a new electric power arena combining aspects of both regulation and deregulation is forthcoming. Will these efforts all over the country, including in Maine, produce a healthy competition with lower electric costs, or will the more powerful new energy services companies take over the market and move perilously close to the earlier oligopolistic situation? After all, consumers have had the recent examples of large nationwide firms putting local stores out of business and corporate farms replacing family farms. Will a healthy balance between strong competing groups prevail, or will the balance shift toward oligopoly? Will utility merger mania be the order of the day in Maine as it is in other states?

One disadvantage to size is that bigger companies haven’t established a track record at the local level. Hence, discrepancies between perception and reality may come into play as new markets develop. For example, attitudinal research by Tagliaferre (1998) reveals that some electrical/mechanical contractors perceive a threat by the new and aggressive marketing strategies of competitive service providers, but the reality may be that these providers don’t have the needed expertise to do business at the local level. Tagliaferre’s research also strongly suggests that the electrical/mechanical contractors need to increase their ability to keep loyal customers for a continuing viable business. This challenge means more creativity and more value-added services in order to compete.

Since Maine—through its legislative and regulatory planning and decisionmaking—has studied energy restructuring in other states, we can optimistically say that a lot has been done to ensure healthy competition. The manifest function of restructuring is to provide lower cost electricity, but new ventures almost always contain unforeseen events or latent functions, and legislation often produces unintended results. Will unexpected factors emerge? Certainly the legislature and the MPUC need to be prepared for such eventualities. Both the Washington International Energy Group (1999) and the Edison Electric Institute (1999) succinctly state that the devil is in the details.

Again, the standard offer service comes into play as the MPUC may have to walk a tightrope here. If the bids for electric power are too low, competition may be discouraged. Yet the MPUC does have the option of setting a price should all the bids be unacceptable. We call attention to Maine's on-going dialogue about what will bring greater benefits: a low rate (which would help consumers), or a higher rate (which would encourage competition and business endeavors).

Thomas Welch, chairman of the MPUC, reviewed the current situation in a personal communication with Susan Greenwood (May 1, 1999). He noted that it is important to distinguish among three things: energy-producing companies and the people who own generating assets; transmission and distribution companies; and vertical reintegration. Welch expects some attempts at consolidation in all three areas. He indicated this would be mildly troublesome among energy-producing companies and the people who own generating assets—he would not like to see just two big players selling power. However, Welch believes that some consolidation among transmission and distribution companies might allow these companies to achieve a reduction in overhead through greater economies of scale; regulators, in turn, would need to assess the value of such efficiencies. In terms of the third area, Maine law ultimately prevents vertical reintegration. Welch believes that, in themselves, mergers and consolidations are not bad; each one needs to be considered on its own merits, and any ensuing layoffs are coming because of underlying efficiency corrections that need to be made. However, echoing others' concerns, he notes there may be problems with quality of service. Finally, Welch believes that the Maine structure is ideal for healthy competition because there are safeguards to prevent abuses of market power. As yet, he sees no trend in Maine toward such abuses, in part because the market is immature. His statement acknowledges the fact that thus far, because

the bids for the standard-service offer have not yet been decided upon, only several retail electricity suppliers have expressed interest in doing business in Maine.

## CONCLUSIONS

We began the last section with a mild tone of pessimism, but we hope the pessimism serves as a reminder that opening the market to retail electricity suppliers is only the beginning of a long, complex procedure. The Edison Electric Institute's (1999) studies of four states show that it is hard to anticipate all eventualities and that the best strategy is to stay flexible. Crandall and Ellig's (1997) studies of five major industries—natural gas, telecommunications, airlines, trucking, and railroads—reveal that the benefits of deregulation ultimately outweigh the burdens. Initially, pessimism was the dominant attitude at the beginning of deregulation in all of these industries. Yet deregulation and customer choice resulted in lower prices, competitive markets evolved in response to consumer needs, and innovative products eventually became available for popular consumption.

It is probably safe to assume that the same outcomes can prevail through restructuring in Maine. Because Maine is a rural state and because electricity rates will probably not reach the same low levels as some other areas of the country, the residential and small business consumer will most likely receive only modest benefits in the foreseeable future. The major benefit may be an indirect one, as we do predict that the Maine economy will improve overall because of electric utility restructuring. Yet economic improvement could well depend on the ability of the MPUC to be both vigilant and flexible. If the MPUC tracks specific outcomes—prices lowered or raised, jobs gained or lost—in all deregulated industries in Maine, that information would provide useful guidelines in a continuing assessment of the electric restructuring process and its effects on residential and small business consumers. 🐉

*The authors would like to express their appreciation to the reviewers and editors of draft versions of this article.*

Please turn the page for article references and information about the author.



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