

Firm did 'independent study' of electric line while working for energy giant that could make billions from it



Natalie Williams | BDN

A redacted copy of a report created by London Economics International for the Maine Public Utilities Commission to assess the economic impact of Central Maine Power's proposed hydropower transmission line for western Maine.

By [Josh Keefe](#), BDN Staff • February 20, 2020

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In late 2017, Maine energy regulators hired an outside firm to analyze the economic impact of the 145-mile hydropower transmission line proposed for western Maine. But while that firm was conducting its study for Maine, it was simultaneously working for the Canadian energy company that stands to make billions from the line, according to a Bangor Daily News review of regulatory documents.

Maine regulators downplayed the appearance of a conflict of interest, while others said the firm's work for both sides should raise questions about what was billed as an independent report, especially since it has been used to justify the transmission line project proposed by Central Maine Power.

On Dec. 7, 2017, the Maine Public Utilities Commission hired Boston-based London Economics International to conduct an independent study of the potential economic benefits of the transmission line. It paid \$387,660 for the [report published the following May](#), according to the initial contract for the work.

But a month earlier, in April 2018, London Economics International [completed a separate study](#) for HQ Energy Services, the U.S. subsidiary of Hydro-Quebec. If the line

is completed, Hydro-Quebec stands to make \$12.4 billion selling energy to Massachusetts over the first two decades of operation, [according to a BDN analysis](#).

London Economics International disclosed it was working for HQ Energy Services when regulators hired the firm to analyze the line, according to Public Utilities Commission spokesperson Harry Lanphear. But regulators determined the simultaneous contracts did not create a conflict of interest, Lanphear said.

The firm's work for HQ Energy Services "was limited and unrelated to the proposed [transmission line] project," Lanphear said. Its study for HQ Energy Services examined carbon pricing issues in New York state. In addition, "the bulk" of its analysis was completed before it began analyzing the line proposed for Maine, he said.

London Economics International did not respond to requests for comment. Hydro-Quebec declined to comment or answer questions about how much it paid London Economics International for its work or when it hired the firm.

That work represented "a conflict of interest, plain and simple," said Sue Ely, a staff attorney with the Natural Resources Council of Maine, which opposes the proposed transmission line.

"The bottom line is that LEI should not have been working for Hydro-Quebec at the same exact time that it was evaluating a project that would allow the company to earn \$10 billion," Ely said. "This conflict should raise serious questions about the validity and impartiality of LEI's report on the CMP corridor, which has been cited widely as justification for the project."

The Public Utilities Commission [issued a permit for the transmission line in April](#). Earlier this month, opponents said they [had collected enough signatures](#) to put the project to voters in the form of a referendum question. The project still needs approval from federal agencies, as well as the Maine Department of Environmental Protection.

The first mention in regulatory proceedings of London Economics International's concurrent work for both HQ Energy Services and Maine appears to be in May 2018, three days before the firm's report on the line was released and more than five months after the Public Utilities Commission hired the consulting firm.

"It is difficult to see how London Economics can provide appropriately independent and objective advice to the Commission," three energy companies argued in a regulatory filing. The companies, Calpine Corporation, Dynegy Inc. and Bucksport Generation, all had interests in Maine natural gas plants and stood to lose market share from a completed transmission line.

In the same filing, the energy companies pointed out another potential conflict: Before becoming Maine's independent consultant, London Economics International had been

hired by energy giant EverSource to support a similar transmission line proposal in New Hampshire, which would have also allowed Hydro-Quebec to sell billions of dollars of energy to Massachusetts. New Hampshire regulators ultimately rejected the project.

The company was working in favor of that Northern Pass project “in an almost identical regulatory proceeding, and in the next case they were working for the decision-makers” in Maine, Calpine spokesman John Flumerfelt said this week.

The energy companies’ objections failed to alter the proceedings. In their final analysis, Maine regulators cited London Economics International 80 times without mentioning any potential conflict.

Asked if regulators had informed the parties in the regulatory proceedings about London Economics International’s simultaneous work for entities with competing interests, Lanphear said “the industry was generally aware of the work LEI conducted for HQ Energy Services.”

He added that because the energy companies raised the issue in May 2018, five months after the commission hired London Economics International, the parties in the regulatory proceeding were “in essence advised of the issue.”

The overlap of the two contracts “absolutely raises red flags,” said Rep. Seth Berry, D-Bowdoinham, co-chair of the Legislature’s energy committee and a frequent critic of Central Maine Power.

“At the very least, what this highlights is the world of regulators and the regulated community and the consultants who sometimes work for one or the other is a very small world,” Berry said. “There is always a significant danger of a kind of revolving door culture.”

[*\[What you need to know about the CMP transmission line proposed for Maine\]*](#)

London Economics International had at least two staff members working on both the study for Maine and the study for HQ Energy Services. Managing Director Julia Frayer and Senior Consultant Gabriel Roumy, a [former Hydro-Quebec employee](#), were listed as authors of the analysis delivered to HQ Energy Services. Both also testified about the Maine transmission line before Maine regulators.

The London Economics International analysis of the line determined the project would lower Maine electricity prices by \$33 million a year. That figure was significantly less than the \$71 million in annual price reduction a CMP-sponsored study found.

London Economics International also determined the construction of the line would generate \$98.2 million a year in gross domestic product for Maine. A CMP-funded University of Southern Maine analysis put that same figure at \$94.1 million.

Last week, the BDN [reported that Maine regulators gave](#) London Economics International a \$500,000 contract to study a proposal for [consumers to take over](#) Maine's electric companies despite the firm being ineligible for the award.

In that instance, regulators said the firm failed to disclose that it had been paid nearly \$40,000 by Emera Maine in 2018 when bidding for the project. The call for proposals had stated that any firm contracted by an investor-owned Maine utility within the past five years would be ineligible for the contract. The language was underlined for emphasis.

On Feb. 13, the Legislature's energy committee sent a letter to the Public Utilities Commission saying the committee was "deeply concerned" that London Economics International "may have misled the Commission by failing to disclose information critical to the evaluation of their bid."

As for the proposal to evaluate the transmission line for western Maine, the Public Utilities Commission's 2017 call for proposals only elicited one bid. The bid didn't qualify for selection, Lanphear said, so the commission wrote to the lone bidder, Vermont's Pike Hydro, in December 2017, telling them "no award would be given."

The commission then obtained a waiver from the state that allowed it to abandon the bidding process and give the contract to London Economics International, which the commission described as "highly capable and professional." The commission has hired the firm to conduct analyses several times in recent years.

Georgetown University law professor Scott Hempling, an expert on utility regulation, said it was "unusual" for regulators to hire a firm to analyze a project when the firm had an ongoing relationship with one of the project's primary beneficiaries.

"I can see why the situation would raise eyebrows," Hempling said.

But, he added, the energy consultant industry is a "small world."

"The amount of companies that are excellent and excel at it are limited," Hempling said. It was "not implausible," he said, that the commission could not find another firm who could do the analysis as quickly and as well as needed.

Maine Focus is a journalism and community engagement initiative at the Bangor Daily News. Questions? Write to mainefocus@bangordailynews.com.

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