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ELECTRICITY GUIDE

Maine Public Advocate Office

Volume 8 — April 2004

Anatomy of Your Electric Service: How Distribution Rates and Service Are Regulated

Your electric bill is made up of two parts: delivery and supply. The price for the supply portion for most customers - the standard offer - is set by the forces of competition. The price for the delivery portion remains fully regulated and consists of three different elements: transmission, distribution, and stranded costs. Transmission service, involving high voltage bulk power lines, is regulated by the Federal Energy Regulatory Commission in Washington, DC. Stranded costs and distribution service are regulated by the Maine Public Utilities in Commission in Augusta. What follows is a brief description of how distribution is regulated. (Stranded costs are explained on p.3.)

Alternative Rate Plan (ARP). Bangor Hydro Electric Company's (BHE) and Central Maine Power Company's (CMP) distribution rates are determined by an Alternative Rate Plan (ARP). These plans represent a change from the way utilities have traditionally been regulated. BHE and CMP are in the second and third years, respectively of their ARPs. Both ARPs end on Dec. 31, 2007.

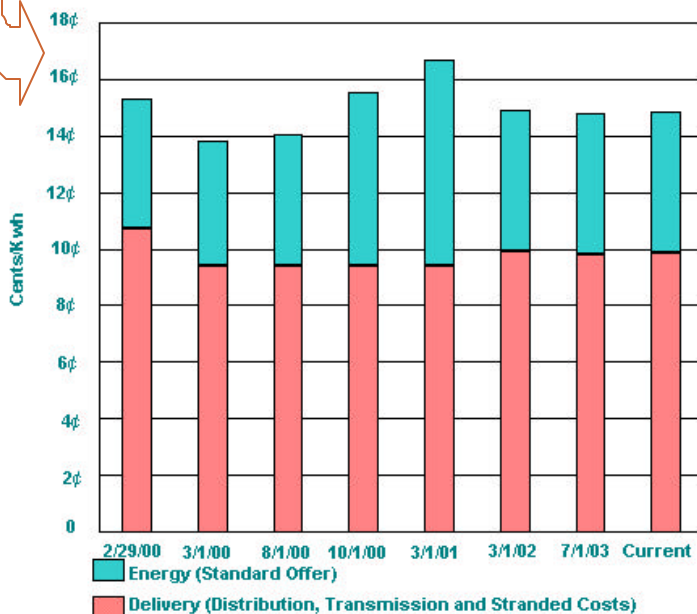
The principal component, in both the BHE and CMP ARPs, is a Price Cap Formula (PCF), which is intended to represent the expected changes in costs for the typical company in the industry. Rates are changed annually by taking the prior year's rates and making certain complicated adjustments
(Continued on page 2)

WHAT'S INSIDE

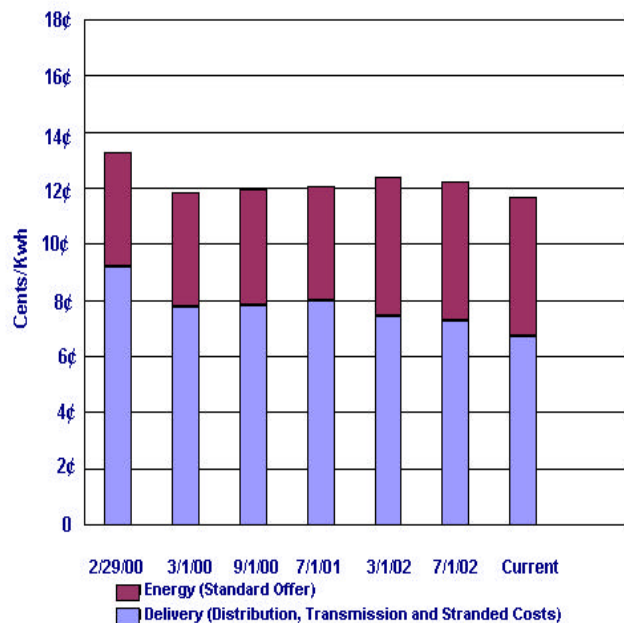
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The following graphs show a comparison of price changes since 2000 at Bangor Hydro and CMP. The bottom half of each bar is the total delivery price, while the top half is the standard offer supply price.

BHE RESIDENTIAL RATES



CMP RESIDENTIAL RATES



(continued) determined by inflation and various other external factors. The expectation is that the rates under price caps will be lower in comparison to cost-based utility regulation.

To date, these annual changes have resulted in lower rates at CMP. BHE's delivery rates have changed only once under its ARP. See tables below. Utilities are allowed to cut costs and keep the savings during the course of the ARP. In this way, an ARP provides a cost-cutting incentive to the utility that traditional regulation did not. Thus, the utility can maintain or increase profits even though its rates go down. Note: After April 12, 2004 our web site will provide a detailed general discussion of Price Cap Formulas, including the specifics of both the CMP and BHE PCF. <http://www.state.me.us/meopa/>

The first column in the following tables illustrate the Price Cap Formula effects to date on the residential distribution rates of CMP and BHE. (Similar information is shown in the graph on p. 1.)

Central Maine Power

	Delivery			Supply	Total
	1	2	3	4	5
Date	Distribution	Stranded Costs	Transmission	Energy	(1+2+3+4) Total Price
3/1/2000	5.33¢	1.89¢	0.52¢	4.09¢	11.83¢
9/1/2000	5.34¢	1.89¢	0.60¢	4.09¢	11.92¢
*7/1/2001	5.35¢	1.89¢	0.74¢	4.09¢	12.07¢
7/1/2002	5.10¢	1.40¢	0.74¢	4.95¢	12.19¢
Current	4.61¢	1.40¢	0.68¢	4.95¢	11.64¢

*First annual adjustment under CMP's ARP

Bangor Hydro-Electric

	Delivery			Supply	Total
	1	2	3	4	5
Date	Distribution	Stranded Costs	Transmission	Energy	(1+2+3+4) Total Price
3/1/2000	8.42¢**		0.99¢	4.50¢	13.91¢
10/1/2000	8.44¢**		0.96¢	6.11¢	15.51¢
6/1/2001	8.50¢**		0.91¢	7.30¢	16.71¢
6/1/2002	5.77¢	3.24¢	0.78¢	5.00¢	14.79¢
*Current	5.63¢	3.24¢	0.92¢	5.00¢	14.79¢

*Reflects first annual adjustment under BHE's ARP

**These were not separated prior to 6/02.

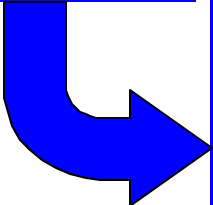
And *remembah* pigs are flying and your delivery rates are coming down not because of the generosity of your monopoly utility, but rather due to the oversight of the PUC and efforts of agencies that labor on behalf of ratepayers such as your Maine Public Advocate.

Service Quality Index (SQI). A rate plan that allows a utility to cut costs and keep the savings during the term of the plan could lead a utility to spend far less on customer service and on maintaining its poles and wires than it once did. This would quickly lead to more frequent and longer outages since trees would not be trimmed, but the lineman force would be. Because of this potential, both ARPs in Maine have a Service Quality Index (SQI). The SQI is designed to measure several aspects of a utility's service, including the frequency and duration of outages, how long it takes to get a live voice when calling, how long it takes to obtain certain types of service (meter checks, new accounts), billing errors, etc. A level, or index, is set for each item in reference to the utility's historical delivery of the service in question. For example,

the average CMP customer should see no more than 2.58 hours per year of outage. The utility is allowed to exclude from this index outages caused by major storms. If the utility then fails to keep service at these historical levels, it is subject to financial penalties. Furthermore, it must annually send to its customers a “report card” showing how it performed against this index. The SQI and threat of penalties does not prevent the Commission from ordering the utility to take additional steps to improve service if there are problems.

Maine Public Service. MPS does not operate under an ARP. Its rates and service are regulated the old fashioned way.

This chart displays the current components of residential prices in BHE, CMP, and MPS territories. The chart shows that stranded costs still comprise a significant portion of customers’ rates, while transmission rates have a negligible impact on total rates. Stranded costs cover commitments made by a utility prior to restructuring.



The Canada Connection

In recent months a series of events have occurred that have put a spotlight on opportunities for electricity transactions involving Eastern Maine and Canada. Formerly a remote corner of the electric grid, Aroostook and Washington Counties now are attracting considerable interest from project developers and financiers for numerous reasons:

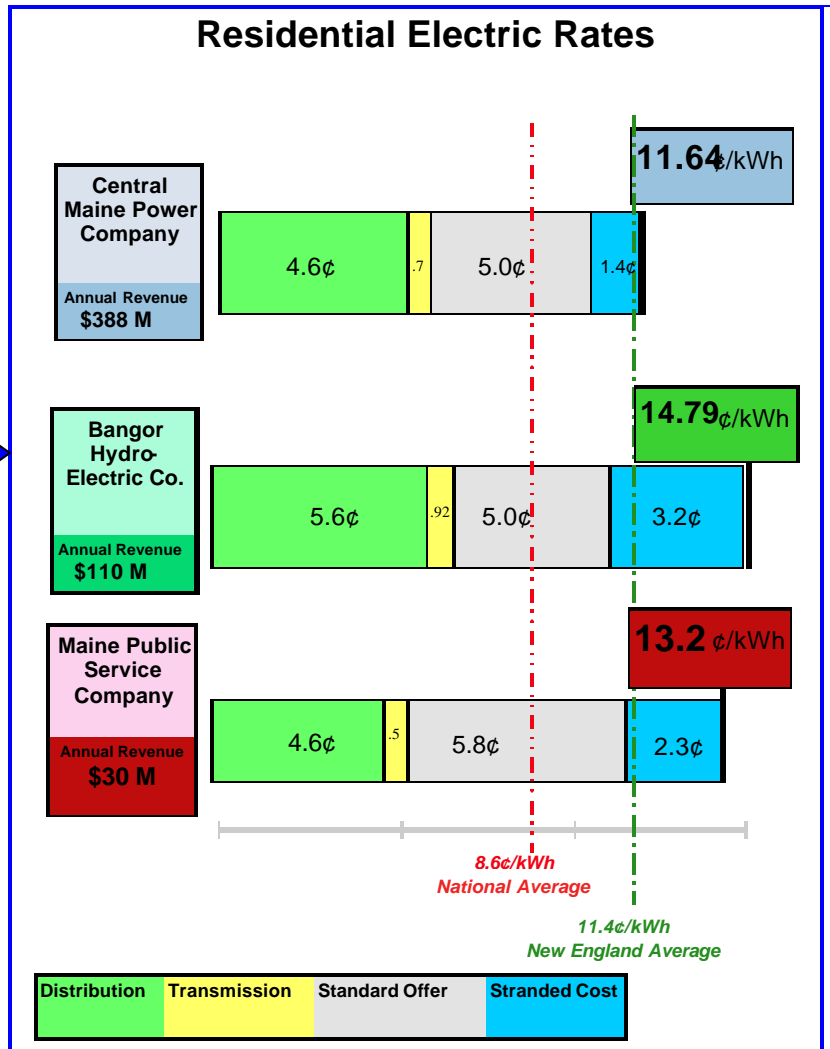
1. UPC Corporation is hoping to build a 50 megawatt wind farm on Mars Hill that will bring \$55 million in new investment to Aroostook County;

2. Emera (BHE’s parent) and Bangor Hydro are proposing the construction of a second 345 KV transmission line from Orrington to the New Brunswick border near Calais that will greatly facilitate sales of Maine-generated electricity to customers in New Brunswick and Aroostook County, as well as vice versa;

3. New Brunswick Power has run into difficulties with its proposal for converting its oil-fired Coleson Cove generators near St. John for use of a less expensive fuel from Venezuela and also confronts substantial new costs in refitting the Point Lepreau nuclear unit for further service. Both events create opportunities for power sales from Eastern Maine; and

4. The Loring Development Authority is in discussions with a project developer who proposes to reactivate the former Air Force aviation fuel pipeline from Searsport to Limestone for shipment of natural gas to Aroostook County.

All of these developments have created a higher degree of interest in cross-border transactions involving Eastern Maine and Canada than we have seen since the Passamaquoddy Tidal Project was first proposed in the 1930s or, possibly, since the Dickey-Lincoln project in the St. John Valley in the 1970s.



Remember Maine Yankee?

When utility companies first began to tout generation using nuclear fission technology, they claimed that it could be “too cheap to meter.” While this was obviously a PR pitch, it stuck, much to their embarrassment. Our own nuclear plant, Maine Yankee, stopped making electricity seven years ago, but we are *still* paying for it in electric rates and will be for a long time. That is because regulators have ruled that the extraordinary costs of taking the plant apart and finding a safe place for all that radioactive waste is the responsibility of ratepayers, not shareholders. The Public Advocate has been active in a “rate case” at the Federal Energy Regulatory Commission where the amount that Maine Yankee’s owners can charge their customers for these costs will be set for the foreseeable future.



Deconstruction is well underway at Maine Yankee.

Maine Yankee ownership is as follows: CMP – 38%; BHE 7%; MPS 5%; the rest is owned by out-of-state utilities.

The biggest headache in dealing with the cleaned-up Maine Yankee site is the status of spent nuclear fuel. Because of the federal government’s failure to honor a 1982-era contract to accept spent fuel in February 1998 for removal to the Yucca Mountain site in Nevada, there is an ongoing lawsuit in Washington, DC that is set for trial this summer at the U.S. Court of Claims. That law suit will set the level of damages that the federal government must pay Maine Yankee (and all other nuclear power plants in the nation) in compensation for its failure to honor the 1982 spent fuel contract. There is no operational repository at Yucca Mountain and none is expected there before 2020. Until that facility opens, or some other interim facility elsewhere in the nation opens, Maine Yankee’s spent nuclear fuel will remain on-site in Wiscasset in 64 concrete and steel containers on concrete slabs, long after the rest of the former power plant site is nothing but a green field with a river view.

Payment options — **Though you can still pay your electric bill the old fashioned way by sending a check in the US mail, each of Maine’s three largest utilities offer other means to pay.**

CMP - “Autopay” is where you authorize CMP to automatically deduct what you owe from your bank account about 15 days after you receive your bill in the mail. This method requires you to enroll either on-line (www.cmpco.com/services/residential/online/) or you can call 1-800-750-4000. You do not need a computer and there is no extra CMP charge.

“Easypay” allows online payment of your bill by authorizing CMP to access your bank account. CMP emails you a notice that your current bill is available to see online. You can then print a copy of your bill if you choose. Nothing is deducted from your account without your authorization. (In fact, you can pay online one month and then mail your payment the next.) Once you authorize payment, you receive a confirmation number. This payment option requires a computer with an Internet connection. There is no extra CMP charge. Enrollment is online through the CMP website: www.cmpco.com/account/easypay.html



CMP claims that these two payment methods are secure and the PUC has received no complaints or information that would indicate otherwise.

Pay in person. This has been a payment option for some time, but now a change is in the works. As of March 15, there is a new fee at payment agencies like Hannaford stores. CMP customers paying their bills will be assessed a \$1 "convenience fee" which will be split between the agent (Hannaford, for example) and a company called CashPoint (they process the transaction). The Commission approved the \$1 fee. CMP claims that it sees none of this money, but the fact is that it sees a financial benefit since it will no longer be covering the costs of processing these payments. You will. We see this as a poor deal for consumers, and a loss of convenience. The amount saved by CMP shareholders is about a half a million dollars per year. A list of payment locations can be found at www.cmpco.com/account/agencies.html, or you can call 1-800-750-4000.

SimplePay Budget Plan. Any of CMP's payment options can be combined with CMP's leveled budget payment option. This is where you pay the same amount each month year round. Periodically, adjustments will be made to square these average payments with actual meter readings.

BHE - Online payment option (BHePAY) This option allows you to pay your bill online through a secure website. You will receive your bill through the US mail as usual. The payment is then accomplished electronically. No payment is made without your approval. In fact, you can pay by mail one month and through BHePAY the next. You will need a computer with an Internet connection. Each time you use this payment method, your account will be charged a \$2.95 fee; like CMP, Bangor Hydro calls this a "convenience fee". This appears to us to be a high fee and not worthy of the term "convenience". BHE claims that this method is secure and the PUC has received no complaints or information that would indicate otherwise. See www.bhe.com/bhepay/bhepay.cfm or call 947-2414 (or 1-800-499-6600 outside of the Bangor area).

Pay in person. You may pay your Bangor Hydro bill at certain banks and supermarkets authorized to receive such payments. There is currently no fee. A listing of these locations can be found on the Internet at www.bhe.com/residential/paymentlocations.cfm or you may call 947-2414 (or 1-800-499-6600 outside of the Bangor area).

Leveled payment option BHE has a budget plan where you can pay the same amount each month. The amount to be paid is determined by averaging a year's worth of your monthly payments. The amount is adjusted periodically as necessary to account for any over or under payments compared to actual meter reads.

MPS - Automatic Bill Payment. MPS offers an automatic bill-paying plan in conjunction with your bank. Once you set up this plan, you receive your bill in the mail as usual, and it will indicate the payment date. On that date, approximately 25 days later, the amount you owe is automatically deducted from your account. If you have questions about the bill or wish to dispute the amount, you should call before this payment occurs. There is no fee for this service and you do not need a computer. To set this up, call the company at 760-2300 or 655-4448.

Pay in person. MPS also offers the option to pay in person at various agency locations throughout their territory. There is currently no fee. Like CMP and BHE, these agencies are generally banks and supermarkets. You may find out where by calling the company at 760-2300 or 655-4448. A list of these locations is also available on the Web at www.mainepublicservice.com. Go to "customer service" and click on "frequently asked questions."

Budget Payment Plan. This plan allows you to pay the same amount each month and eliminate the uncertainty of how big your bill might be. The monthly amount is essentially an average of your past bills. Periodically, your payment amount may be adjusted to account for under or over collections. If there is an over collection, you will earn interest. There is no fee for this payment plan and it may be used in conjunction with the automatic payment service described above.

MPS also has something it calls "eService". This allows you to access your account information through the Internet using a secure connection. The Company says it will offer online bill paying at some point in the future.

Maine Public Advocate Office
112 State House Station
Augusta, ME 04333

Ten ways to lower your electric bills

- ? Turn off your computer, if you have one, every night. Also, use the sleep mode so that it automatically “rests” if you haven’t used it for a while.
- ? Replace electric blankets with a good feather quilt or down duvet.
- ? Install compact fluorescent light bulbs wherever possible, then see next bullet.
- ? Turn off lights when you leave a room.
- ? Turn off and open your dishwasher after the wash but before the “dry” cycle (or use the “air dry” option if there is one).
- ? Resist the urge to heed utility flyer advice to buy electric appliances.
- ? Clean the lint filter in your electric dryer after every load to improve air circulation.
- ? Heat water with propane or heating oil rather than electricity.
- ? Carefully instruct teenagers living in your house to kindly observe sound energy practices. And then make them!
- ? When buying new appliances, look for an Energy Star rating. You will get back any extra cost long before the appliance needs replacing.

ABOUT THE PUBLIC ADVOCATE OFFICE

Stephen G. Ward, the Public Advocate, and his staff of seven represent Maine’s telephone, electric, gas, and water customers before the Maine Public Utilities Commission, the courts, and federal agencies. Our mission is to work for reasonably priced, safe, and reliable utility services for Maine people.

Website: <http://www.maine.gov/meopa> (Telephone 287-2445) **Email:** Eric.J.Bryant@maine.gov