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Maine Public Advocate Office

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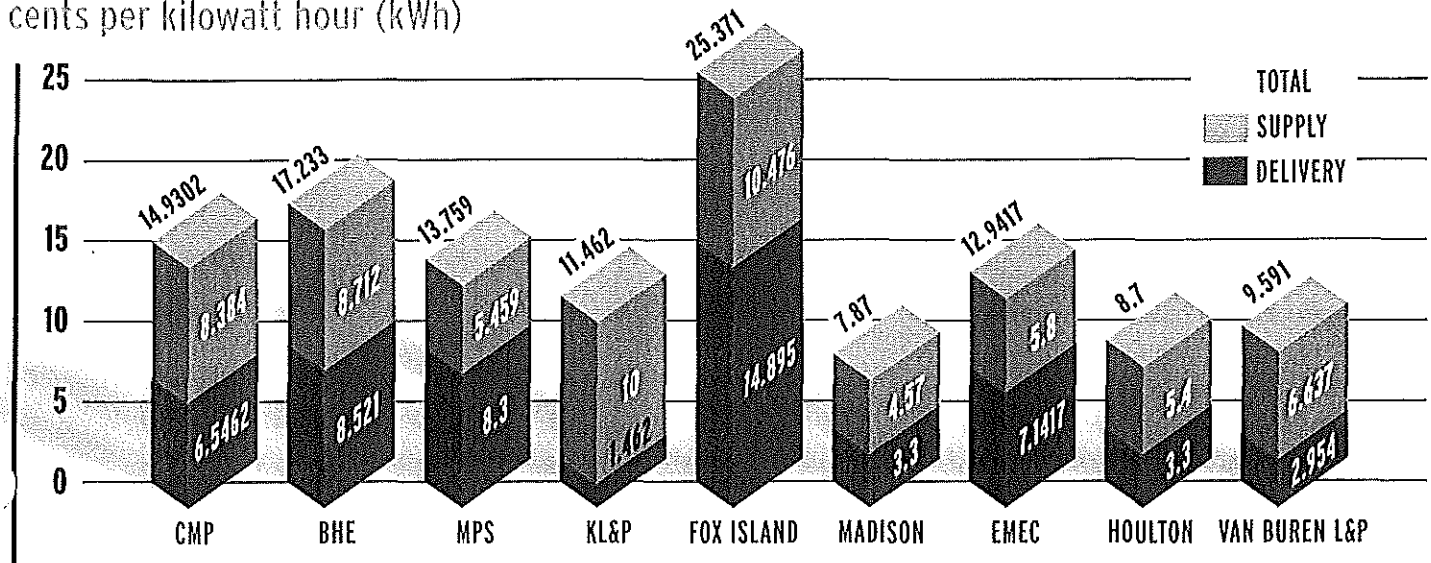
Electricity Guide

VOLUME 13 | NOVEMBER 2006

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CURRENT RESIDENTIAL ELECTRIC RATES

cents per kilowatt hour (kWh)



COMPLAINING PAYS OFF

REFUNDS ORDERED TO CMP LINE EXTENSION CUSTOMERS

AS A RESULT of a single customer complaint, CMP has been ordered to refund over \$2.3 million to 13,000 CMP customers who have had a new line extension

built since 2000. In that year, CMP changed the way it charged customers for line extensions, requiring an upfront payment based upon the design cost, rather than payments over time

based on actual costs. CMP included an "administrative support adder" in the amount to be paid. This adder, calculated as a percentage of the design cost of the new line to be built, was in

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A WHOLESALE RATE INCREASE THANKS TO ISO-NEW ENGLAND

IN OUR LAST ISSUE, we reported on a case at the Federal Energy Regulatory Commission (FERC) in Washington that could lead to higher rates here in Maine. The proceeding focused

on ways to meet growing demand for electricity in Maine and New England by offering ratepayer-funded incentives to developers to build new power plants in the region.

Unfortunately, the method that has now been chosen by the FERC is, we feel, poorly conceived and amounts to a cash giveaway to existing generators with no requirement that they invest

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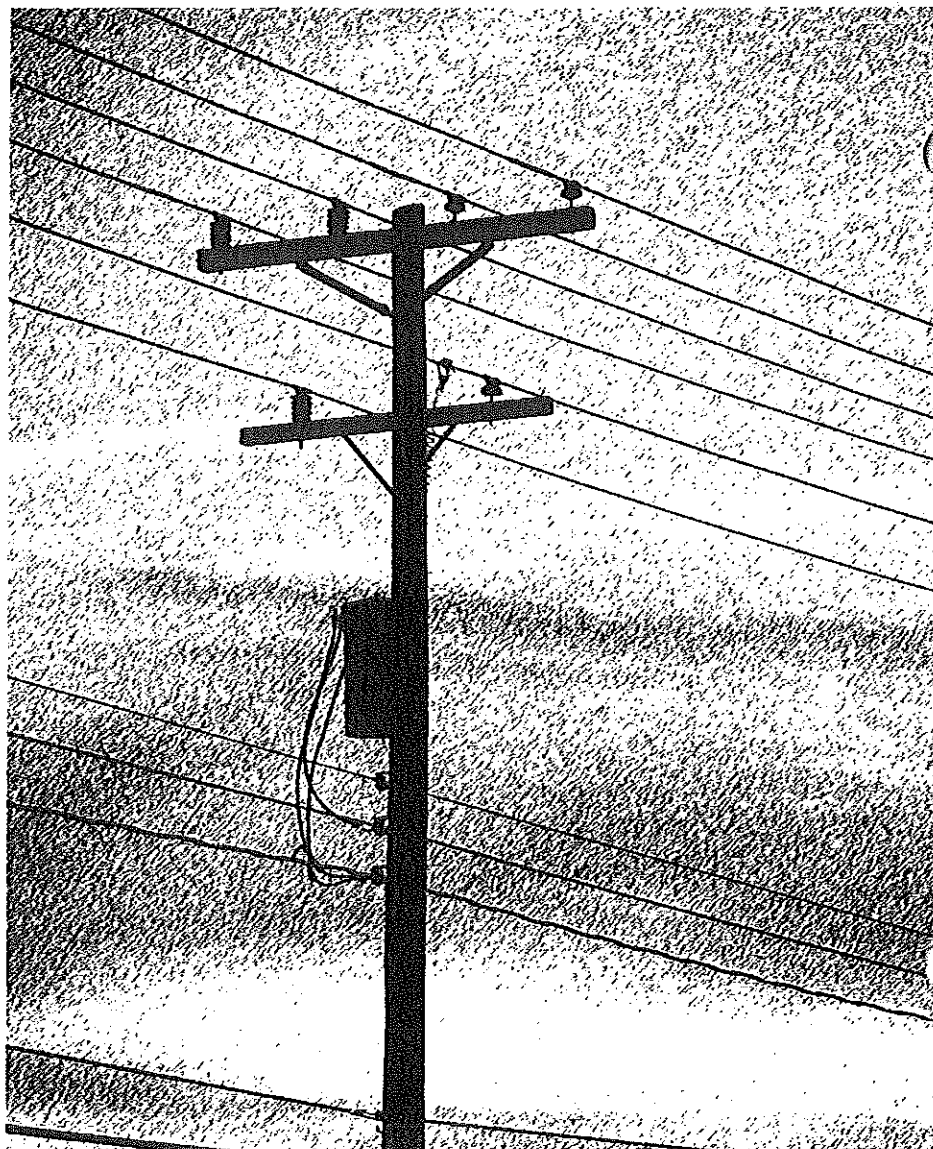
COMPLAINING CONT'D

two parts. The first part, 16%, was for "Administrative and General" costs; in other words, "overhead." (The Commission found this amount to be justified since it reimbursed the Company for actual costs.) The second part — called either a "contribution margin" or a "profit adder" — was then tacked on. In February 2004, CMP increased this extra amount from 5% to 10%.

Following the customer's complaint, the PUC opened a full investigation into CMP's practice of charging the adders. After litigation, in which the Public Advocate actively participated, the Commission decided that this second adder was unreasonable for two reasons. First, it had nothing to do with actual costs imposed on the Company. Second, the increase from 5% to 10% in February of 2004 was done unilaterally without Commission approval. Therefore, the Commission ordered CMP to refund the adder to customers. So, if CMP built you a line extension between mid-2000 and February 2004 you should receive back 5% of your costs of the line extension. If you had such an extension built after February 2004, you should receive a refund of 10%. CMP expects to complete the refund process by next March 1.

Another complaint brought by a single customer, in this case a hospital, has led to a similar result for larger "poly-phase" customers. The total amount to be refunded to polyphase line extension customers is estimated to be about \$450,000.

The moral of this story is that registering a complaint with the Commission about a utility charge or practice can lead to measurable results. As always, the Public Advocate is more than willing to assist customers with complaints. You may also contact the PUC's complaint hotline at 800-452-4699. ☎



UTILITY INCREASES CONT'D

the money in new generation. This effort was spearheaded by ISO-New England (the "independent" operator of New England's high power transmission grid). Though we are participating in an appeal of the decision, Maine ratepayers will face rate increases as a result of this case as early as next month. According to the PUC, these increases could be as high as 1¢ per kWh — about \$6 per month for the average ratepayer. In a state where bill-reducing electric efficiency programs that would impose one-tenth of this cost result in drawn-out battles in the Legislature, that is serious money. The outcome is worse for business and

industry customers in Maine who face even steeper charges. For more information, go to www.energymaine.com and click on the "LICAP" links.

In response to this bad decision, the Public Utilities Commission has, at the request of the Legislature, begun a study of whether Maine can and should leave ISO-New England and either go it alone, or possibly join administratively with Canada. This is a long-term study, with an interim Report going to the Legislature this winter. You may reach the PUC's complaint hotline at 800-452-4699. ☎

Office of Energy Independence Launches Whole House Efficiency Program


IN RESPONSE TO MAINE'S COLD WINTERS, old housing stock, 86 percent reliance on heating oil and kerosene, rising energy prices, and increased attention to global warming, Governor John Baldacci's Office of Energy Independence and Security has launched the Maine Home Performance with Energy Star whole house efficiency program (Maine HP) for York, Cumberland, Androscoggin and neighboring counties. Maine HP will provide homeowners one-stop shopping and access to Building Performance Institute certified contractors who will not only provide a state of the art energy audit, but also make the necessary recommended home improvements, and provide easy access to financing. Income-eligible homeowners will be able to access the Maine Housing Authority's 1% HELP loan.

Based on experience elsewhere in the country, home improvements can reduce energy bills by up to 50%. At the same time, the contractors will identify and correct moisture, mold, and indoor air quality problems common in Maine homes. In many cases monthly energy savings will exceed the monthly cost of the improvements. Maine HP will also provide mentoring for contractors and third party inspections to ensure quality performance.

Maine HP is featured in a half-hour home makeover show produced by the new Portland CW, to be aired for the next couple of months on WPXT-TV (Channel 51). "Whole House" features a Windham family that won an energy audit and home improvements donated by a number of area businesses. The improvements are estimated to cut the family's energy bills in half and vastly improve their home's comfort.


Maine HP is modeled on Home Performance with Energy Star programs that are growing in popularity nationwide. Maine HP recently received a \$500,000 grant from the U.S. DOE that will help leverage additional state funds and expand the geographic reach of the program. The Governor's Office of Energy Independence plans to provide the program statewide next year.

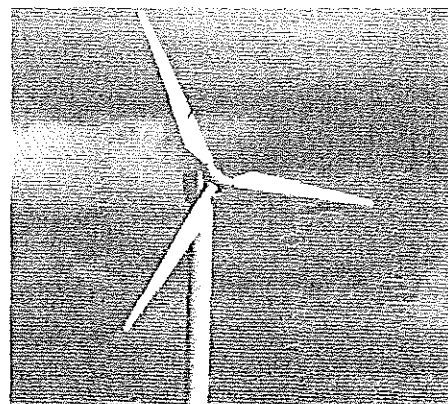
Maine's program is a collaborative effort of the Governor's energy office, Efficiency Maine, the Maine Housing Authority, the U.S. EPA and DOE, Northern Utilities. The Maine Oil Dealers Association has provided space for contractor training.

For more information about Maine Home Performance with Energy Star or to find a certified contractor, please visit www.mainehomeperformance.org or call 1-800-695-1484. 




RENEWABLE RESEARCH AND DEVELOPMENT FUND

When the electric industry in Maine was restructured seven years ago, a fund for research and development of renewable energy sources was created. Contributions for the fund were voluntary and involved a check-off on electric bills. The fund has grown slowly but steadily and now exceeds \$250,000, big enough to be useful. The State Planning Office is currently working with the Commission to write rules for distribution of the funds. 




Saco Transmission Line

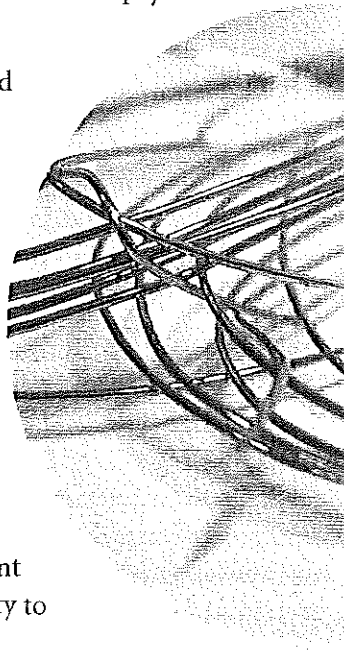
CMP IS SEEKING TO INCREASE its transmission capacity in the Saco–Old Orchard Beach area, claiming that without it, the area would be exposed to increasingly unreliable service. It has filed for permission to replace an existing line with a higher capacity, double circuit line running 7.3 miles from the western area of Saco to Old Orchard Beach. As proposed, this line would use much taller eighty-five foot poles and would be built in an existing transmission corridor that runs near many houses and a school. The proposal includes replacing two existing substations in the Saco Industrial Park and rebuilding an existing substation in Old Orchard.

CMP must prove to the PUC that there is a need for the line, and that there are no better alternatives. The utility must demonstrate that the proposed line would be safe, and that it could not otherwise reliably deliver electricity at a reasonable cost. The Public Advocate has hired an engineering expert to examine CMP's proposal, to consider alternatives, and to offer his opinion to the Commission. Approximately 30 citizens in the Saco area, some of whom own homes near the proposed line, have intervened in the case. The case is expected to be decided by March. 

MAINE YANKEE RATE REDUCTION?

REMEMBER MAINE YANKEE? Even though the old, controversial nuclear plant no longer exists, we are still paying for decommissioning and spent fuel disposal/storage costs. Some recent good news is that the operators of the Maine Yankee site have won \$75.8 million in damages from the federal government. A federal court awarded the damages because the U.S. Department of Energy breached a contract to remove the high level nuclear waste from the Wiscasset site. Maine Yankee officials have said that they expect the federal government to appeal the decision. If and when the damage award is received by Maine Yankee, it would be used to reimburse ratepayers for some of the plant's decommissioning costs.

The damage award decision does nothing with regard to where the spent fuel may ultimately end up. Currently, it sits in dry cask storage canisters on site in Wiscasset. It was supposed to have been shipped to Yucca Mountain, Nevada in 1998 where the DOE is building a permanent storage facility. In 1992 the G.H.W. Bush Administration announced it would not be able to meet that statutory date, setting 2010 for the opening of a national repository. Earlier this year the White House announced it would not meet the 2010 date and have now moved it to no-sooner-than 2017. Further, there is now concern that Congress will step in and either take ownership of the Wiscasset site (thereby making it the permanent storage site) or otherwise modify DOE's responsibility to find permanent storage. 




Thefts raise safety concerns

The price of copper has risen dramatically in recent years, spurring a surprising increase in the theft of copper nationwide. Many of those thefts involve the wires and equipment used by electric utilities. In September, in fact, thieves stole \$30,000 worth of copper wire from a turbine associated with the Mars Hill wind farm project that is under construction. CMP and Bangor Hydro have also reported thefts from poles and substations. With this Mars Hill heist, the total value of copper stolen from Maine utilities this year is around \$50,000.

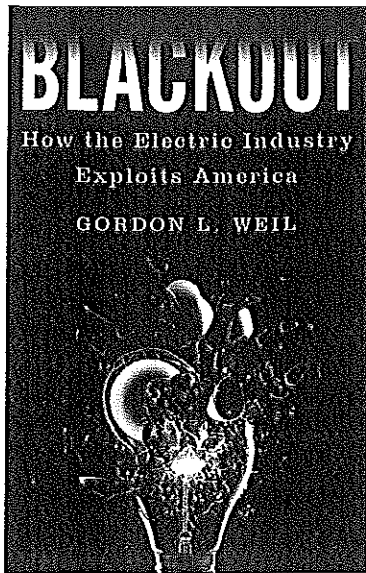
Stealing copper from an energized electric grid is a very dangerous undertaking, putting the lives of utility employees, the general public and the thieves themselves at serious risk of injury or death from electrocution. For example, theft of copper wire from a substation can leave the entire substation, including the fence, energized at a high voltage. This can lead to injury if children play near the substation or if an unwary person or even a utility employee approaches the facility. There have been up to eight deaths reported nationwide in connection with copper theft from utility structures.

Recently, the PUC ordered the utilities to identify particularly vulnerable infrastructure and prepare training and awareness programs for their workers as well as to heighten security and install hazard warnings in appropriate locations.

Please be aware of this issue and report any suspicious activity around utility poles, wires and substations to your local police. 

How Much Does 1931 Resemble 2003? Read *Blackout* and Find Out!

STEPHEN WARD, REVIEWER



Blackout: How the Electric Industry Exploits America

by Gordon L. Weil

Nation Books, Avalon Publishing Group,
New York, 2006, 249 pages

READERS OF THIS newsletter may be interested in looking at a powerful indictment of the investor-owned electric industry entitled *Blackout: How the Electric Industry Exploits America*. The author of *Blackout* is Gordon Weil, frequent consultant to New England's consumer-owned electric cooperatives and districts, former head of Maine's Office of Energy Resources during the Brennan administration and Maine's very first Public Advocate. I can't claim any objectivity or lack of bias in reviewing *Blackout* due to my long friendship and professional association with Gordon Weil but I can assure you, it is a good read.

Blackout provides a detailed history lesson about how the electric utility model that we are accustomed to in the United States, with profit-making

corporations subject to the oversight by state legislatures and state public utilities commissions, came to be. The American model for utility regulation is highly unusual compared with the government-operated systems that typically exist overseas. In particular, Weil paints a fascinating picture of the rise and fall of Samuel Insull who went from being Thomas Edison's private secretary to the CEO of a holding company with electric operations in 13 states. The collapse of Insull's empire in 1931 presaged the collapse of a similar giant — Enron, Inc. — and the humiliation of its CEO — Kenneth Lay — some seventy years later.

The fundamental theme of *Blackout* is one that, sadly, I agree with: legislative oversight of investor-owned electric utilities is so light-fingered and the skills of most PUC Commissioners so modest that most utilities in the US face no real challenge in raising rates, concealing revenue and earning extravagant profits for shareholders. Most of the time, the resources available to the utility — in PUC rate cases, in legislative hearing rooms, and in influencing gubernatorial elections — greatly outclass the resources available to consumers and their representatives. With respect to the public advocate offices that now exist in some 40 states, Weil is kind but very much to the point. He writes:

The growth of state consumer representation has provided customers with a voice in the regulatory process, a system generally stacked against them, and consumer advocate agencies have been joined by voluntary groups such

as AARP, but such groups also have only limited resources to devote to participating in state proceedings. Consumer advocates can remind the consumers and legislators of how decisions affect end users, but their voice is weak and their gains are limited.

Some may see this observation either as gloomy or a self-fulfilling prophecy. Based on my experience though, I would describe it as accurate.

There is, surprisingly, a lot of humor and wit in *Blackout* that causes its tone to be at times light-hearted. An example is Weil's comparison of the distance limits on electric transmission — known as "line losses" — to a railcar with a load of oranges that loses an orange each mile all the way across the country. Older readers will be amused to see the reappearance of Reddy Kilowatt in the pages of *Blackout* and throughout there is an apt turn of phrase in the descriptions of the regulatory landscape and the machinations of Congress.

Blackout concludes with fifteen recommendations for reform in the regulatory process for electric utilities, all of which make considerable sense and reflect Weil's four decades of experience in the electric industry and its regulatory apparatus. The one I like best, of course, is the suggestion that the budgets of Public Advocate offices should be set at no less than 50% of the PUC's budget in each state — instead of the 10% (or less) that is the case today. That recommendation alone makes the entire book worthwhile, from my perspective. ☺

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PUBLIC ADVOCATE AND STAFF:



The Public Advocate and his staff are committed to public service in representing Maine utility consumers. We work to ensure that they have affordable, high quality utility services and we provide unbiased information to help consumers make the best choices. We who work at the Public Advocate's Office seek to carry out this representation in a principled, diligent and compassionate manner.

Maine consumers are welcome to call our office with questions. Our staff members can also be made available to speak to groups interested in utility issues or to those interested in advice on electric or telecommunications services.

From left to right:
Wayne, Patty, Ron, Mary, Eric, Debbie, Steve & Bill