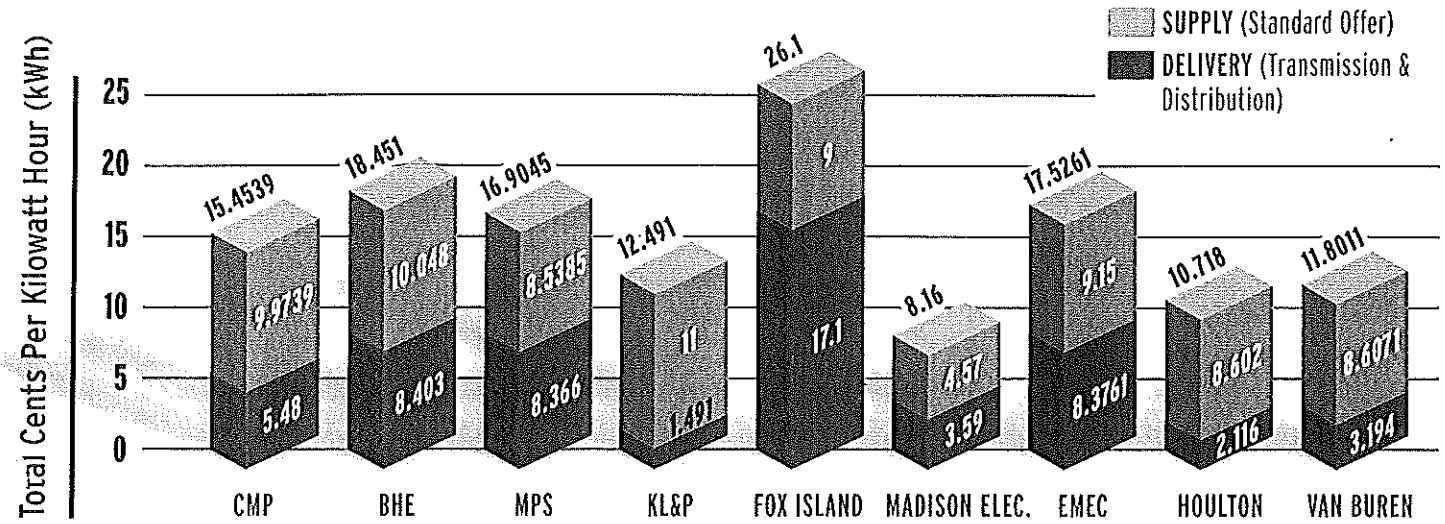
# Electricity Guide

VOLUME 15 | JULY 2008



STATE OF MAINE PUBLIC ADVOCATE OFFICE | 112 STATE HOUSE STATION | AUGUSTA, ME 04333-0112
207-287-2445 | TTY 888-577-6690 | E-MAIL eric.j.bryant@maine.gov | www.maine.gov/meopa


## RESIDENTIAL TOTAL kWh RATES JULY 2008




# CMP RATE CASE GOOD NEWS/BAD NEWS

We recently negotiated an Agreement to resolve the issues in a rate case that CMP filed a year ago. At that time, CMP proposed to keep its distribution rates the same. We employed six different consultants (covering the areas of finance, accounting, economics, sales forecasting and metering technology) and argued for a reduction in distribution rates. (Remember, distribution makes up only a part of delivery rates; the rest is made up of transmission and stranded costs.)

The recent Agreement, approved by the PUC, reduces CMP's distribution "revenue requirement" (amount used to set rates) by $22 million. That's the good news. The bad news is that, thanks to many large transmission projects underway in New England, and ISO-New England's method of allocating those costs (approved by federal regulators) [See "ISO-New England: To Leave or Not to Leave," p. 3], CMP's transmission rate is going up, offsetting just about all of this distribution rate reduction. The result is that delivery rates are staying pretty much the same.

The Agreement also puts into place a five-year alternative rate plan (ARP), similar to the ARP that has governed CMP's distribution rates for the last seven years. Over that period, CMP has agreed to spend a significant amount of money on improving the reliability of its distribution system. The Company will implement a five year vegetation trim cycle, completing the trimming of its entire distribution system by 2013.

CONT'D ON PAGE 2

# Your Rates in Depth

## Capacity, Capacity, Capacity

In the last year or two, one of the words most associated with the high and increasing cost of electricity is capacity. The best way to describe capacity is to use an analogy. Think of a restaurant. Restaurants are not always full. But a restaurant owner should plan for when it is full: there must be enough tables, chairs, dishes, staff, food and a host of other things for the restaurant to be able to serve customers. The electric grid must be planned so that there are enough generators, fuel, transmission and distribution facilities to meet customer demand on the peak day. The restaurant analogy has one big flaw: on days when the restaurant does not have enough capacity to serve all the customers who show up, customers simply go elsewhere for dinner. Electric customers have nowhere else to go, however, so if there were not enough system capacity, there would be blackouts or brownouts. In order to avoid this, the grid must be planned and built to stay ahead of demand so that there is always enough capacity to be ready for the peak day when everyone is using power at the same time.

In New England, these peak moments occur on hot summer afternoons. Meeting this system peak demand is hugely expensive. There are generators built solely to run during these few hours of the year and they are the most expensive in the system, mostly because the owners must receive enough payment during those few hours to cover their costs (otherwise no one would build such plants). Building power lines to handle this peak load is also expensive. Projections of what is needed in order to avoid blackouts are pegged to these system peaks. Naturally, if the peak is higher, more of these expensive facilities are needed. So, if there is a way to reduce this system peak, the capacity costs (included in supply rates) would be lower. There are three categories of ways to do this.

**ENERGY EFFICIENCY** If customers were to cut back on power use generally, this would have the effect of reducing the overall system demand. Being energy efficient includes using compact fluorescent light bulbs, Energy Star appliances and turning things off when not in use.

**TIME OF USE RATES** Those of you who were in Maine in the eighties may remember "kilowatt hour savings time." This was a "time of use" rate program aimed at reducing peak usage by making the electricity rate more expensive during these peak hours, causing customers to shift usage. For example, people would put off laundry and dishwashing until later in the evening when many businesses had closed for the day. Because of recent spikes in electricity prices, the Legislature has asked the PUC to study whether time of use rates once again make sense.

**PEAK SHAVING** The most "targeted" way to reduce the system peak would be for customers to cut back only on those days when a system peak is likely. Public announcements asking for voluntary cut backs when demand is highest might produce some savings, but while Mainers have a strong volunteer ethic, they may respond less over time. Two other pricing methods that may be used to reduce peak usage require a "smart meter" in order to be implemented. A smart meter measures usage frequently, every fifteen minutes, for example. With this meter-reading ability, pricing programs can be devised that would theoretically provide a powerful incentive for customers to cut back usage at certain times. One method would be to announce and then charge a very high rate during the targeted hours, causing customers to cut back in order to avoid the higher cost. The other method would be to pay customers for cutting back during the targeted hours. Neither of these methods has been widely implemented in other states so it is unknown whether Maine customers would respond in a way that would in fact lower the peak.

Implementation of either of these methods is further complicated by the fact that Maine has a restructured industry and no one yet knows whether power suppliers, in particular the standard offer supplier, would be interested or even able to participate in such programs. Another question is to what extent would the reaction of Maine customers to such programs make a difference in the capacity needs and prices of New England given that Maine uses less than 10% of the electricity generated in the region.

There are investigations about to begin at the Commission that will explore these questions. We will participate in these matters and strive for the approach that works best for customers.

### CMP RATE CASE CONT'D

**SMART METERS** A major issue in this case was CMP's costly proposal to install so-called "smart meters" throughout its territory. These meters bring certain benefits, such as remote meter reading (reducing estimated bills and labor costs) and quicker outage restoration. They also provide a platform for cost-cutting "demand response" programs. Because these meters can be read in very short intervals (every 15 minutes, for example), they can be used to measure any reduction in usage by individual customers during high price hours of the year, usually hot summer afternoons. A demand response program thus would pay customers whose meters show that they used less during these peak periods. The problem is that there are few utilities out there that have these meters, so it was difficult for CMP to prove that an expensive investment in these meters and programs would achieve the projected cost savings. Without the certainty of benefits from these programs, customers could end up paying the $90 million cost of these meters with no certainty of an offsetting benefit. In the Agreement, the question of whether CMP should be allowed to install these meters will be the subject of a later case shortly. The burden of proof remains on the utility to demonstrate the net benefits of installing these meters.

## RATEPAYERS MADE TO PAY FOR CMP MISTAKE

Over our strenuous objections, CMP customers are paying $900,000 for CMP's admitted failure to terminate a long-term 20 year contract that required CMP to purchase power at very high costs. The contract contained an "evergreen" clause, meaning that at the end of its stated 20-year term, it would automatically renew a year at a time unless one of the parties sent a notice of termination 6 months ahead of the automatic renewal date. For reasons that were unclear, CMP failed to send the letter at the right time allowing the power producer to successfully sue CMP and collect $900,000, the value of the contract for another year. CMP then turned to the Commission and asked to recover this amount in rates. Unfortunately for ratepayers, the Commission agreed, saying that ratepayers were responsible because CMP's "mistake in administering the [contract] does not amount to imprudence."

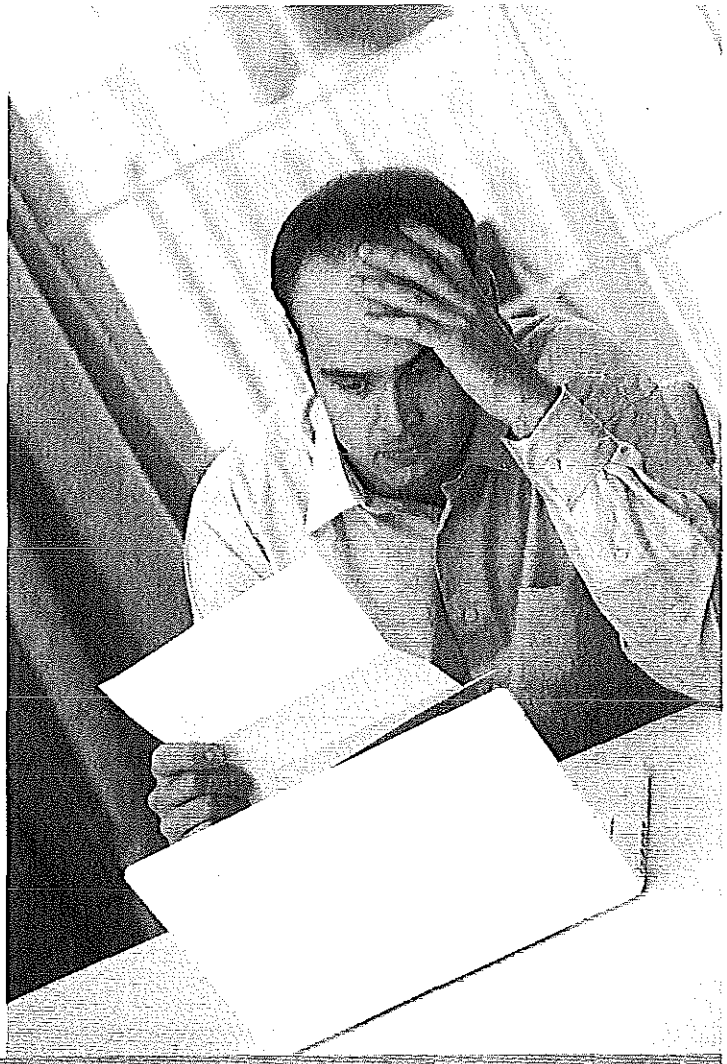
A copy of this Order can be found on the Commission's Virtual Case File at mpuc.informe.org/easyfile/easyweb.php?func=easyweb_query

The docket number is 2006200 and the Order is dated March 24, 2008.

# ISO NEW ENGLAND
## TO LEAVE OR NOT TO LEAVE

ISO New England (ISO-NE) operates and manages (but does not own) the regional electricity transmission system serving New England. It is authorized to perform these and related functions by the Federal Energy Regulatory Commission (FERC). In recent years, complaints have been raised by Governor John Baldacci, the Maine Public Utilities Commission (MPUC), our office, and many Maine industrial and commercial businesses, about aspects of ISO-NE's operations, including the fairness to Maine ratepayers of how ISO-NE allocates regional transmission costs to Maine customers. For example, we pay a portion of the cost of a very expensive transmission line built in Southwest Connecticut to provide customers there with sufficient power. There appears be no direct benefit to Maine from this line. There is also the questionable merit of $300 million in payments being assessed against Maine electricity consumers for generation capacity. [See "Your Rates in Depth," p. 2] This money goes to existing generators with no requirement that new generators get built to meet future capacity needs!

The Maine Public Utilities Commission has recently opened a proceeding to determine if it is in the public interest for Maine's investor-owned electric transmission and distribution (T&D) utilities to end their membership in ISO-NE. In other words, should Maine get out of ISO-NE? This proceeding requires a decision no later than January 15, 2009, after which the Legislature will review the Commission's decision.



An initial PUC Report describes our options as 1) remaining in ISO-NE but trying to negotiate better terms on these issues, 2) withdrawing from ISO-NE and setting up a Maine-only organization responsible for grid planning and reliability, and 3) joining with New Brunswick, Canada. The Report is available online at www.state.me.us/mpuc/staying_informed/legislative/2006legislation/ISO-NEFinalReport.doc

We are participating in this proceeding, and have hired experts to help us.

# DISCONNECTION
# KNOW YOUR RIGHTS

Utilities have the right to disconnect your power for non-payment under certain circumstances. This right protects all ratepayers by keeping what would otherwise be a high percentage of "uncollectible" costs out of rates. In other words, when one customer doesn't pay, others are forced to cover the balance. If you are in the unfortunate position of being unable to pay your bill on time, please keep reading.

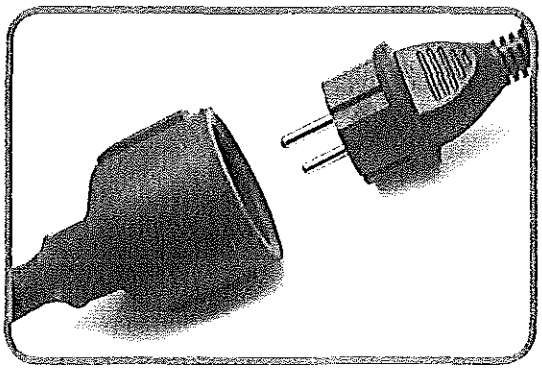
If you are unable to pay your electric bill, you are responsible for contacting your utility immediately in order to make alternate payment arrangements. If you and the utility cannot agree to an arrangement that is affordable for you, the utility must refer you to the Public Utilities Commission, (PUC), Consumer Assistance Division (CAD) which will help you establish a reasonable arrangement. A utility may not disconnect you if you enter into and honor a payment arrangement for the amount you owe and you continue to pay your current bills.

Failure to pay or make a payment arrangement on an undisputed overdue amount that is more than $50.00 can lead to disconnection.

**DISCONNECTION NOTICE** When a utility is planning to disconnect your service it must provide written notice either 14 or 3 days (depending on the reason for disconnection) in advance of the proposed disconnection. It must also try to personally notify you of the proposed disconnection by phone and personally contact you during the actual disconnection. If the utility has the capability to disconnect without being at the premises (remote disconnection) the utility does not need to attempt personal contact with you – their duty to personally contact you is met if the utility makes at least 2 telephone attempts, one before 5:00 p.m. and the other after 5:00 p.m. and you are provided notice that the utility has the ability to remotely disconnect you.

A disconnection notice must be clearly written, explaining the reason for the proposed disconnection, the proposed disconnection date, along with the utility's phone number and consumer rights information. If you receive such a notice you should *immediately* contact your utility, and, if necessary, the PUC.

**TIMES FOR DISCONNECTION** A utility cannot disconnect on a Friday, weekend, legal holiday, the day before a legal holiday or a day when the utility's office is not open for business. On other days, it can only disconnect your service between 8:00 a.m. and 3:00 p.m.



**MEDICAL CONDITION** You have the right to postpone disconnection if a physician certifies that you or an occupant of the residence has a serious medical condition. A certification may be renewed two times during any 12-month period for a total of three certified medical emergencies per household.

**WINTER DISCONNECTION** A utility may not shut off your power between November 15th and April 15th without explicit permission from the PUC's Consumer Assistance Division. Between November 1st and April 1st utilities must offer the opportunity to enter into a Special Payment Arrangement best suited to your financial condition. The utility is required to provide you with information regarding financial assistance programs that are available. If you are unable to agree on a payment arrangement the CAD may order the terms of the Special Payment Plan. If you refuse to make a payment arrangement, or fail to meet the terms of a second or subsequent Special Payment Arrangement the utility may disconnect you – but only with permission from the CAD.

The utility may also disconnect you if they can't contact you – but only under certain conditions, and again, only with permission of the CAD. The utility must attempt personal contact with you either in person or by telephone. If the utility can't reach you and it appears that the premises are not occupied, the utility must provide a Notice of Customer Rights by first class mail to the last recorded billing address of the customer. The Notice must be accompanied by a warning that if a response is not received within 5 business days that the service may be disconnected.

If no response is received, the utility may disconnect. If the utility is unable to make personal contact and is *uncertain* whether the premises are occupied, the utility must provide a Notice of Customer Rights by first class mail to the last recorded billing address accompanied by a warning that if a response is not received by the utility within 5 business days the utility may seek permission to disconnect from the CAD or may cycle disconnect the customer without permission from the CAD. In either case if a response is received within 5 days after receipt of the mailing the utility must proceed with the implementation of a Special Payment Plan as described above.

If you end up with a winter Special Payment Plan, remember to pay as much as possible during the winter months. Otherwise your bills starting April 15 will be much more difficult to pay.

If you have received a disconnection notice or are having difficulties paying your electric bill do not hesitate to contact your utility to discuss your problem. If you are not satisfied with the result contact the PUC Consumer Assistance Division at 1-800-452-4699.

# USAGE COST CHART

Below is a chart showing the kilowatt hour usage and approximate annual cost of many common appliances. For a more accurate annual cost, multiply the number in the "Annual kWh Used" column by your actual electric rate shown on the chart on page 1. Many thanks to Efficiency Maine for the chart.

## Common Household Items kWh Use and Annual Cost

| ITEM | Average Time Used | Monthly (30 days) kWh | Annual kWh Used | Annual Cost @ $.164 kWh |
|---|---|---|---|---|
| Window Unit 9000 Btu (6 Mo.) | 8 hrs / day | 321 | 1,926 | $315.86 |
| Central Air 24,000 Btu (6 Mo.) | 8 hrs / day | 857 | 5,142 | $843.29 |
| Dehumidifier 300 W | 4 hrs / day | 31 | 372 | $61.01 |
| Fan 200 W (6 Mo.) | 6 hr. day in season | 3.6 | 22 | $3.54 |
| Heating system 325 W (6 Mo.) | 7 hr. day in season | 78 | 468 | $76.75 |
| Clock 2.5 W | 24 hrs / day | 2 | 24 | $3.94 |
| Radio 7 W | 4 hrs / day | 0.9 | 11 | $1.77 |
| PC 150 W | 4 hrs / day | 18 | 216 | $35.42 |
| 21" TV Older unit 175 W | 6 hrs / day | 31.5 | 378 | $61.99 |
| 27" LCD 106 W | 6 hrs / day | 19.1 | 229 | $37.59 |
| 52" LCD 307 W | 6 hrs / day | 55.3 | 664 | $108.83 |
| 42" Plasma 464 W | 6 hrs / day | 83.5 | 1,002 | $164.33 |
| 60" Plasma 609 W | 6 hrs / day | 109.6 | 1,315 | $215.69 |
| Clothes Dryer 5000 W | 1 hrs / day | 150 | 1,800 | $295.20 |
| Clothes Washer 500 W | 1 hrs / day | 15 | 180 | $29.52 |
| Dishwasher 1200 W | 1 hrs / day | 36 | 432 | $70.85 |
| Stove (combined 2,500 W) | 15 hr. month | 37.5 | 450 | $73.80 |
| Oven (3,000 W) | 12 hr. month | 36 | 432 | $70.85 |
| Coffee Maker 600 W | 15 hr. month | 9 | 108 | $17.71 |
| Refrigerator 21 Cu. Ft. 600 W | Daily | 144 | 1,728 | $283.39 |
| Humidifier 177 W | 6 hr. / day | 32 | 384 | $62.98 |
| Microwave Oven 1,300 W | 10 hr. month | 13 | 156 | $25.58 |
| Stereo 109 W | 2 hr. / day | 7 | 84 | $13.78 |
| Cable box Standby mode 9 W 40% Time | 10 hrs / day | 2.7 | 32 | $5.31 |
| Cable box Active mode 177 W 60% Time | 14 hrs / day | 74.3 | 892 | $146.22 |
| Electric Water Heater 4,500 W | 2 hr. / day | 405 | 4,860 | $797.04 |

This chart takes average use and average price and should be used only for comparisons. Any energy cost / usage change will result in a very different operation cost.

Public Advocate Office
112 State House Station
Augusta, ME 04333-0112

## PUBLIC ADVOCATE AND STAFF:

Standing (left to right): Dick, Eric, Bill, Mary, Agnes;
Seated (left to right): Patty, Wayne, Debbie

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 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.