STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2004-641

October 13, 2004

FOX ISLAND ELECTRIC COOPERATIVE
Proposed Tariff Revisions to Modify the
Transmission Adjustment Tariff

ORDER

WELCH, Chairman; DIAMOND, and REISHUS Commissioners

I. SUMMARY

In this Order, we approve a modification to Fox Island Electric Cooperative Inc.'s (Fox Island or FIEC) transmission adjustment tariff to allow it to recover through this tariff the cost of operating its emergency generator.

II. BACKGROUND

On September 20, 2004, Fox Island filed a proposed revision to its Transmission Adjustment Tariff. In its filing, FIEC noted that power is supplied to the Fox Island service territory (the islands of Vinalhaven and North Haven) via four submarine cables from the mainland. These cables were placed into operation 28 years ago and cable faults have occurred with increasing frequency. In Docket No. 2002-811, Fox Island stated that it had initiated a multi-step plan to maintain reliable service and its financial health. In summary, the plan included increasing rates and installing new, buried submarine cables. Fox Island states that it has made considerable progress with the new cables and expects installation during the March – April 2005 time period.

Until the new cables are energized, Fox Island continues to experience cable failures. If any two cables are out at one time, three-phase power cannot be on the island. If three cables are out at any one time, power cannot be supplied at all. During the 2004 calendar year, there have been 13 cable failures with two resulting in the loss of three-phase service and one resulting in no power at all.

Recognizing the impact that these outages can have on the island economy, Fox Island secured an emergency generator through federal grant funds. The generator is installed and reliable service can be maintained while the old submarine cables are still in service. However, the revenue requirements used to set the rates in Docket 2002-811 do not include the cost of operating the generator. Fox Island states that, at current prices, generator fuel costs approximately $4,000 per day. Fuel costs during just a two-day outage could exceed Fox Island's current cash position.

Fox Island has proposed to modify its Transmission Adjustment tariff to include the costs of fuel and other variable operating costs of generation during periods of time when the emergency generator is operating due to cable failures. This will allow the

utility to recover the costs in the month after they are incurred, a cash flow that will not unduly jeopardize Fox Island's financial health.

Fox Island has stated that the impact to ratepayers will be minimal as during the time of cable failures, a ratepayer's power supply bill is decreased as the default supplier cannot deliver power. The net effect would be an increase of approximately $1.62 per day for a residential customer.

III. DECISION

Although we have moved away from automatic adjustment clauses under normal circumstances, the circumstances that Fox Island and its customers face are unique. Fox Island has taken necessary steps to secure reliable power for its customers and its proposal for cost recovery is reasonable given its current circumstances. Therefore, we will approve its proposed tariff revisions.

We will require, however, that when it files its next rate proceeding reflecting the new cables going into service that it either amend the tariff to remove this automatic adjustment language or provide adequate support as to why it is proper to continue its inclusion in the tariff.

Therefore we,

O R D E R

1. That Fox Island Electric Cooperative's proposed revision to Page 24, Tariff No. 13 be approved effective with the date of this Order; and

2. That when Fox Island files its next rate filing it either revise the tariff to remove the automatic adjustment for the generator costs or support why a revision is not necessary.

Dated at Augusta, Maine, this 13th day of October, 2004.

BY ORDER OF THE COMMISSION

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Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
Diamond
Reishus

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.

2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21 days** of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.

3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.