

ELECTRICITY GUIDE

Maine Public Advocate Office

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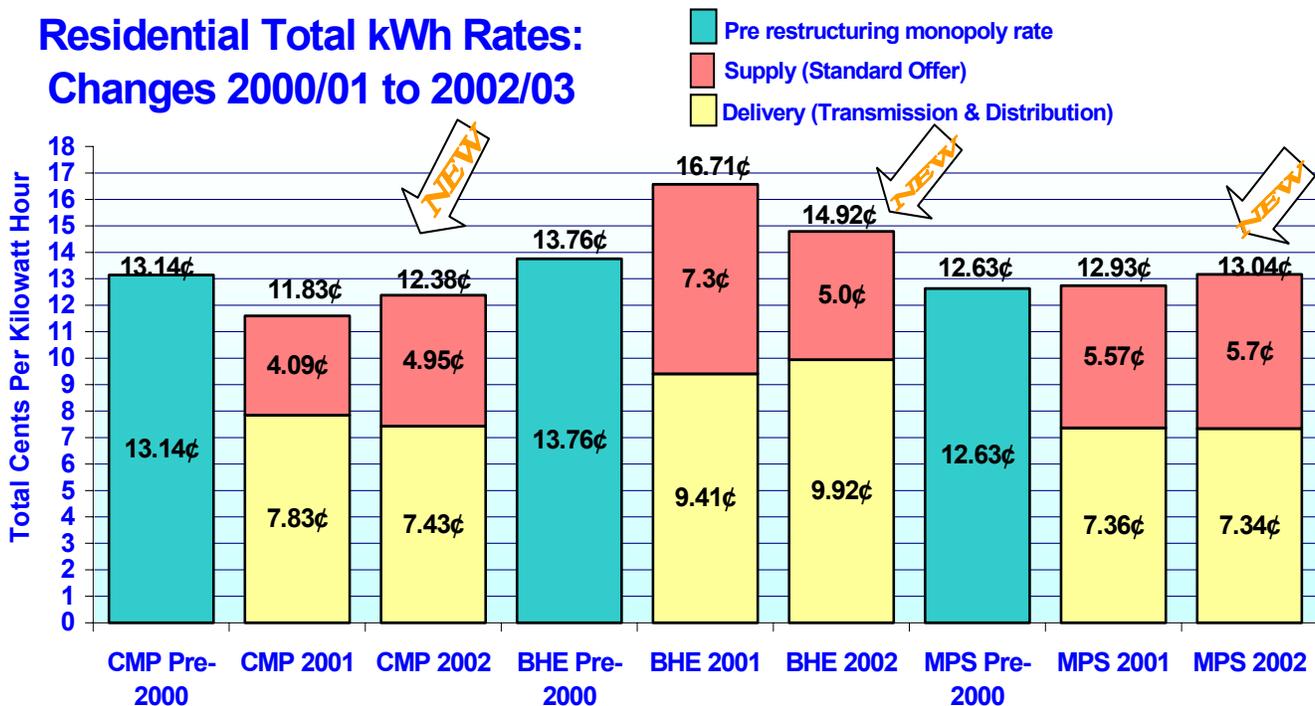
NEW RATES

On March 1, 2002 the electric rates for most residential customers in Maine changed. There are two separate causes for these changes. One involves the supply portion of your service. As reported in our last issue, the PUC completed an “auction” last fall to see who would supply standard offer power to Maine customers. Separate auctions for CMP and BHE customers resulted in a new standard offer service provider and a new rate (see chart below). The new provider for customers in both CMP’s and BHE’s territory is Constellation Power. In each case, Constellation successfully outbid seven or eight other bidders. For CMP and BHE customers, these new standard offer rates will remain in place for three years. Standard offer service for customers in MPS’s service territory will continue to be supplied by WPS Energy Services.

The other reason for the change in residential rates for customers of BHE and CMP results from a recalculation by the PUC of the stranded costs of each utility. Stranded costs are the historic costs incurred by each utility prior to the restructuring of the industry and are a portion of your delivery rate. They will decline to zero, gradually, over the next ten years. The chart below shows the new rates for both the supply and the delivery portion of your rates.



**Residential Total kWh Rates:
Changes 2000/01 to 2002/03**



CONSERVATION

A small part of your electric bill is for programs designed to conserve energy. For CMP ratepayers, this amounts to about 75¢ on a monthly bill of \$60. For many months, this money has been accumulating because it can only be used for conservation, yet no new programs have been designed. A bill that is now approaching final enactment by the Legislature should change that. It would transfer responsibility to develop and implement electricity conservation programs from the utilities to the PUC. We support this bill primarily because utilities should not be administering programs that are designed to reduce usage, when at the same time they are corporations whose mission is to increase profits by increasing usage.

REGIONAL EFFORTS

Today, roughly half of your electric bill is for generation (supply) services. In the future, as the local utilities pay off their stranded costs, the proportion of your total bill that goes to supply will increase (though it is possible that your combined rate may drop). The cost of supply is now influenced in large part by events beyond Maine's borders, in the regional markets and in Washington, DC, where the wholesale power industry is regulated by the Federal Energy Regulatory Commission (FERC). In order to understand the wholesale issues, and to represent your interests, the Public Advocate Office is becoming increasingly involved in these regional arenas. Thus, we attend meetings of NEPOOL, the New England Power Pool, and follow the work of ISO-New England, the independent operator of New England's electric grid and wholesale market. For example, ISO-NE recently announced that it intends to merge with the independent system operator for New York, NYISO. This could bring benefits to Maine customers, but it also poses risks, such as the possibility that New England's relatively cheap power could flow south causing New England customers to subsidize a lower price in New York. We expect to keep ourselves informed of these developments and, as best we can, weigh in with our views.

We also keep abreast of issues at the FERC, where we have worked together with our counterparts in other northeast states to submit briefs and comments on important cases that will have an effect on the way power is sold and priced, and how competitive electric markets are policed for marketing abuses.

RENEWABLE RESEARCH & DEVELOPMENT FUND

In our last issue, we reported on efforts to increase awareness about a fund designed to support Maine based research and development of renewable generation technologies. The fund relies upon the voluntary contributions of customers. To date, the fund totals just over \$6000, not enough to even begin thinking about research. In the next month or two you should be receiving more information on the fund in a flyer that comes with your electric bill. If you would like to make a contribution to Maine's Renewable R&D Fund, you can contact your electric distribution for details, using the following phone numbers.

| | |
|---------------------------|--------------|
| Central Maine Power | 800-750-4000 |
| Bangor Hydro-Electric | 800-499-6600 |
| Maine Public Service | 877-655-4448 |
| Van Buren Light and Power | 207-868-3321 |
| Kennebunk Light and Power | 207-985-3311 |
| Eastern Maine Electric | 207-454-7555 |

MUNICIPAL AGGREGATION

The Legislature and the Governor have recently approved a bill that directs the PUC to study the concept known as “municipal aggregation” and to report on whether it should be used in Maine. Municipal aggregation is a form of bulk power purchasing by individual municipalities or groups of towns and cities on behalf of their residents. The basic concept is that municipalities would conduct an auction similar to the standard offer auction administered by the PUC for standard offer service. The winning bidder would then become the electricity supplier for all residents, and – possibly – large and small businesses of the town.

A democratic process would govern any proposed municipal aggregation in your town or city. First, the municipality must decide to participate in municipal aggregation through a vote of the city or town council, (or through town meeting depending on the form of government) or perhaps even a town-wide referendum. This approach will provide each person an opportunity to participate in the process. Second, residents and businesses would have the opportunity to “opt out” of the deal and take the standard offer or some other offer for power supply, if any exist at that time. If residents made no choice to opt out, even if they were completely unaware of the process, the municipally selected supplier would become their supplier. Unlike municipal aggregation, most other forms of aggregation are “opt in”, where customers must affirmatively agree, most often in writing, to take service through the aggregator.

The reason that municipal aggregation deserves consideration by the PUC, in our opinion, is that in contrast to commercial and industrial sectors in Maine where as much as 90% of the power is sold by competitors, less than 1% of residential power comes from anything other than the standard offer. We endorse municipal aggregation, even with the opt out feature, as one of the few methods available today for bringing competitive offers to residential customers.

The record so far on whether municipal aggregation can actually bring welcome choice to electricity customers presents a mixed bag. [see box at right] We look forward to assisting the PUC with its study of this issue to determine how effective it might be in helping Maine electricity customers.



MUNICIPAL AGGREGATION - THE EXPERIENCE ELSEWHERE -

We expect that the PUC study will examine, among other things, the municipal aggregation models that have been used in other parts of the country. In some areas, municipal aggregation has led to a price lower than the standard offer. For example, about 600,000 customers in 158 municipalities in Northern Ohio receive their power supply through municipal aggregation. The total savings of customers in these aggregations has been estimated at \$126 million.

Twenty-one towns and two counties comprised of 185,000 electricity customers on Cape Cod in Massachusetts have embarked on a plan to aggregate. The Cape Light Compact as it is called, has recently reached an agreement with a supplier to provide service at a competitive price. Approval of the agreement by the member towns is expected soon.

A municipal aggregation plan in New Jersey has been dubbed a failure, principally because the “opt out” provision was so poorly worded in the law that it effectively became an “opt in”. Because they require a great deal of door-to-door work, “opt in” plans involve significant uncertainty – and therefore additional risk for the companies bidding to supply the power – which usually raises the price.

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NEW NAME

Beginning with this issue, we are dropping “shopping” from the name of this guide, in recognition of the fact that residential customers in Maine have few, if any, meaningful electricity supply choices. Until competitive suppliers begin to offer such choices, we will call this the Electricity Guide.



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.

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