

Public Utilities Commission
Presentation to the
Commission to Study the
Economic, Environmental and Energy
Benefits of the Biomass Industry

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Maine Public Utilities Commission

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Topics

- Components of Electric Rates
- Standard Offer Process
- Franchise Issue/Boralex Case
 - PUC Precedent Pertaining to the Relationship That Exists Between Stratton Lumber & ReEnergy Facility in Stratton
 - Subsequent Advisory Ruling – ReEnergy & Rumford Paper

Components of Electricity Service

- Delivery Service - Delivery of Electricity Over T&D Lines
- Supply Service - Power Supply
 - Wholesale
 - Retail

Components of Electricity Service

- Delivery Service – Involves the Poles, Wires & Other Equipment to Deliver Electricity:
 - Transmission - High Voltage System of Wires that Transports or Delivers Electricity Over Long Distances
 - Distribution - Low Voltage Portion of the System Dedicated to Delivering Electricity to End Customers
 - Customer-related Services - Metering, Billing
 - Provided by Maine PUC Regulated T&D Utilities such as CMP and Emera Maine

Components of Electricity Service

- Supply Service
 - Wholesale Market – Overseen by Federal Energy Regulatory Commission (FERC)
 - Retail Market – Overseen by Maine PUC
- Wholesale Supply Service
 - Generation and Sale of Power (Energy and Capacity)
 - Regional Market
 - Wholesale Market is Not Subject to State Rate Regulation

Components of Electricity Service

- Retail Supply Service
 - Standard Offer Service is the Default Supply Available to Any and All Customers
 - Competitive Electricity Providers (CEPs) Provide Competitive Supply, Either Through Contractual Arrangements or Standard Offer Service
 - CEPs Must be Licensed by the PUC and Comply with Applicable Rules and Regulations
 - There are about 240 Licensed CEPs in the State, Although Not All Are Active

Components of Delivery Rates (T&D)

- T&D Rates are Comprised of 3 Components:
 - Transmission Rates – Costs of Constructing/Operating the Transmission System in Maine and Costs Allocated to Maine for Regional Pool Transmission Facilities (High Voltage Transmission Lines which serve as Backbone of New England System and are Paid for by All New England Ratepayers – Maine’s Share is Approx. 8%)
 - Regulated by FERC
 - Distribution Rates – Costs to Construct/Operate Local Distribution System & Customer-related Services Costs
 - Regulated by the PUC
 - Other Itemized Costs
 - Stranded Costs – Net Above Market Costs for Generation Obligations That Utilities Incurred Prior to Electric Restructuring
 - Regulated by the PUC
 - Other Energy Obligations - Net Costs from More Recent Contracts Authorized Pursuant to Statute (Long-term Contracting, Community Based Renewable Energy Pilot Program & the Ocean Energy Act)
 - Regulated by the PUC
 - Administrative – EMT, Low-income, PUC, OPA

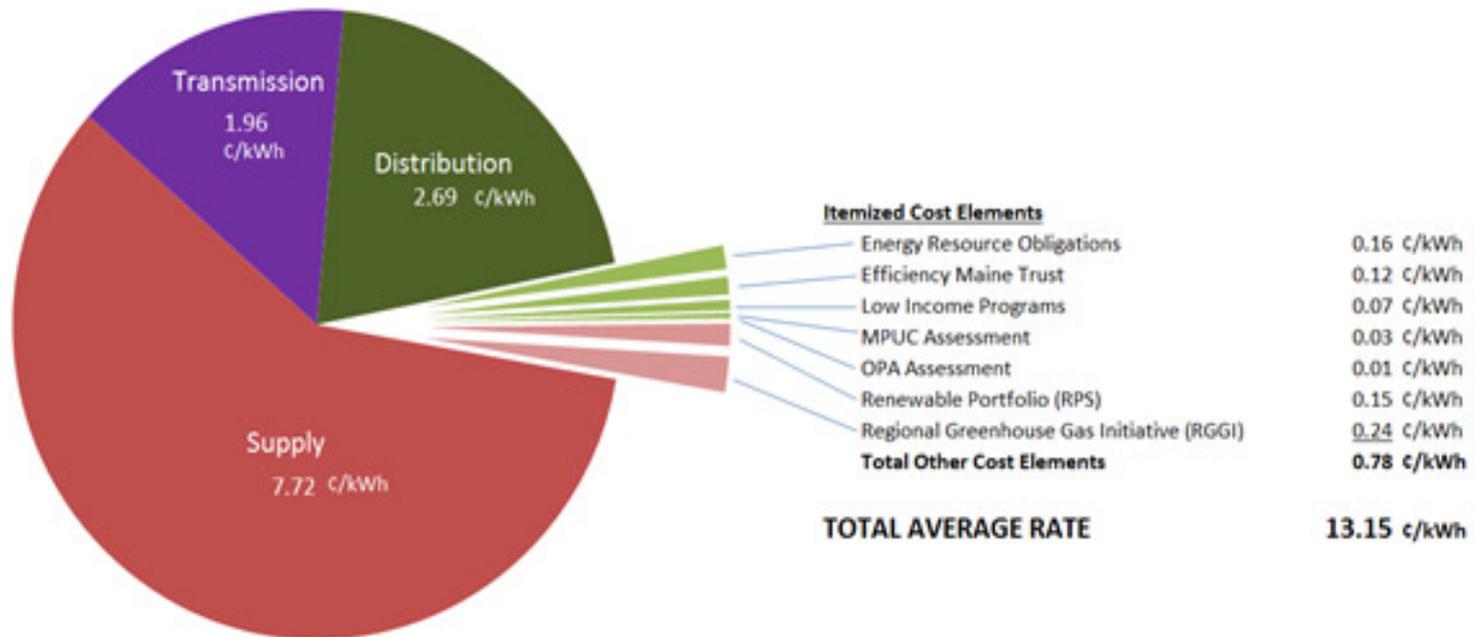
Components of Supply Rates

Market-based

- Energy Costs – Cost to the Supplier of Meeting the Energy Requirements of its Customers in the Wholesale Market Settlement System
 - In ISO-NE, these Generally Reflect the Expected or Actual Market Clearing Prices
 - RGGI
- Capacity Costs – Costs to the Supplier of Meeting the Requirements of its Customers for Regional Market Capacity Costs
 - In ISO-NE, this is through the Forward Capacity Market (FCM)
- Other Wholesale Market Costs – These include Items such as Ancillary Services
 - e.g., Spinning Reserves, and ISO-NE Charges
- Other Costs – Retail Supply Prices also include: the Cost of Complying with the Renewable Portfolio Standards (RPS); Line Losses; Billing Charges & the Supplier's Risk and Profit

Components of Electric Bills

2014 Average Prices by Components-Central Maine Power Customers*



* -Rates represent the average rates over all rate classes. Not all components apply to all rate classes.

Standby/Backup Charges

- Customers that have Electric Generation Facilities are Connected to the T&D System so that Electricity can be Provided When the Generator is Down for Service or Otherwise Not Operating (Known as Back-up or Standby Service)
- T&D Utility Charges for this Service Pursuant to PUC Approved Rates – Fixed Monthly Charges & Demand Charges
 - Demand Charges Are Not Based on Energy Usage for the Month but Based on Peak Usage in the Month
- Designed to Recover the Cost of the T&D Infrastructure that Must be Constructed & Available to Deliver Power Whenever the Customer Needs the Power

Standard Offer Service

- Standard Offer Service is the Retail Supply Customers Receive if they Don't Have Their Own Contractual Arrangement with a CEP
- Statute Requires Standard Offer Service to be Available to Any and All Customers
- The Commission Runs Periodic Competitive Bid Processes to Procure Standard Offer Service
- Standard Offer is Provided by Licensed CEPs and Not the T&D Utilities
 - e.g., NextEra, New Brunswick Power, TransCanada
- CEPs Must be Licensed by the PUC and Comply with Applicable Rules and Regulations
 - e.g., RPS
- CEPs Must Serve Load of Any Customer that Wants Standard Offer Service at Any Time
 - Large C&I Customers – 4% on Standard Offer
 - Medium C&I Customers – 33.8% on Standard Offer
 - Residential & Small Commercial Customers – 81% on Standard Offer

Franchise Issue

- T&D Service is a Regulated Monopoly Service
- Utilities have an Obligation to Serve Customers in Defined Service Territories at Rates that are Regulated and in Return, Competition within Utility Service Territories is Restricted
- Rationale – So We Don't have Duplicate T&D Poles & Wires Which Tends to Minimize the Overall Costs of Service For All Customers
- This Policy is Embodied in 35-A M.R.S. § 2102 which Requires PUC Authority Before a Second Utility Can Provide Service in the Territory of an Existing Utility

Current Law Regarding Relationship Between Stratton Lumber and ReEnergy

- Maine Law Generally Requires that the Local Utility Construct T&D Facilities Located within its Service Territory if Those Facilities are Offered for Public Use
 - Is Intended to Maintain Current Structure in which the T&D Utilities Provide their Services within Defined Territories which Tends to Minimize the Overall Costs of Service for all Customers
- However under Certain Circumstances a Customer Can Purchase Electricity from an Adjacent Generator Through Private Facilities that Do Not Otherwise have a Public Use without Either Becoming a T&D Utility or a CEP (e.g., Stratton Lumber ReEnergy Relationship)
 - These Circumstances Generally involve a Generator and Adjacent Customer that have a Distinct Business Association, a Corporate Affiliation or a Landlord/Tenant Relationship

Boralex Case

- Question in the Boralex* Case: Did Boralex's Plan to Provide Direct Electric Service to Stratton Lumber Company (without the use of CMP's T&D System) Violate Title 35-A in that Boralex would be Acting as a T&D Utility Without Proper Commission Authority and/or as a CEP Without a Required License
- PUC Decision: PUC Found that Boralex's Proposed Activity Would Not Make Boralex a T&D Utility or a CEP

*ReEnergy Purchased Boralex Facilities

Boralex Case

- Standard Applied in the Case which is Current Law - PUC Considered These 5 Factors:
 - Whether the Generator and Customer Where Located on the Same or Physically Adjacent Property
 - Whether the Generator and Customer had a Commercial or Corporate Relationship That Went Beyond the Sale of Electricity
 - Whether the Number of Customers Served or that Could be Served was Limited
 - Whether all the Power Sold Came from the Generator as Opposed to the Utility Grid &
 - Whether There Were Any Sham Transactions to Create a Private Character Regarding the Sale
- Not All Factors Must be Satisfied But If They All Are, the PUC Public Use Test is Not Met and the Entity in Question is Not a Public Utility

ReEnergy & Rumford Paper Advisory Ruling

- In 2011 – ReEnergy Sought a PUC Advisory Ruling on ReEnergy’s Proposed Purchase & Operation of Certain Cogeneration Assets Owned by Rumford Paper at the NewPage Pulp & Paper Mill in Rumford & the Use of Those Cogeneration Assets by ReEnergy to Provide Electricity to the New Page Mill
- PUC Reapplied the 2001 Boralex Decision & Found That The Proposed Activity in This Case Would Not Render ReEnergy a T&D Utility and/or a CEP.