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July 7, 2014

Harry Lanphear
Administrative Director
Maine Public Utilities Commission
101 Second Street
Hallowell, ME 04347

Rockport, ME
Boston, MA
Providence, RI
Hartford, CT
Ottawa, ON
Canada

Re: Central Maine Power Rate Case; Docket No. 2013-00168
ENE Comments on Stipulation

Dear Mr. Lanphear:

ENE (Environment Northeast) is a party to the Central Maine Power rate case. ENE has focused solely on the issues of CMP's proposed revenue decoupling mechanism (RDM) and rate design. ENE participated in most of the settlement discussions surrounding these two issues, which led to the Stipulation of the issues in this case and which will be before the Commission for deliberations soon. I am writing today to state the reasons behind ENE's decision to neither sign nor support the Stipulation.

For well over a decade ENE has been a leading advocate for increasing energy efficiency investments in Maine and the other New England states, for both environmental and economic reasons. ENE's 2009 Report on *Energy Efficiency: Engine of Economic Growth*¹ was a groundbreaking analysis showing not only the environmental benefits of energy efficiency, but also how efficiency investments drive economic growth. It should come as no surprise that ENE has championed decoupling utility profits from sales in many New England states, including Maine, for over a decade. We therefore are very pleased with the Stipulation's adoption of a RDM for CMP.

However, we have serious concerns with some of the rate design changes adopted in the Stipulation, particularly the increase in the fixed customer charge (and the concomitant reduction in the volumetric per kWh charge) for the residential customer class. ENE believes that the increase in the distribution level customer charge (from \$5.71/month to \$10/month), combined with the decrease in the number of kWhs included in the minimum charge (from 100 kWh to 50 kWh), are both contrary to well-established Maine energy policies and send the wrong price signal to consumers.

As the graph below (prepared by Faith Huntington) shows, the proposed rate design changes will result in the most dramatic bill *increases* (13% to 25%) for the below average users, which includes those who have taken action in their homes to reduce electric demand by conserving and purchasing more efficient lights and appliances. The changes will also disadvantage

¹ http://www.env-ne.org/public/resources/pdf/ENE_EnergyEfficiencyEngineofEconomicGrowth_FINAL.pdf

customers who have installed distributed generation to reduce their demand on the grid, including at system peaks. These customers will pay higher bills regardless of their decrease in consumption of kWhs from the grid. At the same time, the rate design changes will result in bill *decreases* for the largest users. Accordingly, the change in effect penalizes those who have taken action to reduce their demand and rewards the largest consumers.

Central Maine Power Company						
Distribution Rate Design						
Rate A Examples						
Assume 10% Increase in Class Rev Req						
A B						
Example 1						
Example 2						
Rate Year 1	Current	Example 1		Example 2		
Core Rate	Distribution	Distribution	Distribution	Distribution	Distribution	
Billing Units 1/	Rates	Rates 7/1/14	Revenue	Rates 7/1/14	Revenue	
RATES A & B						
Minimum Charge	6,523,442	\$ 5.71	\$ 12.00	\$ 78,281,304	\$ 10.00	\$65,234,420
kWh 50 or less	298,010,305					
kWh 100 or less	596,020,610					
kWh > 50	3,200,452,192				0.032772	104,884,736
kWh > 100	2,902,441,887	0.044112	0.031642	91,837,852		
Total Class	3,498,462,497			170,119,156		170,119,156
Customer Monthly Bill at kWh Usage						
				% Change		% Change
	100	5.71	12.00	110%	11.64	104%
	300	14.53	18.33	26%	18.19	25%
	400	18.94	21.49	13%	21.47	13%
	500	23.35	24.66	6%	24.75	6%
	700	32.18	30.98	-4%	31.30	-3%
	1,200	54.23	46.81	-14%	47.69	-12%
	2,000	89.52	72.12	-19%	73.91	-17%

Furthermore, on an ongoing basis, by shifting a higher proportion of the utility’s revenue requirements to fixed charges, as opposed to volumetric charges, the new rate design sends the wrong price signal to ratepayers. It will reduce the consumer’s incentive to conserve and use energy more efficiently, or to install distributed generation that reduces demand on the system peaks. This shift in how CMP collects its revenues is also largely unnecessary given the adoption of a RDM that guarantees CMP will recover its allowed revenues even if sales decline.

ENE understands that the agreed upon customer charge is based on CMP’s marginal cost of service study. While costs are certainly one factor that should be considered in designing rates, rate design is as much an art as it is a science. Rates must be designed to advance Maine energy policies, and Maine energy policy clearly states that rates should be designed to advance energy conservation, efficiency, and distributed generation that reduces the need for new and expensive transmission infrastructure capacity. The Electric Rate Reform Act, 35-A M.R.S.A. sec. 3151 et seq., provides in pertinent parts:

The Legislature declares and finds that improvements in transmission and distribution utility rate design and related regulatory programs have great potential for reducing the cost of electric utility services to consumers, *for encouraging energy conservation and efficient use of existing facilities and for minimizing the need for expensive new electric transmission capacity.* Sec. 3152.1, emphasis added.

and,

The commission, as it determines appropriate, shall order transmission and distribution utilities to develop and submit specific rate design proposals and related programs *for implementing energy conservation and energy efficiency techniques and innovations*, either in conjunction with or independent of any rate-making proceeding pending before the commission. The proposals, as the commission determines, must be designed *to encourage energy conservation, minimize the need for new transmission and distribution capacity, minimize costs of transmission and distribution service to consumers, minimize transmission and distribution rates over the long term or short term and take into account the needs of low-income customers*. In approving a proposal under this section, the commission shall give equivalent consideration to the goals of minimizing costs and minimizing transmission and distribution rates to consumers. Sec. 3153-A.1, emphasis added.

In short, Maine law supports rate design proposals that encourage energy conservation and efficiency, and minimize the need for new transmission and distribution capacity. The increase in the fixed charge from under \$6 to \$10, combined with the decreased number of kWhs included in the charge, will have the opposite effect. Those who have taken steps already to reduce their consumption through conservation, efficiency, and distributed generation will be hardest hit by these rate design changes. They will bear a disproportionate share of the rate increase. Penalizing these customers who have reduced their usage violates long-established principles of equity and fairness.

In addition, we do not believe that the Stipulation contains any countervailing provisions that advance a clean energy future that might sufficiently offset this move to collect more revenues through fixed charges and fewer through volumetric charges.

Finally, the \$10 customer charge would make CMP's customer charge significantly higher than the customer charge of most New England utilities.

For all of the above reasons, ENE did not sign the Stipulation and cannot support it. We respectfully suggest that one option would be for the Commission to delay implementation of any significant rate design changes in this proceeding, and instead take a comprehensive look at reforming rate design (perhaps for all Maine utilities), including review of the many issues related to demand charges set forth in the Stipulation, to reflect the dramatic changes electric utilities face today in light of significant technological advances. These changes include greater penetration of new and emerging efficient electric technologies (such as electric vehicles and heat pumps); much greater penetration of distributed generation, particularly solar PV; implementation of a new billing system by CMP; and, the penetration of AMI meters. The utility of the future will look very different than the utility of the past, and the rate design policies we adopt will play a major role in advancing clean energy technologies and policies. The rate design needed to promote a modern grid might better be considered in a comprehensive fashion rather than on a piecemeal basis.

If the Commission does choose to adopt the Stipulation, including the rate design sections, as a settlement of issues in this proceeding, ENE urges the Commission to revise these aspects of the Stipulation so that the included amount of electricity in the minimum charge remains at 100kwh and the fixed charge is not increased in a way that penalizes those who have taken steps to reduce their usage and discourages future ratepayer investments in energy efficiency.

Thank you for your consideration of these comments.

Sincerely,

A handwritten signature in black ink that reads "Beth Nagusky". The signature is written in a cursive style with a large, looping "y" at the end.

Beth A. Nagusky
ENE Senior Attorney and Maine Director