Regulatory Assistance Project Electric Resource Long-range Planning Survey[1]

State: **Maine**	Date: 1/14/04
Name of Agency:	Maine Public Utilities Commission (PUC)
Source:	Phone interviews and email correspondence
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Policies

1. Is any form of long-range electrical resource and/or investment planning required?

   No form of integrated resource planning has been required since restructuring legislation was passed in Maine. Various bureaus within the Maine Department of Environmental Protection (DEP) review generator siting proposals for compliance with environmental requirements. Since investors take the financial risks in generation projects, the focus of these reviews is on environmental issues regarding the proposed project, not the economic need for, or alternatives to, the facility.

   In this new restructured environment, the PUC is in charge of procuring the standard offer service through a bid process. Therefore, the PUC does not generally engage in planning activities to determine the portfolio of generation resources, but has the discretion to do so if the retail market proves inadequate. Instead of Commission resource planning, the winning bidder is accountable for "all requirements" services. As a result, the burden is on the winning bidder to plan and to hedge against price and load (i.e. market) risks.

   At the state level, transmission projects for public use over 100 kV require a Certificate of Public Convenience and Necessity from the PUC. The PUC may also choose to investigate projects below 100 kV. Some planning activities take place during these processes. At the regional level, the ISO-New England (ISO-NE) and NEPOOL coordinate a range of infrastructure planning and approval processes. The FERC determines cost-recovery for these projects. *These regional/national processes will not be discussed in this summary of Maine's resource planning efforts.*

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[1] All responses written from notes compiled and edited by Cathie Murray, of the Regulatory Assistance Project. Corrections to the draft document, suggested by the contact persons, have been incorporated.

2. What is it called?

   State-level considerations of transmission projects are referred to as certificate cases (for projects over 100kV) and transmission review case (for projects below 100kV).

3. What is the process?

   Certificate and transmission review cases are formal adjudicatory proceedings. The utility must make a filing containing specified information, and respond to discovery requests with evidence that the project meets a public need. (Any entity proposing transmission projects is considered a utility by the PUC.) The public is formally notified and the PUC has 6 months to decide the case. The Public Advocate has a statutory right to intervene. The burden is on the utility to prove need. The advisory staff to the PUC does its own analyses. Usual parties, in addition to the Public Advocate, include landowners, the Natural Resources Council of Maine and the Industrial Energy Consumer Group.

   This process is essential, but may not be the only approval necessary, for the project to go forward. The DEP and local governments may be involved in site location. Regional planning activities coordinated by the ISO-NE and NEPOOL are likely to be required.

4. Describe the analysis required by the regulatory body.

   The utility must show the project meets a public need, usually regarding issues of safety, reliability and adequacy. The PUC must find the project is the least cost reasonable option, i.e., the most economic means to satisfy the adequate service requirement. Land use issues/goals are kept in mind. The technical and financial abilities of the company to complete the project are analyzed. Alternative routes, demand side alternatives, distributed generation, and technology advances are considered. In a recent transmission review case involving a proposed transmission line in York County, the Commission did review the potential for demand side measures as an alternative to the transmission line.

   When the proposed line is connecting a generator to the grid, the “least cost” criterion is not used because the generator owner pays for the line. Since restructuring took effect in Maine, most of the transmission cases before the PUC have been interconnection projects. As a result, the least cost analysis has not been fully tested in this new environment. However, the review of the York County transmission proposal was not an interconnection project; it did involve application of the least cost criterion. Congestion costs have not been a factor in decisions, since congestion is not the issue in Maine it has been in other parts of New England.

   Since generation is market-based in Maine, there is no clear process defining how generation alternatives could be considered by the PUC in Certificate or transmission review cases. Distributed generation options, owned by the utility, to support its

transmission and/or distribution functions are readily analyzed. However, speculation about larger scale generation, owned by other entities, is not.

5. Is it statewide or utility-specific planning? What types of entities are required to participate?

   This process is project-specific at the state level. The ISO-NE coordinates a Regional Transmission Expansion Plan.

6. This form of planning has been required since what date?

   Restructuring legislation passed in 1997 became fully effective in March 2000 and changed the planning environment in Maine. The Certificate and transmission review process has been in effect since the 1970's.

Required Elements

7. In Certificate proceedings, the following resources must be evaluated, included, or compared:

Generation	No
Transmission	Yes
Distribution	Yes
Energy efficiency	Yes
Load Management	Yes

   Other: Distributed Generation, and other alternatives to line construction.

8. Is a comparison of supply and demand side options/resources required?

   Wires solutions must be compared to supply and demand side solutions to assure least cost options are being considered.

9. The plans' objectives, from the regulatory perspective:

   Reliability, safety and adequacy at least cost, ultimately, to ratepayers. The process should assure that costs are just and reasonable.

10. The plans' objectives, from the utility perspective:

    The granting of a Certificate or Commission approval helps the Transmission owner in recovery of costs proceedings before FERC, provided the costs of the project have not increased above those assumed by the PUC in approving the project. The PUC will intervene in the FERC case if it disagrees with the ratemaking associated with the project. Also PUC approval is required for the utility to exercise eminent domain powers.

11. Are alternative scenarios analyzed as part of the plan? If so, what factors are considered? Does the process investigate how the employment of one strategy vs. another may increase the consumers' exposure to risk (e.g. natural gas prices)? If so, how?

    Theoretically the utility would do sensitivity runs on different scenarios varying factors such as load growth, weather, the economy, technology shifts and fuel prices. However, rules on the books requiring detailed alternative scenarios have not been updated since the restructuring legislation passed. It is likely that many of the rule requirements (e.g. fuel price scenarios) would be waived in current transmission proceedings. The PUC does not have experience yet analyzing non-distributed generation alternatives to proposed transmission lines in the new market-based environment. Generally, there is less controversy in transmission-only proceedings.

12. Are externalities considered?

Economic	No
Environmental	No, unless it raises costs.
Land use/local zoning	Yes

13.

What is the planning horizon?	5 - 20 years
Length of Energy and Demand forecasts:	5 - 20 year peak loads
Length of Short-term Action Plan:	varies by project

14. How often do utilities have to file plans? Update plans? What actually happens?

    On an annual basis, utilities file a schedule of transmission line rebuilding or relocation projects that they intended to carry out over the next 5 years regarding transmission lines that will become or remain at 100 kV or more. Upon review, the Commission may investigate any of the projects.

15. What monitoring or other processes are used to determine consistency of investments with plans?

    Before restructuring, rate cases before the PUC were used to monitor the consistency of investments with plans. Now, FERC has jurisdiction over transmission prices and cost recovery. The Maine PUC can intervene in cost recovery proceedings before FERC if it disagreed with the how the project was constructed, or if the investment was not consistent with the approved plan.

16. Are environmental issues considered in the planning process?

    The PUC considers environmental issues only if they would increase costs (e.g. a controversial new corridor versus an existing corridor.) Sometimes the transmission owner has to get a permit from the Department of Environmental Protection under the Natural Resources Protection Act.

Agency Process

17. Agency holds public hearings on utility plans Yes

18. Other ways public participates and comments on plans are:

    The PUC often holds public witness hearings for non-intervenors in the area impacted by the proposal. Written comments are also accepted. Individuals may request addition of their name to the "Interested Persons List" so that they are informed of developments in the Certificate process.

19. What action does the Commission take on the plan(s)?

    The PUC approves, approves with conditions, or rejects the proposed transmission projects. The PUC also can intervene in FERC cost-recovery hearings if it opposes the terms of the project.

20. Have resource acquisition decisions changed as a result of the planning process?

    Yes. At the request of affected parties, the PUC investigated a proposal for a 69 kV transmission line through York County. The resulting Stipulation included a few substantive differences from the original proposal. See Docket No. 2002-665, Order Approving Stipulation at www.state.me.us/mpuc/orders/2002/2002-665oas.pdf

21. Are competitive processes used to acquire new resources?

    Competitive bidding is not required, but it does help the project meet the least cost standard for Certificate approval. The PUC does use a competitive bidding process to obtain the standard offer of electricity for residential customers and default service.

22. Do utilities file an energy efficiency or DSM plan?

    No, utilities are no longer required to conduct energy efficiency or DSM projects.

23. Is competitive bidding used to acquire EE resources? Yes

    All transmission and distribution utilities in Maine must contribute a level of funds determined by the PUC to a Conservation Fund administered by the PUC, known as Efficiency Maine. Competitive bidding is used by the Commission to acquire efficiency resources under this program.

24. Does the regulatory agency have open dockets, or is it considering opening a docket investigating any long-range electrical investments? See below

25. Citation and description:

    Northern Maine is not directly interconnected to the New England grid and has no capacity market. The PUC opened an investigation re: competition and capacity/transmission adequacy in northern Maine. See Docket # 2003-82.

    Bangor Hydro may propose a second tie-in to the New Brunswick grid that will require PUC approval, but no papers have been filed yet.

26. Are filed plans available on-line?

    Yes. Most documents related to Certificate or transmission review cases can be found at the PUC website in the "virtual files" by docket number. Go to: http://mpuc.informe.org/, click on "enter virtual case file," and enter docket number. Information elicited through discovery, such as plan maps and details, may not be available on-line.

27. Citation and description of State policies (legislation, rules/regs, PUC orders) governing planning:

    Statute: MRSA Title 35A, Section 3132
    See http://janus.state.me.us/legis/statutes/35-A/title35-Asec3132.html
    Rule: Chapter 330
    See http://www.state.me.us/mpuc/rules/Part%203/ch330.pdf
    Case law indicates that there must be a need for the project, and that PUC review will be more structured and at a higher level of scrutiny if the project is ratepayer funded.

28. Do you anticipate any changes to this process in the near future?

    The legislature may decide to create a combined siting council or siting board, which would create more of a one-stop shopping opportunity for projects.

29. Does your state do performance–based regulation? Yes
    If so, please describe briefly.

    Currently there is a rate cap on the distribution portion of electric rates. Regulated utilities also have customer service and reliability standards with penalties. All electricity suppliers must meet portfolio requirements, with 30% of electricity supplies coming from eligible resources (e.g. renewables, efficient co-generation and trash-burning), or face sanctions. Maine utilities used to have DSM targets, but that ended with restructuring.

30. Are there any regulatory incentives specifically for energy efficiency or renewables?

    No, other than the negative incentives (i.e. sanctions) for not achieving portfolio requirements. Such regulatory incentives used to exist in Maine. Maine's utilities no

longer provide generation or energy efficiency services. There are no regulatory incentives for utilities in conjunction with the Efficiency Maine program.

State Energy Plan

31. Is there a State Energy Plan?

    The recently completed 2003 Maine Energy Policy Overview is not a state energy plan, *per se*. However, it does provide a description of electricity sector "opportunities for improvement."

32. Is it connected to the planning described above?

    It does not relate to transmission planning directly, but implementation of policy improvements regarding demand side and renewable portfolio standards might impact the availability of alternatives to generation and proposed transmission.

33. If yes, who is responsible for the Plan?

    The Energy Resources Council, a cabinet-level council, facilitated completion of the Overview, which can be seen at:
    http://www.state.me.us/spo/energy/energycouncil/pubs.php

34. What is included in the Plan, apropos of long-range electrical planning?

    One of the goals of the Overview was to identify opportunities for policies to support increased use of renewable energy and energy savings through efficiency. Policies relating to electricity efficiency, distributed generation, resource portfolio standards and electric competition were considered. Specific opportunities discussed included changing the structure of utility incentives, increasing and improving the Resource Portfolio Standards, increasing the system benefit charges supporting Efficiency Maine, and adding a system benefit charge for renewable energy.

NOTES: The current Standard Offer for residential customers ends in 2005. A new Standard Offer will be procured. The PUC is likely to ask for one to three year bids during the next round to provide more price stability. The assumption is that most large customers have negotiated their own suppliers, but need a default service. The PUC does not attempt to secure stable pricing for medium or default C&I customers. It does attempt to obtain lower cost, longer term standard offer pricing for residential customers. The Rule requires the Standard Offer to be an "all requirements" bid. Standard Offer procedures are governed by MRSA Title 35A, Section 3212 and Rules Chapter 301.

Capacity adequacy is considered a regional planning issue and is being discussed at the ISO-NE level.