

**CENTRAL MAINE POWER COMPANY
RESPONSE TO COMPETITIVE ENERGY SERVICES' DATA REQUEST NO. 2
DOCKET No. 2008-255**

September 11, 2008

CES-02-06

- Q.** Please provide a specific reference to the "Commission's observation" you refer to on Page 17 at line 3.
- A.** Please see the attached Commission Order Denying Motion *in Limine* in Docket No. 2006-487 (July 3, 2007), the Saco Bay transmission line case. See also the Bangor Hydro Hancock case, Docket No. 2006-686, which we describe in Volume II, Section K of the July 1, 2008 filing herein.

Response Prepared By:

Paul A. Dumais
Director of Regulatory Services

Attachment(s):

1. Order Denying Motion in Limine, dated July 3, 2007, Docket No. 2006-487

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2006-487

July 3, 2007

CENTRAL MAINE POWER COMPANY
Request for Certificate of Public Convenience
And Necessity to Build a 115 kV Transmission
Line between Saco and Old Orchard Beach

ORDER DENYING
MOTION *IN LIMINE*

ADAMS, Chairman; REISHUS and VAFIADES, Commissioners

The Examiner denies Central Maine Power Company's (CMP) request for an order ruling that evaluation of large scale generation options are not relevant or required for the Commission to grant CMP's Certificate of Public Convenience and Necessity.

CMP asserts that it did not model large scale generation¹ because such modeling is not consistent with how the Commission has directed utilities to look at generation in their transmission planning after restructuring. CMP also argues that Chapter 330 requires utilities to state whether they have investigated "distributed generation" as an alternative to its proposed transmission project. CMP states that the Commission has described distributed generation to mean small scale generation. The lack of a reference to construction of large scale generation in Chapter 330, in CMP's view, implies an intent that utility construction of generation of that size is not a valid alternative for a T&D utility to consider.

The Restructuring Act does not support CMP's view. Section 3204(6) provides that:

5. Generation assets permitted. On or after March 1, 2000, notwithstanding any other provision of this chapter, the commission may allow an investor-owned transmission and distribution utility to own, have a financial interest in or otherwise control generation and generation-related assets to the extent that the commission finds that ownership, interest or control is necessary for the utility to perform its obligations as a transmission and distribution utility in an efficient manner.

It would seem obvious that ownership or control of a generator would be "necessary to operate in an efficient manner" if owning or controlling the generator was less costly than building a new transmission line. Section 3204(6) does not limit the ownership interest to a certain size of generator.

¹ CMP means large scale generation to be 20 MW or more in size. CMP did model "distributed generation," or small scale generation of 5 MW or less.

CMP's citation of the recent MPS transmission line case, Docket No. 2004-538 (Phase I), is misplaced. The generation issue in that case involved whether three wood-burning units should be considered as available for planning purposes because one of the units had been removed for service recently, and the economics of wood-burning units was questioned at that time. The availability of those generating units went to the issue of whether there even was a need for the proposed or any other transmission line. In this case, a need has been accepted as established, and now the issue is determining the least cost of meeting that need.

Indeed, recent action by the Legislature supports this view that section 3204(6) authorizes a T&D to own or control a 40 MW generating unit. In response to the enactment of an Act to Enhance Maine's Energy Independence and Security, P.L. 2005, ch. 677, the Commission promulgated a new major substantive rule, Chapter 316, on Long-Term Contracting and Resource Adequacy. Pursuant to the rule, the Commission may direct CMP to enter into a long-term contract with an electric generator in certain circumstances.² The first circumstance for which the Commission may direct CMP to enter into a long-term contract with a generator is when the generation:

. . . is the least cost means to address an identified local grid reliability need and [the long-term contract] is necessary for the capacity resource to be developed or for its operation to be maintained; . . .

Chapter 316, § 4(B)(1).

On May 22, 2007, the Legislature authorized the final adoption of provisional rule without any change. Resolves 2007, ch. 35. There is no logical reason to permit long-term contracts but prohibit utility ownership of a generating plant. Therefore, there seems to be no reason that the Commission should interpret Section 3204(6) of the Restructuring Act except as it is plainly stated: utilities may own generation when it is efficient to do so, and there is no size limitation imposed.

In its Motion, CMP states that it would have to hire consultants to evaluate a large scale generation option, which would add costs and delay to this case. CMP is correct in viewing data request EX-03-41 as a statement that a generation alternative should have been modeled. The kind of response envisioned by the Examiner would not require considerable expense or time, however. For instance, CMP could obtain and provide cost estimates for a or a set of turnkey generation units up to 40 MW in size. Such unit or units could be based on modular, hybrid or field erected designs that would use standard building units and technology to minimize engineering and construction costs. With a cost estimate so developed, CMP would then conduct the load flow analysis to determine the

² Demand or efficiency "capacity resources" are also included.

time period, if any, that such an alternative solves the transmission and distribution needs. The Examiners realizes that siting and T&D-operational issues will need to be addressed in considerable more detail if the preliminary least cost analysis indicates a generation solution may be the least cost option.

BY ORDER OF THE HEARING EXAMINER

James A. Buckley