SUMMARY

STATE OF MAINE
112TH LEGISLATURE
SECOND REGULAR SESSION

ELECTRIC POWER TRANSMISSION & PURCHASES

Report of a Study by the
JOINT STANDING COMMITTEE ON
UTILITIES
112th Maine Legislature

December 2, 1986

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REPORT OF THE STUDY ON
ELECTRIC POWER TRANSMISSION & PURCHASES

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CHAPTER I

INTRODUCTION

The Joint Standing Committee on Utilities was directed by Chapter 740 of the Public Laws, enacted in 1986, to study the issues of wheeling and electric power purchases. Wheeling is transmission of power over the lines of a utility which does not own that power. The study was also to address the issues of purchase of foreign power, direct purchase of power by end-users, and competition and deregulation of electric utilities. To conduct the study, the Joint Standing Committee established the following Subcommittee:

Rep. Herbert E. Clark, Chair
Rep. Alexander Richard
Rep. Norman E. Weymouth
Rep. Mary C. Webster, Alternate

The Legislature had considered a bill expanding authorization for wheeling in many respects, as well placing conditions on imports of Canadian power. The bill which was finally enacted expanded authorization for wheeling between affiliated industrial enterprises and from any generator to a distant utility. The other aspects of wheeling and Canadian imports were included in this study.

To provide a basis for the study, the Public Utilities Commission (PUC) was directed to prepare a factual report, with the assistance of the Office of Energy Resources and the Public Advocate. The Commission met with the Subcommittee to plan the preparation of that report. Later, the Subcommittee joined the PUC staff to hear the comments of the interested parties at an informal round table discussion scheduled before preparation of the draft PUC report. Finally, the Subcommittee staff had opportunity, along with others, to comment on the draft before the final PUC report was published. The PUC developed a list of 79 interested parties, who were kept informed and participated if they wished by commenting at various stages of the report. The PUC submitted its report as a staff report, and cautioned that the initial conclusions of the staff did not indicate a decision of the Commission with respect to issues which may arise in the future. The PUC also provided the Legislative staff with a set of copies of all responses to information requests and all comments submitted by interested parties. PUC submitted their report to the Committee on November 3, 1986. A copy of the Executive Summary is reproduced in Appendix G.

The Subcommittee met twice to discuss the PUC report and to develop the findings and recommendations included here. In addition, the Subcommittee sent certain follow-up questions to the Commision. These, together with the PUC's replies, are reproduced in Appendix H.

The Full Committee met on November 12th and approved the recommendations of the Subcommittee, including the proposed legislation.

This report presents the major issues that were identified, together with some of the policy options that were discussed and the recommendations of the study. The report continues with a general survey of various aspects of electric generation and transmission, prepared by the Subcommittee staff but based primarily on the work of the PUC and the testimony and comments of various interested persons. These are supported by detailed appendices. Finally, the report includes proposed legislation to implement the recommendations, including further monitoring of the progress of wheeling, analysis of related issues, and specific provisions to remedy a few shortcomings in the present law.

In this report, several electrical units are used frequently. Gigawatt-hours refers to electric energy generated or used over a period of time. It is similar to the kilowatt-hours that appear on residential electric bills. Megawatts refers to electric power, which is the rate of generation or use of electric energy per second. It is similar to the watts that appear on the ratings of electric light bulbs. These quantities are measured in metric units. One Kilowatt equals 1000 watts; one Megawatt equals 1,000,000 watts; one Gigawatt equals 1,000,000,000 watts. The other electrical unit used is the Kilovolt, which is used in describing transmission lines. A Kilovolt is 1000 volts. Familiar household wiring is 110 volts. A transmission line with a higher voltage rating is capable of carrying more power.

CHAPTER II

ISSUES & RECOMMENDATIONS

The leading issues discussed in the Committee study are summarized below, together with the recommendations.

A. ISSUE: Wheeling from Utility to Utility

Hundreds of Megawatts of wheeling from utility to utility occurs now, based on voluntary agreements. The rates are approved by the Federal Energy Regulatory Commission (FERC). The PUC may order such wheeling under the new law (35 MRSA §2330(3)), but there have been no requests so far.

Question: Should PUC be authorized to prohibit by statute wheeling from utility to utility if it is not in the public interest?

Recommendation: This study did not recommend this action because no situation has arisen which shows a need for such authority, it could constitute an unconstitutional burden on interstate commerce, and the PUC can already discourage unreasonable wheeling through its general jurisdiction in rate cases or investigations of "unreasonable" acts.

B. ISSUE: Wheeling from Small Power Producer to Outside Utility

Tens of Megawatts of wheeling from small power producers to outside utilities occurs now, based on voluntary agreements. The rates are approved by FERC. The PUC may order such wheeling under the new law (35 MRSA §2330(3)), but there have been no requests so far. A request by Down East Peat for wheeling by CMP that was pending when the legislation was being considered last spring has been negotiated voluntarily.

Question: Should PUC be authorized to prohibit wheeling to an outside utility if it is not in the public interest?

Recommendation: This study did not recommend this action for the same reasons stated above.

C. ISSUE: Wheeling from outside utility to End User

Wheeling directly to end-users would be inconsistent with the present regulatory scheme which grants monopoly service areas to utilities and places on them an obligation to serve. Some large users including the U.S. General Services Administration and Airco Company (AIRCO) are interested in contracting for power and wheeling it in to save money. The PUC authority is somewhat unclear, although their staff report concludes that approval of such agreements is required under the general powers of 35 MRSA §2301. Several options were discussed for more statutory guidance on end-user wheeling.

Questions: Should there be a specific prohibition of end-user wheeling in the statute? Should PUC be authorized to permit wheeling to end-users, but only under specified conditions? Should Maine industrial customers be granted direct access to power from any major new transmission line from Canada?

Recommendation: This study recommends that the law be left unchanged for now. This is an emerging issue which should be monitored, but there does not appear to be a need for legislation at this time.

D. ISSUE: Wheeling between Non-Utilities

Direct transmission of electricity between non-utilities has been authorized for a number of years between Qualifying Facilities and their associates through their private property. Wheeling is authorized between affiliated industrial enterprises over utility lines, in accordance with the new law (35 MRSA §2330(1)). Wheeling between non-utilities is not specifically provided for in the law except in these two special cases. It is unclear how much of either is happening now. No one has requested authority from PUC.

Question: Should the authorization to allow wheeling between non-utilities be widened, narrowed,or left unchanged?

Recommendation: This study discussed these possibilities and decided to leave the authorization for wheeling between non-utilities unchanged for now.

Question: Should the State require filing of wheeling agreements with PUC?

Recommendation: This study recommends such filing in order that PUC may be well informed on the progress of wheeling, and so that others may be able to obtain necessary information for planning purposes.

Question: Present law does not contain definitions for wheeling purposes of "affiliated interest" or of "industrial enterprise". Should definitions be added?

Recommendation: This study recommends that "affiliated interest" be defined in the statute as referring to entities where one has the controlling interest in the other. It does not recommend adding a definition of "industrial enterprise" because the words themselves seem sufficiently clear for regulatory purposes, and there is a danger that a new definition might unintentionally change the intent of the original statute.

E. ISSUE: Construction of a major transmission line bringing power from Canada through Maine.

One major transmission line from Maine to Canada to southern Maine already exists , the Maine Electric Power Company (MEPCO) line, which brings in 700 Megawatts (MW)* from New Brunswick to Wiscasset. Other major lines from New Brunswick or Quebec are under discussion.

Question: Should the statute require that Maine utilities be provided access to power from any international transmission line through the State?

Recommendation: This study decided that a statutory requirement for access to power would be unnecessary because PUC must approve construction of the line under 35 MRSA §13-A, and no doubt would attach appropriate drop-off conditions.

F. ISSUE: Importation of Canadian power.

As shown below, Maine utilities import a substantial amount of their power at costs below the alternatives. Central Maine Power (CMP) and Maine Public Service (MPS) believe their optimum reliance on New Brunswick for firm capacity is 20-30%, while Bangor Hydroelectric (BHE) suggests 20%. Others, including the small power producers, believe imports should be limited to allow more in-State power production and increase Maine jobs and tax revenues. The following table summarizes the situation for the period beginning January, 1986.

IMPORTATION OF CANADIAN POWER, 1986

Utility	Capacity	Energy	Period
CMP	9%	18%	6 mo.
BHE	10%	18%	8 mo.
MPS	-	24%	8 mo.

Question: Should there be a limit on the percentage of the electric power imported for the State, or for any utility?

Recommendation: The study does not recommend a limit on imported power at this time, but does recommend that, in connection with any application to build a major new international transmission line, the PUC consider the comparative economic impact on the state of production within Maine from renewable resources and of the purchase of the power from outside the state.

At present, 225 MW on the MEPCO and CMP lines is contracted for wheeling power from New Brunswick to Massachusetts.

Questions: Would that transmission capacity better be used for power generated in Maine? Should there be any restriction on import for export to another state?

Recommendation: The study recommends monitoring of this situation. There does not seem to be a saturation problem, keeping Maine producers off transmission lines at this time. The legal problems of interstate commerce would require careful evaluation if any restriction were desired.

G. ISSUE: Bottlenecks

There are interstate bottlenecks in New Hampshire that can prevent power from Maine reaching Southern New England. When Seabrook goes on line these may become worse.

Question: Should action be taken to relieve the bottlenecks?

Recommendation: The study found no effective action readily available to the Legislature. It did note that private efforts through the New England Governor's Conference and NEPOOL may produce some results.

H. ISSUE: Competition & Deregulation

Cogeneration, small power production, and imported power have already brought competition to the electric generation industry. There has always been competition with other fuels for end use, but now the idea of direct competition for end use has been proposed. In fact, it is authorized by the new Maine law for the special case of affiliated interests. Meanwhile the transmission system remains a natural monopoly. It would not make economic sense to have two of them.

Question: Should end-use competition be discouraged or encouraged? What would that mean to the remaining customers? to the utility? Should utilities be assisted in using their transmission monopoly to become brokers of power between generators in Maine and Canada and end-users in Southern New England?

Recommendation: The study identified these as important questions but makes no recommendations at this time except that the issues surrounding competition do merit further monitoring by the PUC.

CHAPTER III

REVIEW OF 1986 WHEELING LEGISLATION

A. Legislation Considered

In 1986, the Legislature considered LD 2104, AN ACT to Permit Industrial Electric Consumers to Purchase Energy from and Through Transmission Lines Carrying Energy from Canada Through the State, with the following provisions:

1.The bill would have established a requirement for wheeling between affiliated industrial enterprises upon request and subject to reasonable conditions to protect the utility and its customers.

2.Under existing law "qualifying facilities", i.e. small power producers and cogenerators, could use their power themselves or sell it to their local utility. The bill would have required utilities to provide transmission ("wheeling") of that power to industrial customers within the state subject to reasonable conditions. Those conditions would have to ensure that the wheeling would not place an undue burden on the utility.

3.Under existing law construction of a major transmission line (100 kilovolts or more) requires a certificate of public convenience and necessity. The bill would have required additional findings if the new transmission line is from Canada: (1) that need exists; (2) that Maine utilities have a reasonable chance to purchase energy or capacity; (3) that Maine utilities have adequate opportunity to profit from construction or ownership and (4) that Maine industrial customers would have a reasonable chance to purchase energy or capacity. PUC would have had to ensure that direct industrial purchases were not likely to result in loss by the customers of the electric utility most recently serving that industrial customer.

B. Legislation Enacted

The Legislature finally enacted Public Laws, Chapter 740 (LD 2327) in which:

1. The provision for wheeling between affiliated industrial enterprises subject to reasonable conditions was included. The wheeling agreement must be unlikely to result in an uncompensated loss by or place an undue burden on the wheeling utility or its customers, and the agreement must not unreasonably impair the ability of the wheeling utility to serve its customers. In addition, if an industrial customer leaves a utility in favor of wheeled power, the utility is relieved of the obligation to supply that amount of power to the customer.

2. A requirement to wheel from any supplier of electricity to any utility subject to reasonable conditions was added.

3. The section on wheeling from "qualifying facilities" to unaffiliated industrial consumers was deleted, but the issue was included in this study.

4. The section on transmission lines from Canada was deleted, but the issue was included in this study.

5. The effects of purchases of out-of-state power was added for inclusion in this study.

6. The question of the relationship among wheeling, competition and deregulation of electric utilities was added for inclusion in this study.

CHAPTER IV

MAINE'S ELECTRIC POWER PICTURE

A. Overview

There are three major utilities that produce, import and export power in the state of Maine: Central Maine Power (CMP), Bangor Hydro Electric (BHE), and Maine Public Service (MPS). Their energy purchases and capacity for the first part of 1986 are listed in Table 1. These purchases and plants fulfill most of Maine's demand for electricity.

Maine utilities experience a winter peak - peak demand for the three major utilities in January 1986 was:

CMP	1453.4 MW
BHE	254.5 MW
MPS	124.5 MW
TOTAL	1832.4 MW

To meet this peak demand and maintain a 20% reserve margin, the three largest Maine utilities need approximately 2291 MW of capacity. Generation in the state exceeds that figure by about 150 MW, although part of that generation is owned out-of-state.

There are two major generating facilities in Maine. Maine Yankee, an 850 MW nuclear power plant in Wiscasset, and Wyman #4, a 619 MW oil-fired plant in Yarmouth. However, 50% of the capacity of Maine Yankee and 29% of Wyman #4 is owned by out of state utilities, as shown in Figure 1. Small power producers expected to come on line in Maine by 1989 will increase electric generation capacity by approximately 250 MW as shown in Appendix H. Looking at the major electric utilities individually illustrates the context for major power imports, exports and wheeling.

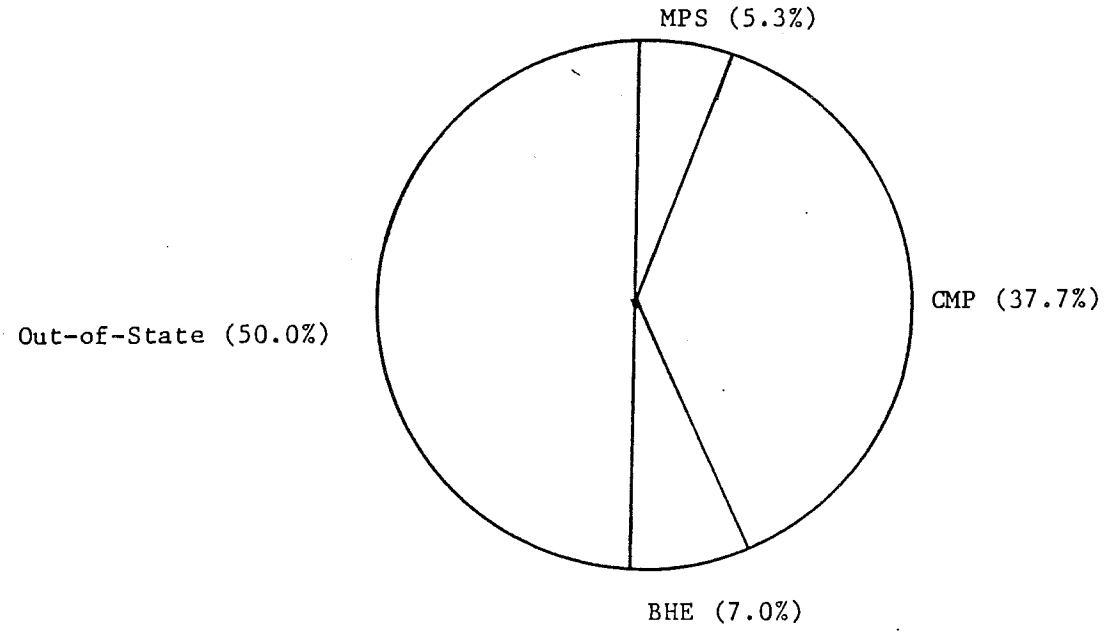
Table 1 shows the electric power picture for each of the major utilities in early 1986. Figure 2 shows the information in graphic form. Energy refers to energy actually produced or purchased. It is measured in Megawatt-hours (MWH) or Gigawatt-hours (GWH) .One GWH is 1000 MWH. Capacity refers to the ability to produce energy, whether it is used or not. Capacity is measured in Megawatts. 1000 MW capacity can theoretically produce 8760 GWH of energy per year. In reality a plant produces less because it only runs part of the time.

B. Central Maine Power (CMP)

Central Maine Power supplies about 9000 GWH per year and generates a large proportion of its own power. However, CMP does make substantial purchases of power from Canada and from other sources, depending on which source is the most economical. In the first half of 1986, CMP obtained 66% of their power from the ownership of Maine Yankee, Wyman #1, 2, 3 and 4, and their hydroelectric plants. They purchased 12.5% from cogeneration and small power production facilities.

FIGURE 1
OWNERSHIP OF MAJOR POWER PLANTS

Maine Yankee
850 MW



Wyman #4
619 MW

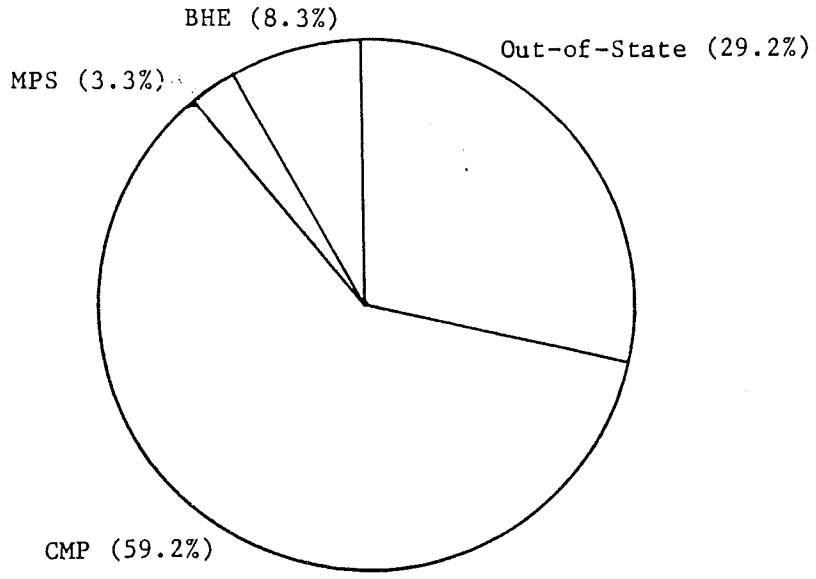


TABLE 1, POWER SOURCES, MAINE UTILITIES

Energy

	CMP 1-1-86-6-30-86		BHE 1-1-86-9-1-86		MPS 1-1-86-9-1-86	
Owned in-state Generation	Gigawatt-hrs	%	GWH	%	GWH	%
Maine Yankee	1120.7	25.5	263.2	26	203.5	43
Wyman 4	475.2	11	102.8	10	41.2	9
Hydro	900.5	20.5	146.6	14	104.0(4)	22
Other Fossil	383.1(1)	9	41.2	4	-	
Other in-state						
SPPF(2)	162.6	3.5	72.5 est.	7	7.7	2
Cogeneration	384.7	9	-			
Other Utilities	(3)					
Import-New Engl.						
Owned Nuclear	144.8	3	-		-	
Net NEPOOL	9.0		28.8	3	-	
Other Purchases	(3)		173.3	17		
Import-New Bruns.						
NBEPC	787.2	18	187.5	18	112.0	24
Other						
Other Purchases	22.0	.5	-		-	
Net	4389.7 GWH		1015.9 GWH		468.4 GWH	
Annual (est.)	9000 GWH		1500 GWH		700 GWH	

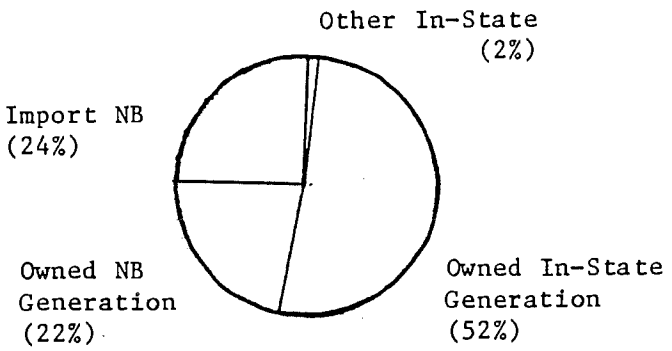
Capacity

Owned in-state Generation	Megawatts	%	MW	%	MW	%
Maine Yankee	320.0	18	59.0	20	45.0	26
Wyman 4	366.3	20	51.6	18	20.7	14
Hydro	305.0	18	34.5	12	36.3(4)	23
Other Fossil	352.6(1)	21	39.0	13	35.3	23
Other in-state						
SPPF	97.0	6	15.0	5	22.0 est.	14
Cogeneration	-		-		-	
Other Utilities	-		-		-	
Import New Engl.						
Owned Nuclear	83.0	5	-		-	
Other Purchases	-		65.0(5)	22	-	
Import New Bruns.						
NBEPC	150.0	9	30.0	10		
Other						
Other Purchases	46.0(6)	3	-		-	
Total	1719.9 MW		294.5 MW		159.3 MW	

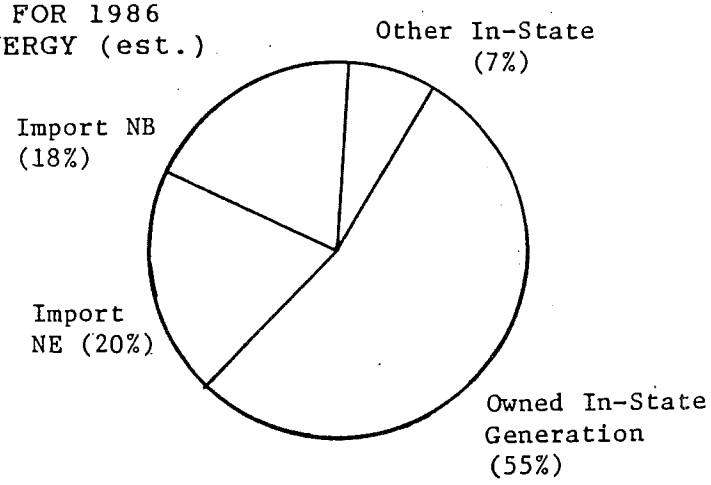
Sources: PUC 11-86, BHE 11-86, CMP 11-86, MPS 11-86.

(1) Includes Wyman 1-3.
(2) Includes SPPF and Cogeneration for BHE and MPS.
(3) Total included in "Other."
(4) 34 MW - Tinker Dam, owned by MPS but located in New Brunswick.
(5) Boston Edison, New England Power, and Northeast Utilities.
(6) Probably major cogeneration.

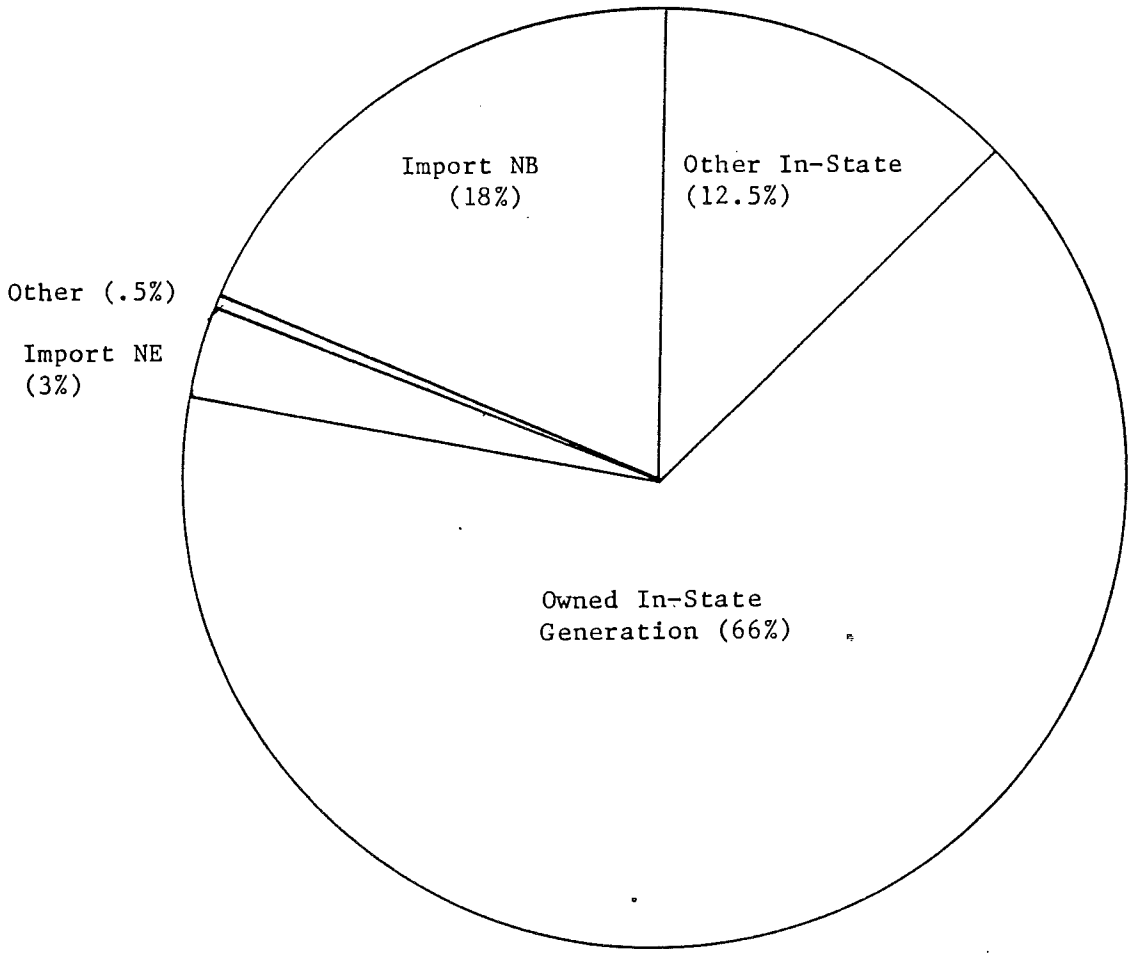
FIGURE 2
POWER SOURCES FOR 1986
ANNUAL TOTAL ENERGY (est.)



MPS 700 GWH



BHE 1500 GWH



CMP 9000 GWH

purchased 18% of their power from the New Brunswick Electric Power Commission (NBEPC) via the MEPCO line, a line which also provides access to power from BHE. CMP wheeled in 3% of their power from ownership shares in power plants in the other New England States. CMP also belongs to NEPOOL, a consortium of most of the electric utilities in New England, that dispatches power throughout the region on a least cost basis. During the first half of 1986 CMP purchased and wheeled in a net amount of less than 1% from NEPOOL.

C. Bangor Hydroelectric (BHE)

Bangor Hydroelectric supplies about 1500 GWH per year. BHE have a number of small- to medium-sized facilities in their service area, but also own substantial portions of Maine Yankee and Wyman #4. In the first part of 1986, BHE obtained 55% of their power from their ownership of Maine Yankee, Wyman #4 and their hydroelectric and fossil-fueled plants. Power from Maine Yankee and Wyman #4 is wheeled in over the CMP and MEPCO lines. BHE purchased 7% from cogeneration and small power production facilities. Of this, they wheel a portion via CMP and PSNH to a group of utilities in New Hampshire.

BHE purchased 18% of their power from New Brunswick Electric Power Commission and wheeled it in via MEPCO. They purchased and wheeled in a net 3% from NEPOOL, and 17% was wheeled in from Boston Edison, New England Power and Northeast Utilities.

D. Maine Public Service (MPS)

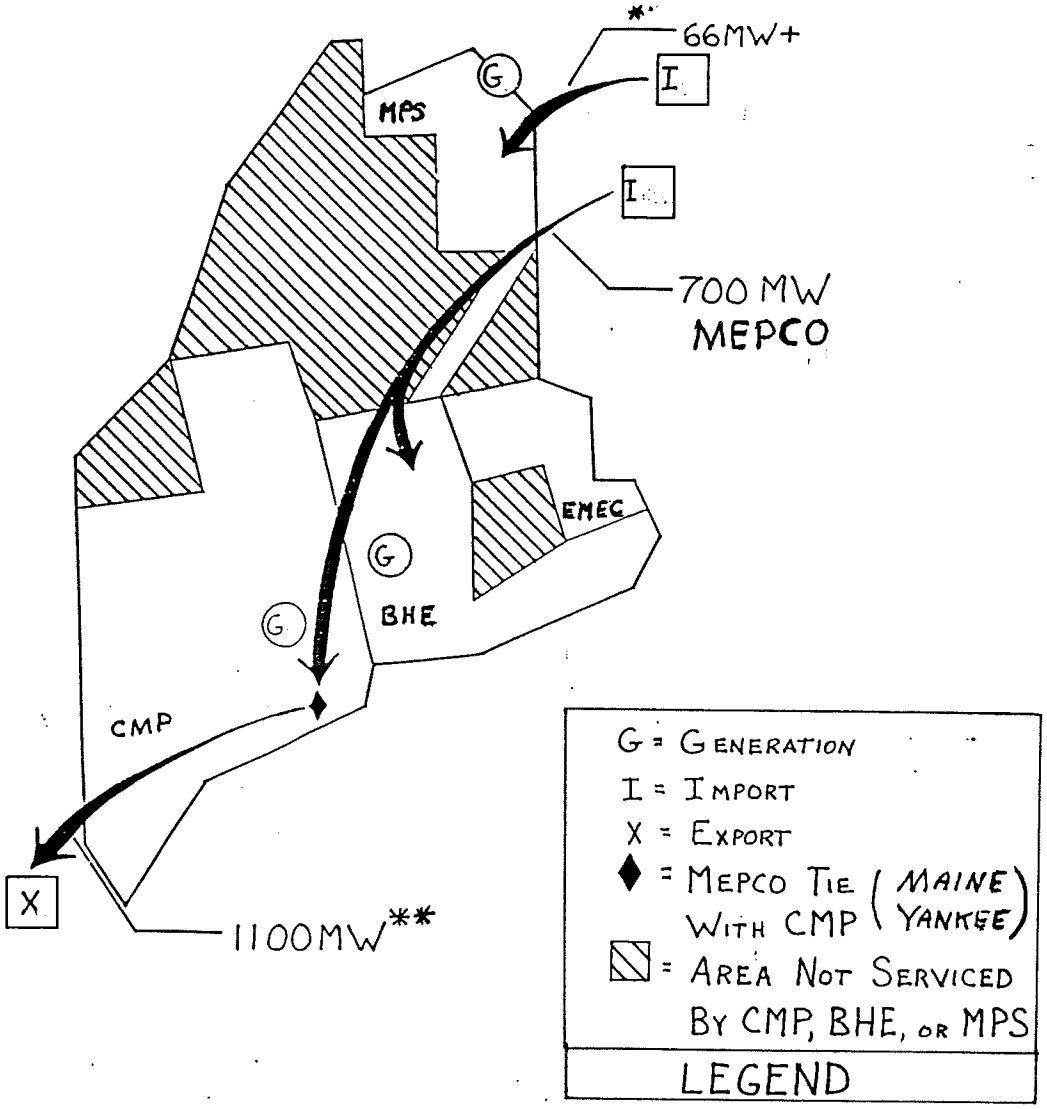
Maine Public Service supplies about 700 GWH per year. MPS produce very little of their own power in this service territory. They own Tinker Dam in New Brunswick and significant shares of Maine Yankee and Wyman #4. In the first part of 1986, MPS obtained 52% of their power from their ownership of Maine Yankee and Wyman #4 and wheeled it in over the CMP, MEPCO and New Brunswick lines. MPS purchased 2% from small power production facilities.

MPS obtained 22% of their power from Tinker Dam and wheeled it in over NBEPC lines. They also purchased and imported 24% of their power from New Brunswick Electric Power Commission. MPS is not a member of NEPOOL.

E. Consumer-Owned Utilities

There are eleven consumer-owned utilities which buy power at wholesale from their local major utility. Among these, Eastern Maine Electric Cooperative (EMEC) and Kennebunk Light & Power have small amounts of generating capacity of their own. One other consumer-owned utility, Matinicus Electric Co., generates all its own power. Another, Isle Au Haut Electric Co., buys all power from Stonington & Deer Isle Power Co.

FIGURE 3
POWER FLOW IN MAINE



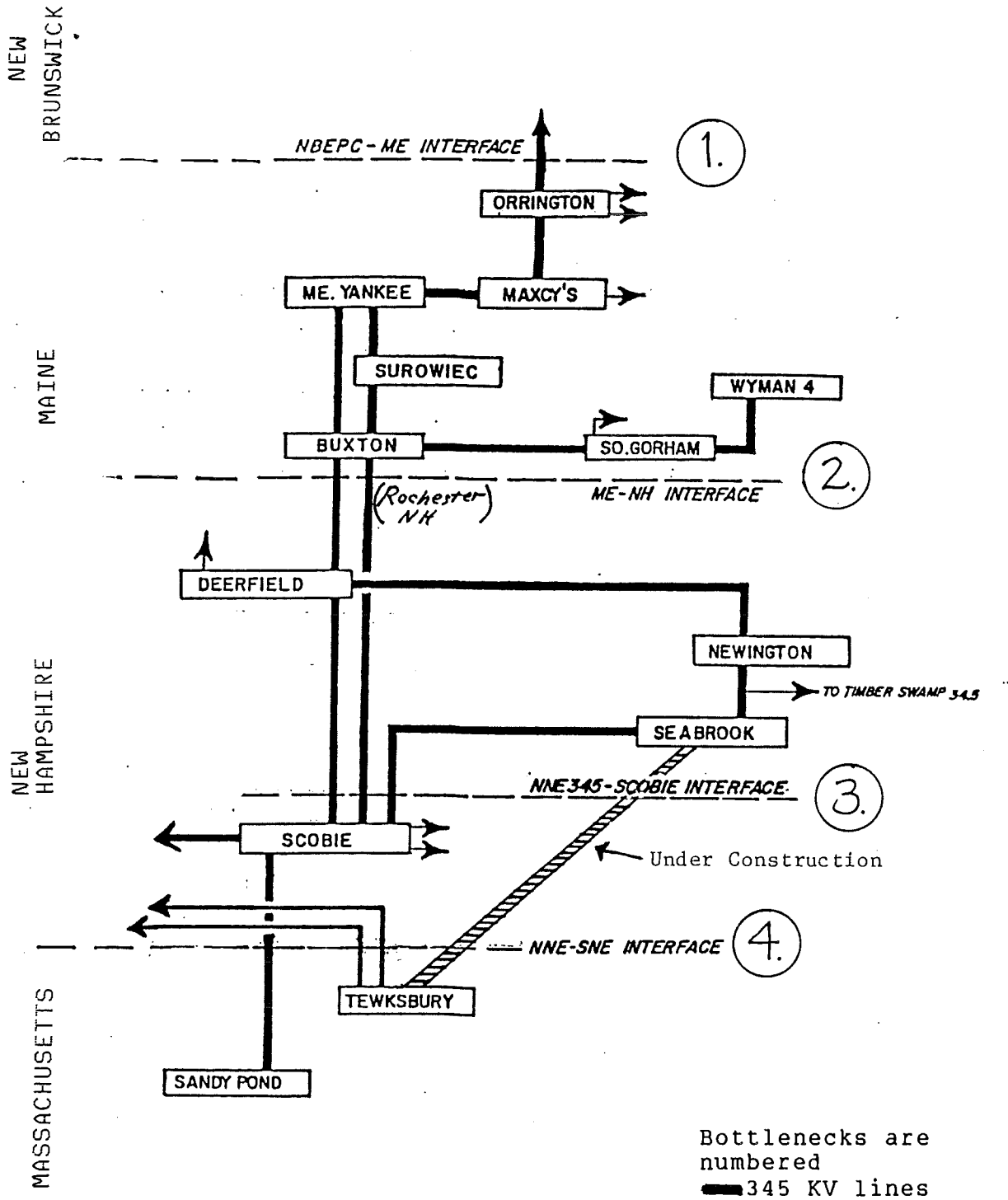
NOTES:

* 66MW+ equals electricity wheeled from southern Maine through New Brunswick, plus energy purchased on an economy basis from New Brunswick.

** 1100MW is the normal capacity of these lines, but they have the capacity to carry 1400 MW in special circumstances.

The arrows show the usual direction of power flow, but at times power flows in the opposite direction.

FIGURE 4
TRANSMISSION SYSTEM DIAGRAM



MASSACHUSETTS

CHAPTER VIII
PROPOSED LEGISLATION

FIRST REGULAR SESSION

ONE HUNDRED AND THIRTEENTH LEGISLATURE

Legislative Document No.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND EIGHTY SEVEN

AN ACT to Clarify the Statutes for Transmission of Electric Power and to Study Related Issues

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Be it enacted by the People of the State of Maine as follows:

Sec.1. 35 MRSA §13-B, sub-§5 is enacted to read:

5. Imported power. In its review of any petition for approval of the purchase of generating capacity or energy from outside the State, the commission shall consider the comparative economic impact on the state of production of additional power within the state from renewable resources and the purchase of the power from outside the state.

Sec. 2. 35 MRSA §2323, sub-§4 is enacted to read:

4. Affiliated interest. "Affiliated interest" means:

A. Any person who owns the controlling interest, as defined by the commission by rule, in an electric generation enterprise;

B. Any person, the controlling interest in which, as defined by the commission by rule, is owned by an electric generation enterprise; or

C. Any person in which the controlling interest, as defined by the commission by rule, is owned by an affiliated interest as defined in paragraph A.

Sec. 3. 35 MRSA §2330, sub-§1 is amended to read:

"1. Affiliated ~~industrial~~ interests. Upon the request of an industrial enterprise located in the State to transmit or wheel electric energy from the requesting enterprise to ~~another industrial facility~~ an affiliated interest in the State ~~owned in whole or in part by or otherwise affiliated with the enterprise~~, the electric utility shall enter into an agreement of not more than 30 years' duration to provide transmission or wheeling services subject to reasonable conditions and subject to the conditions of subsection 2."

Sec. 4. 35 MRSA §2330, sub-§5 is enacted to read:

5. Reporting. Any electric utility which provides transmission or wheeling services for electricity generated outside its service area or for electricity generated within its service area by any other generator of electricity for delivery outside of the utility's service area shall inform the commission of the identity of the generator and the terms and conditions for the transmission or wheeling. That report shall be filed within 30 days after any contract or agreement is signed.

Sec. 5. Monitoring and report by the Public Utilities Commission. The Public Utilities Commission with the assistance of the Office of Energy Resources and the Public Advocate, shall continue to monitor the various aspects of electric generation and transmission and report to the Governor and the Legislature, with any recommendations, by November 1, 1987. The report shall consider: wheeling from utility to utility; wheeling from producer to an outside utility; wheeling from an in-state producer to an end-user; and wheeling from an out-of-state producer to an end-user.

The report shall also analyze the bottlenecks for transmission of power from Maine to Southern New England, between Northern Maine and the rest of the State, and from Canada into Maine. Strategies for the State to alleviate those bottlenecks also shall be considered.

Finally, the report shall consider the effects of wheeling on consumers, utilities, and electric generators as a result of the introduction of competition into the provision of electric service.

STATEMENT OF FACT

This bill is the report of the study of electric power transmission and purchases conducted by the Joint Standing Committee on Utilities in accordance with Chapter 740 of the Public Laws of 1985. It clarifies the statutes that enable wheeling between affilated parties and requires the Public Utilities Commission to study the issues, constraints and effects of wheeling electricity.

Section 1 amends the review of major power purchases under 35 MRSA §13-B to require the commission to consider the economic impacts of importing power from outside the state as compared to power production from renewable resources within Maine.

Section 2 amends The Small Power Production Facilities Act to add a definition of "affiliated interest". Affiliated interests are defined to have the controlling interest in the generating plant in question,to have their controlling interest owned by the electric generation enterprise in question, or to have the controlling interest in both the generator and the end-user owned by a single third party. The term is defined to make clear that there must be a substantial relationship between the power producer and end-user. The PUC is expected to define "controlling interest" by rule. Section 3 of the bill applies the term "affiliated interests" to wheeling between affiliated interests.

Section 4 enacts a reporting requirement for any utility that provides wheeling services. This provision will help the commission keep abreast of the volume and implications of wheeling by Maine utilities. The wheeling utility may satisfy the requirement by filing with the commission a copy of the contract which they file with the Federal Energy Regulatory Commission (FERC), or an appropriate excerpt from it.

Section 5 mandates the commission to monitor the progress of wheeling, and to analyze the potential bottlenecks to efficient power transport, strategies to alleviate these bottlenecks, and the effects of wheeling and increased competition on electric consumers and the industry. The Commission is to report on these matters to the Governor and the Legislature by November 1, 1987.