

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Central Maine Power Company

Docket No. EL08-74-000

(Issued October 21, 2008)

Attached is the statement by Commissioner Kelly concurring in part and dissenting in part with a separate statement, to an order issued on October 20, 2008, in the above-referenced proceeding, *Central Maine Power Company*, 125 FERC ¶ 61,079 (2008).

Kimberly D. Bose,
Secretary.

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KELLY, Commissioner, *concurring in part and dissenting in part*:

This order addresses a request for incentive rate treatment filed by Central Maine Power Company (Central Maine). Central Maine requests three transmission rate incentives for the Maine Power Reliability Program: a return on equity (ROE) incentive adder of 150-basis points, recovery in rate base of 100% of construction work in progress (CWIP), and guaranteed recovery of prudently incurred costs if the Project is abandoned in whole or in part as a result of factors beyond its control.

I applied the project-based criteria that I have relied upon in previous transmission incentives proceedings in order to determine whether the Maine Power Reliability Program warrants incentive rate treatment.¹ Based on those criteria, I conclude that it does. However, I cannot support the full range of requested incentives. For the reasons articulated below, and consistent with decisions I have made in previous proceedings, I conclude that the Maine Power Reliability Program warrants incentive rate treatment in the form of the requested CWIP and abandoned plant incentives. Thus I concur in part and dissent in part from this order.

In terms of absolute cost (\$1.4 billion) and relative to Central Maine's current transmission plant in service (4 to 5 times current transmission plant), the Maine Power Reliability Program represents a significant expansion of Central Maine's transmission system. In addition, the total mileage of new and rebuilt 345 kV and 115 kV lines is roughly 19% of Central Maine's transmission circuit miles. The Maine Power Reliability Program will also cross state lines, connecting Orrington, Maine to Newington, New Hampshire. The Program also provides public interest benefits insofar as it provides access to a series of proposed wind

¹ *American Electric Power Service Corporation*, 118 FERC ¶ 61,041 (2007).

power projects to markets across the region.² Finally, the process of identifying this series of transmission upgrades included participation from other New England transmission owners and also considered non-transmission alternatives that might be available as substitutes for new transmission investment. This type of process is in the public interest as it promotes collaborative planning among transmission owners as well as the consideration of a range of resource options.

The primary risks of undertaking this project identified by Central Maine appear to fall into the following categories: risks that siting and regulatory approvals will not be achieved, financial risks associated with construction of the project, and risks associated with a multiple-year lead time. Granting the abandoned plant incentive and 100% of prudently incurred transmission-related CWIP in rate base should sufficiently mitigate these risks. I support approval of the CWIP and abandoned plant incentives. Granting these is consistent with Order 679 and adequately addresses the risks identified by Central Maine.

However, I cannot support an incentive ROE adder for the Maine Power Reliability Program. Fundamentally, this combination of upgrades is needed to meet near-term reliability concerns. As Central Maine states, the Maine Power Reliability Program is necessary “in order for Maine to continue to satisfy mandatory national and regional reliability standards.”³ In adopting Order 679, the Commission explained: “In many instances, an incentive-based ROE is appropriate because our traditional policies are not sufficient to encourage new investment.”⁴ Here, Central Maine has failed to explain why its standard return on equity is not sufficient to encourage its investment in the Maine Power Reliability Program. Moreover, in supporting its ROE adder request, Central Maine argues that the “150-basis point ROE adder is appropriate to offset the financial risks associated with the construction.”⁵ Consistent with my conclusions in previous incentive rate proceedings, I do not believe that an ROE adder is required to

² Central Maine’s petition refers to over 1,600 MW of wind power in Maine and an additional 8,000-10,000 MW of wind and hydro resources under development in Canada.

³ Central Maine Power Company July 1, 2008 Petition for Declaratory Order, Docket No. EL08-74-000, at 3.

⁴ Order No. 679, 116 FERC ¶ 61,057 at P 94.

⁵ Central Maine Power Company July 1, 2008 Petition for Declaratory Order, Docket No. EL08-74-000, Affidavit of Paul A. Dumais at 8.

address the construction risks identified by Central Maine.⁶ Furthermore, approving the recovery in rate base of 100% of CWIP should address the financial risks associated with construction and the multiple-year lead time. Finally, Central Maine argues that both the CWIP incentive and a 150 basis point ROE adder are required to buttress Central Maine's credit rating and sustain its cash flows. I do not believe that Central Maine has adequately distinguished the risks that necessitate a 150 basis point ROE adder from those that necessitate 100% of prudently incurred CWIP and therefore cannot support an ROE basis point adder.

Accordingly, I respectfully concur in part and dissent in part from this order.

Suedeem G. Kelly

⁶ *PPL Electric Utilities Corporation Public Service Electric and Gas Company*, 123 FERC ¶ 61,068 (2008).