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# Electricity Shopping Guide, Vol. 5, Oct. 2001

Maine Public Advocate Office

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# ELECTRICITY SHOPPING GUIDE

Maine Public Advocate Office

Volume 5 — October 2001

## New Standard Offer Rates Approved for March 2002 Bangor Hydro Customers to Benefit from Lower Supply Prices

As the restructuring of Maine's electric industry continues to unfold, the next event will occur on March 1, 2002. On that date, the new standard offer rates for customers of Maine's largest electric delivery utilities will go into effect.

The news is good for residential customers of Bangor Hydro-Electric. Their standard offer rates (generation cost) will come down about 2.3¢/kWh, from 7.3¢ to 5¢, a reduction in total rates from 16.71¢ to 14.41¢ assuming delivery charges do not change, of about 14%. This represents a savings of about \$13.80 per month for customers who use 600 kWh a month. This rate will remain in effect for three years.

Residential customers of Central Maine Power Company will see a standard offer price increase. Since March 1, 2000, when restructuring began, these customers have paid 4.1¢/kWh. Beginning next March, this rate will rise to 4.95¢. If the current delivery price remains stable, this increase will represent about a 7% increase in the total rate, a change from 12.08¢ to 12.94¢. This would translate to an additional \$5.10 per month for households that use 600 kWh per month. This new standard offer rate will remain in effect for three years.

Maine Public Service Company residential customers will see a slight increase of less than 1%. The new standard offer rate will be 5.7¢/kWh, up one tenth of a cent from the current rate. The change in total rates from 12.94¢ to 13.04¢ will add roughly 60¢ to the monthly bill of a household using 600 kWh. This rate will remain in effect for one year, after which it rises only slightly.

For all three utilities, the rate for delivery service could change as of March 1. There are cases underway at the Commission in which these delivery rates will be determined. The numbers above are based upon current delivery rates.

### Residential Rates for period beginning March 1, 2002

(standard offer rates in this chart also apply to small business customers)

SERVICE TERRITORY	STANDARD OFFER	DELIVERY RATE*	TOTAL RATE
CMP	4.95¢	7.98¢	12.94¢
BHE	5.0¢	9.41¢	14.41¢
MPS	5.7¢	7.34¢	13.04¢

\*The current delivery rate, as shown, and thus the total rate, may change depending on the outcome of cases underway at the PUC.

*The standard offer is a supply service provided to customers who do not receive power from a competitive electricity provider. The standard offer provider is chosen by the Public Utilities Commission in an auction process. In this year's process, for the first time since the electricity industry was restructured, there were many bidders.*

## Competition

Though few residential customers would know it, there is significant electric competition in Maine. In CMP and BHE service territories, many commercial and industrial customers have found that the standard offer price (which is higher for them than for residential customers) can be beat in the marketplace. The chart below shows the latest figures for the percentage of customers of each of Maine's three investor owned utilities who have chosen a competitive supplier. As you can see, more than half of the large commercial customers in CMP's territory take service from a competitive supplier. The figures are even higher when you look at the percentage of kilowatt hours sold.

Competitive suppliers continue to show little interest in Maine's residential customers. There are two interrelated reasons for this. First, the standard offer price has been low enough so that competitive suppliers cannot make money with accounts that would only use 600 or so kilowatt hours a month. Second, recruiting small customers one-by-one is expensive. Nevertheless, more than 5% of the residential customers in Maine Public's territory have switched, a percentage that was unchanged for months but has recently showed signs of shrinking.

As shown by its many bidders and its substantial decrease for Bangor Hydro, the standard offer process has matured in Maine, perhaps indicating that the electric markets in New England are also maturing. It remains to be seen, however, whether the new standard offer prices, and their three-year duration, will lead to competitive offers for residential customers of BHE and CMP. We spoke with one supplier representative who offered little hope that a competitive residential market separate from the standard offer would develop in the near future.

### THE STATE OF COMPETITION AS OF AUGUST 31, 2001

Number of Customers Served by a provider other than the Standard Offer Provider				
	Residential/Small Commercial	Medium Commercial	Large Commercial	Total
CMP	176	2,417	213	2,806
BHE	85	141	16	242
MPS	1,065	37	10	1,112

% of Customers Served by a provider other than the Standard Offer Provider				
	Residential/Small Commercial	Medium Commercial	Large Commercial	Total
CMP	0.03	24.76	57.10	.51
BHE	.07	10.20	37.21	.21
MPS	3.0	17.2	58.8	3.1

% of Customer Load (kWh) Served by a provider other than the Standard Offer Provider				
	Residential/Small Commercial	Medium Commercial	Large Commercial	Total
CMP	0.11	31.63	85.66	42.83
BHE	.26	57.65	66.40	42.54
MPS	4.5	28.0	70.3	28.6

## Questions and Answers

Earlier this year, we sent out a survey asking questions about our office. On the survey, we solicited questions. The following are our answers to three of those questions.

**“Why does CMP advertise?”** CMP is a monopoly with over 500,000 customers who have little choice for electricity but to connect to its system. And yet, in many Maine newspapers and magazines, as well as on TV, CMP advertises as if it had to attract customers. Why does any utility advertise? Our answer is that we are not sure and often ask ourselves the same question! We do know that CMP (and other monopoly utilities) cares about its “good will”, a term meant to describe how its customers perceive the company. For example, when Energy East purchased CMP, one of the many “assets” it considered was the value of CMP’s “goodwill”. This only begs the question, however, because Energy East knew it was purchasing a monopoly utility with captive customers. We contacted CMP with this question, but they chose not to provide an answer.

Some of CMP’s ads are intended to induce customers to buy more devices and appliances that use electricity in an effort to increase revenues by getting more people to use more power. Some of CMP’s ads are related to informing customers about safety issues associated with the use of electricity and about techniques for conserving electricity. Because of the public purpose served, CMP is allowed to put the cost of these two types of advertising into rates.

A CMP advertising campaign at the beginning of the summer promoted the use of air conditioning. Concerned that ratepayers would end up paying for the cost of that advertising, the Public Advocate requested a PUC investigation. Though it declined to investigate in any detail, the PUC ordered that the costs of the advertising were to be born by CMP’s shareholders.

**“What can we do to keep our electric bills from going sky high?”** We suggest that you look for ways to use less electricity. This can be done without “freezing in the dark”! The newspapers, particularly the Sunday editions, periodically run articles on how to conserve energy, and thus money. They involve changes in insulating, light bulbs, lifestyle and appliances. These are generally accurate and useful and we suggest that you keep your eye out for them. The largest area of electricity savings, assuming you do not heat your home with electric space heat, can be found in use of appliances. **See chart at right.** If you are in the market for any new appliance, particularly a new refrigerator, electric water heater or clothes dryer, we suggest you purchase one with the Energy Star label on it. These appliances earn the right to use the Energy Star label by demonstrating to the government that they are among the most efficient appliances of their type. The Energy Star label is also used on building supplies, computer and other office equipment, windows, lighting and more.

**Usage by Category**—This chart should help you understand what goes into your electricity bill.

Residential Energy Use	%
Space heating	33
Water heating	15
Air conditioning	10
Refrigeration	9
Lighting	6
Electronics	5
Cooking	5
Washers/dryers	4
Computers	1
Other	12

For more information on the Energy Star program and conservation techniques in general, go to <http://homeenergysaver.lbl.gov/> or <http://www.energystar.gov/> or call 1-888-782-7937.



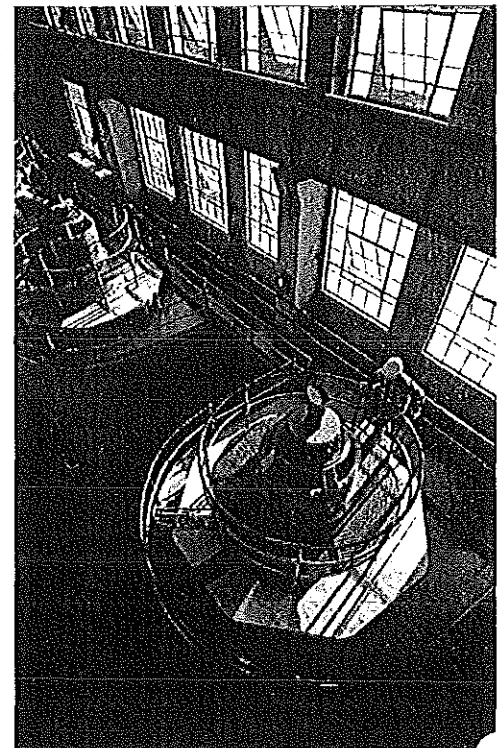
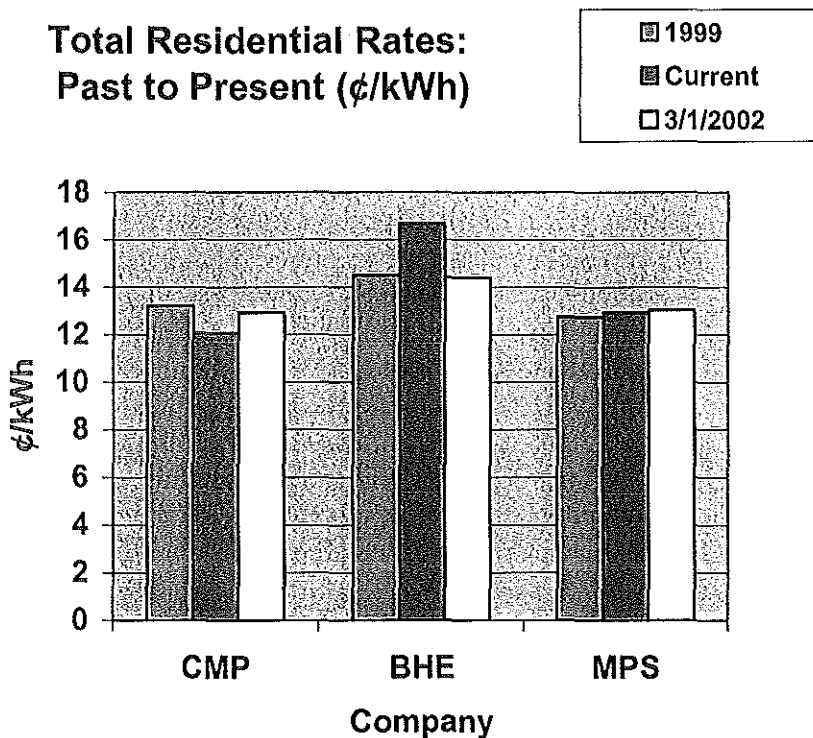
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**“Should we have deregulated in our state?”** To answer this, you must first understand that the wholesale market for bulk power was deregulated by Congress and the Federal Energy Regulatory Commission (the FERC) well before the Maine Legislature restructured Maine’s retail electricity industry. Even if Maine had done nothing, it would still be subject to much of the price volatility in the wholesale market. Remember also that electric rates escalated dramatically in Maine in the late 80s and early 90s, well before deregulation occurred. Also, remember that twenty years after Ma Bell was forced to break up, the long distance market has finally become very competitive, with prices coming down below the 5¢/minute rate. Having said that, we believe that it is too early to tell whether subjecting retail sales of electricity to a competitive market is an idea that will work. There are many skeptics who, having watched what happened in California earlier this year, claim that we should re-regulate, if that is possible. We are not prepared to agree at this point and continue to advocate at the Maine PUC and at the FERC for changes that should lead to a more competitive market for wholesale and retail electricity sales.

In Maine, ratepayers of Bangor Hydro would be the most likely to say that deregulation was a mistake, although with the new standard offer prices that will go into effect in March, their total price of electricity will be slightly lower than it was just prior to deregulation. Others throughout the state may be undecided as the results to date have not been terrible, but have not provided any spectacular benefits either. We believe that the price information presented in the chart below justifies this wait-and-see approach. While ratepayers have benefited in varying degrees by the sale of generation assets by their utility, uncertainty in the wholesale markets and the universal lack of competitive choices available to residential customers indicates there is much yet to be achieved.

**Total Residential Rates:  
Past to Present (¢/kWh)**



## Light Pollution

Step outside and take a look at the stars. Do this in a field far from town and you will see a glorious sight. If you try to do this in downtown Portland, however, you will see little. The difference, of course, is outdoor lighting. Used as a way to make night driving safer and to deter crime, outdoor lighting has become so common as to be largely unquestioned. Recently, however, many have noticed that much of this lighting is excessive and unnecessary. For example, experts suggest that outdoor lighting that is too bright does little to deter crime since criminals are able to slip into shadows where the contrast with bright glare makes it impossible to see them. Using a softer light designed to illuminate only the ground can actually make it easier to see intruders even in the darker areas of your yard. This not only will deter crime more effectively, it will cost less on your monthly bill. And, it will help you and your neighbors see the stars at night!

Some of CMP's recent bill stuffers have encouraged customers to use more outdoor lighting. We urge those who heed this call to do so in a way that uses the least amount of energy and produces the least amount of "light pollution".

You may want to consider suggesting to your town or city that it require similar measures in its street lighting. Some towns have lighting ordinances with strict requirements about the type of bulb and the direction of the glare in order to eliminate what is called "light trespass", the spill of unwanted light from one house to another. Full caps on lights, for example, will prevent direct light from reaching a neighbor's window, and from shining needlessly into the sky.

For further information on light pollution, go on the web to:

<http://members.aol.com/ctstarwchr/>

<http://maple.lemoyne.edu/~mcmahon/lp.html>

<http://www.darksky.org/ida/index.html>

### Status Report: Maine's Renewable Resource R&D Fund

Environmentalists had high hopes when Maine restructured its electric industry and introduced customer choice on March 1, 2000. As of that date, retail customers received for the first time the right to choose energy suppliers, including "Green Power" providers. On March 1, 2000 a second innovation took effect with much less notice: customers of Maine's electric utilities could for the first time contribute to a statewide Renewable Resource Research and Development Fund. The Fund is designed to support demonstration projects at the community level and research projects at Maine's universities targeted at renewable resources and a cleaner environment. Maine's utilities have publicized the Fund with twice-yearly information in bill inserts. Bangor Hydro-Electric Company, for example, sent bill stuffers twice last year to all of its residential customers and generated \$4552 in donations from 228 customers. Statewide for all distribution utilities last year, \$6402 was collected either in one-time donations or in add-on payments in monthly bills. If you would like to make a contribution to Maine's Renewable R&D Fund, you can contact your electric distribution company and get the details, using the following phone numbers.

Central Maine Power	800-750-4000
Bangor Hydro-Electric	800-499-6600
Maine Public Service	877-655-4448
Van Buren Light and Power	207-868-3321
Kennebunk Light and Power	207-985-3311
Eastern Maine Electric	207-454-7555

The Fund is administered by the Maine State Planning Office which will be conducting a periodic bid competition for use of the Renewable R&D Fund, based on the best proposals submitted by community groups or research institutions.

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## **Prisoner of Territory**

We are often asked why total electricity rates differ so dramatically depending on where you live in Maine. In particular, many want to know why they can't get the same rate as customers of Kennebunk Light and Power District (5¢ all-in rate). The fact is, we are "prisoners" of geography and can only take delivery service from the utility that serves the area where we live. Those who live in the part of Kennebunk served by KL&P are the present beneficiaries of a very low standard offer (actually a power contract that was signed prior to electric restructuring) and a delivery utility that has no "stranded costs" and very low overhead. For example, KL&P has no transmission lines (as opposed to local distribution lines) or substations, few trucks and a compact and very limited service territory. By contrast, CMP has significant "stranded costs" and its delivery customers are still paying for Maine Yankee, Seabrook, and a host of high-priced power contracts. Furthermore, the large size and rural character of CMP's territory make it relatively expensive to serve.



### **ABOUT THE PUBLIC ADVOCATE OFFICE**

Stephen G. Ward, the Public Advocate, and his staff of seven represent Maine's telephone, electric, gas, and water customers before the Maine Public Utilities Commission, the courts, and federal agencies. Our mission is to work for reasonably priced, safe, and reliable utility services for Maine people.

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