



MEDIA ALERT ISO-NE Region

FERC Approves Incentives for Central Maine Project

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The Federal Energy Regulatory Commission (FERC) has conditionally approved incentive rates for the Maine Power Connection Project sponsored by Central Maine Power Company (Central Maine) and Maine Public Service Company (MPS).

Background

The Energy Policy Act of 2005 (EPAAct) directed FERC to create incentive-based rate treatments to promote capital investment in transmission infrastructure. FERC Order No. 679 sets forth the process by which a public utility may seek transmission rate incentives.

The companies requested a 1.5 percent return on equity adder and guaranteed recovery of prudently incurred costs if the project is abandoned as a result of factors beyond their control.

The project would provide the first direct connection between northern Maine and ISO New England, ending northern Maine's dependence on its interconnection with New Brunswick to reach markets in the U.S. It also would provide the additional transfer capability to export wind generation from the Aroostock Wind Energy Project.

The proposal involves 200 miles of new 345 kilovolt (kV) transmission line across 39 municipalities, five new substations and upgrades at two existing substations. Petitioners estimate that the project will cost \$625 million, \$440 million of which is attributable to the transmission line and \$185 million to the substations. Construction is planned to start in June 2009, with an estimated in-service date of November 2010 for the project's first phase and 2012 for its final phase.

The companies said the project would reduce wholesale market prices across regional markets, with the largest effects in Maine, resulting in lower energy costs to Maine customers by \$189 million. It also would generate renewable compliance savings of \$47 million and production cost savings of \$100 million per year.

Several protesters, however, contend that the project does not qualify for incentive rates because it has not been vetted through the ISO-New England planning process as a Market Efficiency Transmission Upgrade, the project has not received state approval for construction, and its projected cost and reliability benefits are speculative.

The Order

FERC rejected the protests, saying it frequently approves incentive rates for projects at this stage of planning. However, the Commission authorized the requested incentives on condition that the project is included in ISO-New England's Regional System Plan as a Market Efficiency Transmission Upgrade.

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FERC Media Contact: Mary O'Driscoll
202-502-8680
mediaDL@ferc.gov

www.FERC.gov
Washington, DC 20426