

April 30, 2012

CENTRAL MAINE POWER COMPANY
Request for Approval of Non-Transmission
Alternative (NTA) Pilot Projects for the
Mid-Coast and Portland Areas

ORDER APPROVING
STIPULATION

WELCH, Chairman;¹ VAFIADES and LITTELL, Commissioners

I. SUMMARY

In this Order, we approve a Stipulation entered into by GridSolar, LLC (GridSolar), the Office of Public Advocate (OPA), the Conservation Law Foundation (CLF), Environment Northeast (ENE) and Efficiency Maine Trust (EMT). By approving the Stipulation we authorize the development of a pilot plan to evaluate the ability of Non-transmission Alternatives (NTAs) to meet reliability needs in the Boothbay sub-region of Central Maine Power Company's (CMP or Company) Mid-Coast grid area.

II. BACKGROUND

On June 10, 2010, the Commission issued an Order Approving Stipulation in *Central Maine Power Company and Public Service Company of New Hampshire, Request for Certificate of Public Convenience and Necessity for the Maine Power Reliability program Consisting of Construction of Approximately 350 Miles of 345 kV and 115 kV Transmission Lines (MPRP)*, Docket No. 2008-255, Order Approving Stipulation June 10, 2010). The Stipulation which we approved recommended approval of nearly all elements of CMP's Maine Power Reliability Program (MPRP) transmission project. The Stipulation did not recommend approval of CMP's "Mid-Coast Spur" but instead the parties agreed to develop a Non-Transmission Alternative (NTA) pilot to address the reliability needs in the Mid-Coast area as well as the Portland area. The Stipulation also provided that GridSolar would be designated as the "Smart Grid Energy Services Operator" for the NTA pilots and within CMP's service territory generally.

As part of our Order Approving Stipulation in that docket, the Commission held:

We are satisfied, based on the representations of the stipulating parties at the hearing, that although the parties to the Stipulation through their agreement endorse GridSolar as both the Smart Grid Coordinator and as the coordinator of the NTA pilot programs in the Mid-Coast and Portland areas,

¹ Chairman Welch did not participate in the deliberations on this matter.

the Commission is in no way bound by this agreement by approval of the Stipulation. . .

The process or processes the Commission will utilize to determine whether the selection of a Smart Grid Coordinator is in the public interest, the standards for selection of a Smart Grid Coordinator, as well as the selection of an entity to be the Smart Grid Coordinator or to conduct any NTA Pilot Projects, will be open and transparent and will allow for the participation of all stakeholders, including all potential smart grid or NTA providers. (emphasis added)

Central Maine Power Company and Public Service of New Hampshire, Request for Certificate of Public Convenience and Necessity for the Maine Power Reliability Program, Consisting of the Construction of Approximately 350 Miles of 345 kV and 115 kV Lines (MPRP), Docket No. 2008-255, Order Approving Stipulation at 24 (June 10, 2010).

On March 25, 2011, CMP and GridSolar filed a Report which set forth a plan for the establishment of a Smart Grid Platform as well as a plan to address the needs of the Mid-Coast area. As explained in its filing letter, as part of the NTA analysis, CMP did an entirely new needs assessment for the area. The results of CMP's analysis was that a rebuild of Section 80, a 15 kV line from Coopers Mills to Highland substation, was needed but Section 244 a new 115 kV line from Coopers Mills to Highland substation was not needed. The cost estimate of the transmission alternative was \$100 million. In order to avoid the transmission reinforcement nearly a total of 39 to 45 MW of load reduction must be put into place to keep substation loads below critical load levels. CMP stated that it would file an additional report, which would provide details of its NTA Pilot Project for the Portland area.

A Notice of Proceeding which provided interested persons with an opportunity to intervene was issued on April 12, 2011. Petitions to intervene were filed by the OPA, ENE, CLF, EMT, the Industrial Energy Consumer Group (IECG) and the Maine Renewable Energy Association (MREA) which were granted without objection. At the initial case conference held on April 27, 2011, the question of the overlap between the issues raised in the Petitioner's March filing and the issues before the Commission in *Maine Public Utilities Commission Investigation into the Need for Smart Grid Coordinator Standards*, Docket No. 2010-267, was considered. Based on the input from the parties and after reviewing the filings in each of the proceedings, the Hearing Examiner concluded that formal consolidation or removal of issues from one docket into another would not be appropriate.

Following the CMP/GridSolar Pilot Plan filing, the Staff conducted written and oral discovery on the proposal and on July 28, 2011, a collaborative/settlement conference was held. In order to expedite the processing of CMP/GridSolar's

proposals, by way of a Procedural Order dated August 17, 2011, the Hearing Examiner asked for comments on the following issues:

1. Do the proponents of the GridSolar NTA proposal and other parties to this matter believe that this proceeding provides the “open and transparent process” contemplated by the Commission in its June 10th Order in Docket No. 2008-255 which allows for the participation of all potential smart grid or NTA providers?
2. Are there entities other than GridSolar that you are aware of that you believe the Commission should consider for the position of the Pilot Plan coordinator?
3. If the Commission decides that some process outside this proceeding needs to be utilized to provide the open and transparent process contemplated, please describe what you believe would be the most efficient process that could be utilized to achieve this objective.

Comments on the above-questions were filed by CMP, GridSolar, the OPA, CLF, ENE and the Efficiency Maine Trust (EMT).

Based on the information provided by the parties, the Commission concluded that this docket, conducted in accordance with our Rules of Practice and Procedure and the requirements of Title 35-A, provides an open and transparent process and satisfies the requirements of our June 10th Order Approving Stipulation in Docket No. 2008-255. Specifically, the Commission noted that the Notice of Proceeding in this docket was sent to the extensive service list in Docket No. 2008-255. In addition, the Commission agreed with the comments of GridSolar that the selection of smart grid coordinator has received attention in the trade press and that entities not on the 2008-255 service list wishing to participate may have intervened based on the information publicized in the press and also publicly available on our website. Finally, the Commission noted our agreement with the comment of GridSolar and ENE that the proposal in this case is for a pilot plan and, therefore, the processes which might be necessary, and appropriate for the selection of the a state-wide or CMP-wide smart grid coordinator are not present here and it is not necessary, nor would it be efficient, to attempt to establish such standards at this time.

Following the issuance of the Commission’s Order of October 18, 2011, the parties and the Staff engaged in a number of settlement conferences and on April 24, 2012, GridSolar, the OPA, CLF, ENE and EMT filed a Stipulation to establish an NTA Pilot Program in the Boothbay region of the Mid-Coast area. On that same date, CMP filed a letter that it did not support the Stipulation. Given CMP’s statement of non-support, a hearing on the Stipulation pursuant to sections 743 and 744(a) of the Commission’s Rules of Practice and Procedure was held on April 26, 2012.

III. DESCRIPTION OF THE STIPULATION

Under the terms of Stipulation, the parties agree to develop an NTA Pilot Project for the Boothbay Region that includes certain transmission improvement in the Mid-Coast area. This NTA/Transmission hybrid (Hybrid 3) will provide for the following transmission improvements in the Boothbay Region:

- Rebuild 115 kV Newcastle Substation to a 4-breaker ring bus (\$2,800,000 with expected load-share ratio for Maine being approximately \$224,000);
- Install a second 2.7 MVAR capacitor bank at Boothbay Harbor 34.5 kV bus (\$500,000);
- Install 2.4 MVAR of power factor correction at Boothbay Harbor 12 kV level (\$300,000); and
- Modify relay settings on Section 25 at Mason (\$50,000).

The configuration design for the Newcastle Substation rebuild will be such that it could be expanded to accommodate a construction of a new 115 kV line connecting with the Mason substation if it is determined that this is required to comply with the pending FERC BES Definition Order, or if the outcome of Planning Standards Docket 2011-494 or this docket concludes that additional transmission improvements are required. The Parties understand that the Newcastle substation rebuild listed above is expected to receive Transmission Cost Allocation approval from ISO-NE and the costs are included in pool-supported PTF costs in accordance with Schedules 12 and 12C of the ISO-NE OATT and ISO-NE's Planning Procedure 4. In the event that this substation rebuild does not receive Transmission Cost Allocation approval from ISO-NE, CMP shall resubmit the Hybrid 3 transmission improvements for reconsideration by the Commission. In addition, in the event of a material change in the costs of the Substation rebuild or any other change that would require re-examination by ISO-NE of PTF pool funding eligibility, CMP shall notify the Commission as soon as reasonably possible.

As part of the NTA component of Hybrid 3, the parties agree that the NTA must be capable of reliably reducing load by 2 MW in the Boothbay sub-region of the Mid-Coast area (Section 23) at a CMP system-wide load level of 2000 MW. This 2 MW net load reduction in the Boothbay region would avoid the need for an \$18 million rebuild of the 34.5 kV line from Newcastle to Boothbay Harbor (lines 16 and 23). The parties estimate that the avoided costs to CMP ratepayers in transmission revenue requirements of not constructing this line are approximately \$3 million per year. The Parties stipulate that they expect, based on information provided in this docket, that the Hybrid 3 NTA solution in the Boothbay region will meet reliability criteria for less than \$3 million per year, and that this NTA Pilot Project will result in reduced costs to CMP ratepayers and is, therefore, in the public interest. As described above, the Parties believe that this region is an appropriate location to test potential NTA alternatives to meet reliability needs on the electric grid. The Parties stipulate that GridSolar should

serve as coordinator for the NTA Pilot Project and that it is in the public interest for CMP to contract with GridSolar to perform the role of coordinator for the Hybrid 3 NTA Pilot.

Under the terms of the Stipulation, CMP and GridSolar will implement the Hybrid 3 NTA Pilot Project in a manner consistent with the *NTA Pilot Project for Boothbay Sub-Region of Mid-Coast Region, Operating Plan, Budget and Schedule* ("NTA Pilot Plan") included as Attachment 1 to the Stipulation. Pursuant to Task 1 in the NTA Pilot Plan, CMP and GridSolar shall develop and submit for review and comment by the Parties and Commission Staff a proposed competitive process to solicit NTA resources to supply grid reliability services within the Boothbay sub-region for an initial contract term of no more than three years. Consistent with the purpose of this Pilot Project and 35-A M.R.S.A § 3143(4), this process shall be designed to evaluate the availability, suitability, cost-effectiveness, reliability, and efficiency of a broad variety of potential NTA solutions, including both dispatchable and passive resources, and energy efficiency, distributed renewable and non-renewable generation, and demand response. The proposal submitted for review shall include drafts of Request For Proposals ("RFP"), NTA contract and terms, RFP review process and selection criteria. By December 31, 2012, GridSolar shall submit recommended contracts to the Commission Staff and the parties, except EMT, and subject to the appropriate protective order, for review and comment. The contracts recommended by GridSolar shall be based upon a balancing of the cost, reliability and diversity of the NTA resources, and shall further the Pilot project purposes and the legislature's smart grid goals and policies established in 35-A M.R.S.A § 3143. GridSolar shall, to the extent feasible considering the above criteria, include a minimum of 250 kW of NTA resources in each of the following categories: energy efficiency, demand response, renewable distributed generation (at least half of which shall be photovoltaic solar energy), and non-renewable distributed generation (with preference given to resources with no net emissions of greenhouse gases), and the cost per KW of each source may not exceed the cost per KW of the replaced transmission of the Pilot.

The recommended contracts and comments will then be submitted for Commission review, approval and a determination to go forward with the Pilot Program. The parties to Stipulation recognize that the Commission will exercise its discretion in approving the recommended contracts.

The operating costs for the NTA Pilot Project shall not exceed the Phase 1 Budget included in the NTA Pilot Plan in Attachment 1 (exhibit 2) to this Stipulation.² In the event of a material change in the costs of this Pilot, CMP and GridSolar shall notify the Commission as soon as reasonably possible and recovery of such additional costs shall be subject to Commission review and approval.

The Parties agree that because the Smart Grid Platform and Pilot Project are intended to further the development of transmission alternatives and to reduce the need

² The Phase 2 Budget (Attachment 1- Exhibit 3) is included in the NTA Pilot Operating Plan for illustrative purposes only and is not part of this stipulation.

for transmission, the associated costs should be deferred by CMP and recovered in transmission rates with carrying costs equal to CMP's most recently approved Maine jurisdictional weighted average cost of capital. The Parties agree to support and/or seek such ratemaking treatment for Smart Grid Platform investments and NTA Pilot Project costs in transmission revenue requirement rate proceedings, including before FERC. In addition, CMP shall make a reasonable effort to have the costs associated with the Pilot Project, including all costs associated with preparing the Pilot Plan and implementation of the Pilot Project, included in Local Network Service ("LNS") rates to the extent permitted under rules and tariffs. In the event that costs are not fully recoverable through transmission rates, the Parties agree that such prudently incurred costs shall be recovered in distribution rates in a manner that matches allocation and rate design for transmission rates.

As part of the necessary tasks to implement the Hybrid 3 NTA Pilot Project in accordance with the NTA Pilot Plan, CMP and GridSolar shall develop the contracts and/or contract amendments for execution between CMP and GridSolar that are necessary to accomplish the various tasks in the NTA Pilot Plan, as well as developing standard form agreements between GridSolar and the NTA providers. These contracts and amendments will be submitted to the Commission for review and approval.

The Stipulation also calls for the following transmission upgrades in the Camden-Rockland region:

- Install a second 9 MVAR capacitor bank at Park Street 34.5 kV bus (\$500,000); and
- Install two 5.4 MVAR capacitor banks on Meadow Road 34.5 kV bus (\$800,000).

The Parties agree that the Camden-Rockland region will be the subject of further proceedings in this docket.

Finally, under the terms of the Stipulation, as soon as practical after the approval of this agreement, but not less than 90 days prior to the due date of the first RFP for resources, CMP shall make available to the Efficiency Maine Trust information concerning individual customer load data for purposes of program design and marketing to the extent such disclosure is consistent with applicable law and Commission rules concerning customer data. The individual customer information provided to the Trust shall be "Designated Confidential Information" that is treated consistent with Protective Order 1 issued by the Commission in Docket No. 2011-213 (Jan. 11, 2012), which information shall be and remain confidential and limited to the Trust and its employees and contractors, in accordance with the Trust's Confidential Information Management System, for the purposes of advancing cost-effective NTA solutions in the pilot area.

IV. POSITIONS OF THE PARTIES

A. CMP

In its letter of April 24, 2012, CMP notes that in its initial filing of March 25, 2011, CMP proposed a hybrid solution to the reliability needs in the Mid-Coast area which included a provision that the Highland 115 kV substation be rebuilt to a breaker-and-a-half design. CMP goes on to state that the Company and GridSolar, together with the intervenors, engaged in a series of informal settlement conferences and work sessions in order to come to agreement on the scope of an initial limited NTA Pilot Program. The intent of these discussions was to develop a limited NTA Pilot and associated transmission system upgrades that would “make sense” regardless of the outcome of two pending uncertainties: the Commission’s investigation of transmission planning standards and the FERC’s final decision regarding the Bulk Electric Systems (“BES”) definition and its implications to CMP’s transmission needs. The objectives of such a hybrid solution would be to provide a meaningful NTA Pilot, address the most immediate and severe reliability needs in the Mid-Coast region and minimize exposure to potential stranded costs that could arise from the two pending uncertainties.

CMP goes on to state that it does not support the Stipulation because the Stipulation does not include a provision to allow for the Highland substation to be rebuilt to a breaker-and-a-half configuration. According to CMP, Highland is the hub for transmission support for the entire Mid-Coast Region and any of several multiple element contingencies results in a voltage collapse in the Camden-Rockland Region.

At the hearing on the Stipulation, CMP’s representatives explained that other than the Highland substation CMP does not object to the remaining terms of the Stipulation. The Company stated that if the Commission approved the Stipulation it was prepared to go forward with the Pilot Program as designed and to cooperate with GridSolar on implementation issues as appropriate. The Company also stated that it was also prepared to forward with the ratemaking provisions of the Stipulation but noted that with regards to rate design, if the costs of the NTA were recovered in distribution rates it would not be possible to perfectly mirror the recovery of such costs in transmission rates since, for example, the Company could not recover such costs from wholesale customers in distribution rates.

B. Proponents of the Stipulation

All signatories to the Stipulation spoke in favor and in support of the Stipulation at the hearing. The proponents acknowledged that the Stipulation does not address all reliability needs in the Mid-Coast area but allows the Commission to go forward with a meaningful Pilot Program while other dockets involving transmission planning are being resolved and does so in a manner that minimizes stranded costs. The proponents acknowledge the exclusion of Highland but note that the Stipulation does not purport to resolve all transmission needs in the area. Rather the Stipulation comprehensively addresses the needs in Boothbay region, includes certain

transmission upgrades in Camden-Rockland that are needed in all cases, defers a ruling on Highland, and plans on further addressing reliability needs in the area once relevant planning standards issues are resolved.

With regards to costs, Dr. Richard Silkman on behalf of GridSolar explained that the costs provided to the Commission in Exhibit 2 of Attachment 1 to the Stipulation go through the first year of implementation of the Stipulation. To the extent that the Commission determines that the Pilot in Boothbay should be continued the additional operating costs would be in the area of \$50,000 to \$75,000 annually.

V. DECISION

To accept a stipulation, the Commission must find that:

- a. The parties joining the stipulation represent a sufficiently broad spectrum of interests that the Commission can be assured that there is no appearance or reality of disenfranchisement;
- b. The process that led to the stipulation was fair to all parties;
- c. The stipulated result is reasonable and is not contrary to legislative mandates; and
- d. The overall stipulated result is in the public interest.³

For the reasons described below, we find that the proposed Stipulation in this case meets all these criteria.

In this case, the Stipulation was executed by GridSolar, the OPA, ENE and EMT. We find that the parties that have entered the Stipulation represent a broad spectrum of interests including the developer of the NTA Pilot Program, GridSolar, ratepayers through the OPA, and environmental interests through CLE, ENE and EMT. Although the Stipulation was not entered into by CMP, it is worth noting that CMP's position is one of non-support of the Stipulation rather than opposition. We also find that the second criteria in this case has been satisfied. We note that the Stipulation has been the subject of numerous settlement conferences all of which have been open to all parties.

In deciding whether the Stipulation is reasonable, fair and consistent with the public interest, the entire Stipulation must be considered as package. Whether we disagree with a particular Stipulation provision or would have come up with a different

³ *Central Maine Power Company and Public Service Of New Hampshire, Request for Certificate of Public Convenience and Necessity for the Maine Power Reliability Program*, Docket No. 2008-255, Order Approving Stipulation at 18 (June 10, 2010). See also *Central Maine Power Company, Request for Approval of Alternative Rate Plan*, Docket No. 99-666 (Nov. 16, 2000); *Central Maine Power Company, Proposed Increase in Rates*, Docket No. 92-345(II) (Jan. 10, 1995).

result were we to decide the case after litigation is not the question. The question is whether the particular proposal as a package before us is reasonable and consistent with the public interest. See Docket No. 92-345 (Phase II), *supra.*, Order at 3. In deciding this question, detriments which have been raised by the parties, or which we identify, must be weighed against the benefits of the Stipulation. For the reasons set forth below, we find that the stipulated result, when evaluated as whole, is fair, reasonable and in the public interest and that the benefits of the Stipulation clearly outweigh any detriments which we have identified.

Specifically, we note that while the NTA provided for in the Stipulation is small, even when compared to just the total load in the Mid-Coast area, we find that the scope of this initial Pilot is an appropriate place to start in that the Pilot is manageable and will provide us with valuable information in assessing:

1. Whether and what type of NTAs can be acquired at a reasonable cost to meet grid reliability requirements;
2. Whether and what are the best means by which the new advanced metering systems being deployed by CMP can provide the information and communications requirements to support NTA solutions to grid reliability issues;
3. Whether NTAs are capable of responding in the manner necessary to provide grid reliability service to CMP; and
4. Whether the results of this Pilot Project can be scaled to meet the grid reliability requirements of other regions of the CMP and BHE networks in Maine.

We also find that the proposed Pilot Program allows this assessment to go forward while a number of questions concerning transmission planning remain outstanding at the federal level by way of FERC's expected final decision regarding the Bulk Electric System definition, and at the state level in *Maine Public Utilities Commission, Investigation into Maine's Electric Utilities Planning Standards and Criteria*, Docket No. 2011-494 and does so in a way that minimizes the amount, and the likelihood, of future stranded costs.

In addressing CMP's non-support, we note that at the hearing, CMP indicated that it supported all aspects of the Stipulation other than the non-inclusion of upgrading the Highland substation and that it was fully prepared to cooperate with GridSolar in carrying out the Pilot Program if the Stipulation was approved in a Commission Order. In response to the reliability concerns expressed by CMP at the hearing, we first note that the Stipulation does not preclude the Highland substation upgrade as part of a future assessment of reliability needs in the Camden-Rockland area. Rather, as fully explained at the hearing, the Stipulation acknowledges that reliability in Camden-Rockland will need to be further addressed later in this proceeding after transmission planning standards questions are resolved and that consideration of the Highland substation is merely being deferred. We thus find that the deferral of the Highland

substation as part of this future analysis furthers the objective of minimizing stranded costs and is appropriate.

We also find that not only is the Stipulation not contrary to legislative mandates but in fact furthers the goals set forth by the legislature in the Smart Grid Policy Act of improving the overall reliability and efficiency of the electric system, reducing ratepayer costs in a way that improves overall efficiency and better manages energy consumption and reduces greenhouse gas emissions.

We thus conclude that the Stipulation is reasonable and in the public interest and that the Stipulation is consistent with all legislative mandates. In approving the Stipulation, we waive to the provisions of section 4 of Chapter 815 of our Rules and authorize CMP to provide certain customer information to EMT as contemplated in section VI(B)(11) of the Stipulation.

Accordingly, we

ORDER

1. That the Stipulation filed by GridSolar, the OPA, CLF, ENE and EMT on April 24, 2012 is approved. The Stipulation is attached hereto and is incorporated by reference.

2. That we grant a waiver of section 4 of Chapter 815 of the Commission's Rules and authorize CMP to provide information to EMT pursuant to the provisions of section VI(B)(11) and an appropriate protective order to be issued in this docket.

Dated at Hallowell, Maine, this 30th day of April 2012.

BY ORDER OF THE COMMISSION

Karen Geraghty
Administrative Director

COMMISSIONERS VOTING FOR: Vafiades
Littell

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within **20** days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought. Any petition not granted within 20 days from the date of filing is denied.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21** days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.