



WHAT CENTRAL MAINE POWER DOESN'T WANT YOU TO KNOW

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Are Maine consumers better off now that energy generation is deregulated? The answer is yes.

In fact, Maine consumers are much better off contrary to the recent commentary by Sara Burns of Central Maine Power. Wholesale electricity prices in New England have declined by 16.5% from 2001 – 2004 when adjusted for fuel costs and inflation and Maine consumers pay about ten percent less for their energy supply than the rest of New England.

This decline in wholesale costs is the result of a competitive market which prompted the construction of 10,000 megawatts of new, clean and efficient generating plants, replacing many of the region's older inefficient plants. Five of these new plants, representing 1,700 megawatts and more than \$2 billion of investment, have been built in Maine. These new plants are cleaner as well as more efficient so emissions of key pollutants have decreased even as energy consumption has increased throughout the region. Clearly, deregulation is better for Maine consumers and the environment.

But the real question is: should we ask consumers to pay for expensive new generation rather than purchase power from the competitive market? The answer is no. Power generation is like any other business: the market should determine what is bought and sold; who fails or succeeds; and at what price.

The fact is Central Maine Power would like to get back into the business of building generating plants and have consumers pay for it...again. History has shown that Central Maine Power and New England's other regulated utilities made poor choices about what power plants to build—creating billions of dollars in stranded cost—and operated these plants less efficiently than merchant companies. And Maine is still paying the costs of those decisions today.

For example, when Maine restructured its electric industry, Central Maine Power was in financial difficulty. The reason is its investment in Maine Yankee, as well as other nuclear plants in the region, had gone sour leaving it in debt and with nearly \$1.3 billion in stranded costs that it was seeking to recover from ratepayers. So in 1999 Central Maine Power sold its power plants for \$846 million recovering its investment and reducing the stranded cost burden for its ratepayers by over \$500 million. Without restructuring, where would Central Maine Power and Maine ratepayers be today?

More recently, in 2005, Maine ratepayers, just like so many others across the country, saw an increase in electricity prices. Why did Maine ratepayers experience such an increase? Since Maine is largely dependent on natural gas and oil for generating electricity in the state, consumers were particularly hard hit due to global fuel markets as well as hurricane related damage to oil and gas production facilities. Of course, Central Maine Power would like you to believe that restructuring is to blame for these recent price increases. But ask yourself this question: How could Central Maine Power build new generating plants at ratepayer expense and alter this global phenomenon? The answer is: They can't.

The reality is competition makes everything stronger. Competitive markets are still the best means to produce a reliable and affordable energy supply for consumers. Competitive energy markets also mean more job growth and economic development that is necessary for a healthy New England economy.

That is why no one is in a better position to reap the benefits of competitive power generation today than Maine.

David Wilby is the executive director of the Independent Energy Producers of Maine (IEPM) is a not-for-profit association of renewable power producers, suppliers of goods and services to those producers, and other supporters of this industry. IEPM power producer members generate electricity in a sustainable manner from hydro, biomass, wind, and waste to energy. Located in Augusta, Maine, the IEPM represents the renewable power industry at the State Legislature and before the Maine Public Utilities Commission.

Angela O'Connor is the president of the New England Power Generators Association, (NEPGA) the largest trade association representing electric power generators throughout New England. NEPGA's member companies represent over 20,000 megawatts (MW) of generating capacity in the region. NEPGA's mission is to promote sound energy policies which will further economic development, jobs, and balanced environmental policy. We believe that sustainable competitive markets are the best means to provide long-term reliable and affordable supplies of electricity for consumers.