

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Central Maine Power Company**

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**EL08-74-000**

**NOTICE OF INTERVENTION OF  
THE MAINE PUBLIC UTILITIES COMMISSION AND  
JOINT MOTION TO HOLD PETITION IN ABEYANCE AND PROTEST OF  
THE MAINE PUBLIC UTILITIES COMMISSION,  
THE MAINE OFFICE OF THE PUBLIC ADVOCATE, AND THE NEW ENGLAND  
CONFERENCE OF PUBLIC UTILITIES COMMISSIONERS**

The Maine Public Utilities Commission (“MPUC”) respectfully files this Notice of Intervention and, jointly with the Maine Office of the Public Advocate (“OPA”) and the New England Conference of Public Utilities Commissioners (“NECPUC”),<sup>1</sup> this Motion to Hold Petition in Abeyance and Protest in the above-captioned proceeding regarding the July 1, 2008 Petition (“July 1 Petition”) by Central Maine Power Company (“CMP”) seeking from the Federal Energy Regulatory Commission (“Commission”) a Declaratory Order Authorizing Incentive Rates for the Maine Power Reliability Program (“MPRP”). As discussed below, holding CMP’s July 1 Petition in abeyance until the Certificate of Need proceeding is complete will promote administrative efficiency because it will allow the Commission to determine the basis of CMP’s claims as they pertain to the project as it is developed through the siting and Certificate of Need processes. Alternatively, if the Commission denies the abeyance motion, the MPUC, OPA, and NECPUC respectfully protest granting any incentive treatment (other than the request that the Commission confirm that CMP is entitled under its Transmission Operating Agreement (“TOA”) to recover prudently incurred abandoned plant costs). Incentives will not materially affect CMP’s

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<sup>1</sup> OPA and NECPUC will be separately filing their motions to intervene in this proceeding.

investment decisions because it has already assumed an obligation to build. Further, the formula rate structure in effect for the New England Transmission Owners minimizes risk. If incentives are granted, only the Construction Work in Progress (“CWIP”) incentive is appropriate. CMP has failed to justify a 150 basis point adder in addition to CWIP and has failed to justify a Return on Equity (“ROE”) near the top of the range of reasonableness. CWIP and recovery of prudently abandoned plant costs will address CMP’s concerns about cash flow and increased risk. Moreover, CMP has failed to show that it is in or close to a precarious financial situation in terms of bond ratings that has been a factor in some cases in which incentive adders have been granted. Finally, if any adder is appropriate, it is already built into CMP’s current ROE because the adder the Commission granted on rehearing in Docket No. ER04-157 due to the increase in bond yields, which occurred during the period between the issuance of the Initial Decision and the Commission’s Order and Rehearing Order, is no longer supported by current bond yields which have fallen significantly.

**I. PRELIMINARY STATEMENT**

This filing is submitted pursuant to Rules 211, 212, and 214 of the Rules of Practice and Procedure of the Commission, 18 C.F.R. §§ 385.211, 385.212, and 385.214 (2008), and the Commission’s July 7, 2008 Notice of Filing, in which the Commission established August 1, 2008, as the date by which interventions and protests are to be filed in this proceeding.

The persons to whom correspondence, pleadings, and other papers in relation to this proceeding should be addressed and the persons whose names are to be placed on the Commission’s official service list are designated as follows pursuant to Rule 203, 18 C.F.R. § 385.203 (2008):

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## **II. NOTICE OF INTERVENTION**

Under Maine law, the MPUC is the state commission designated by statute with jurisdiction over rates and service of electric utilities in the state. *See* 35-A M.R.S.A. § 101 *et seq.* It is, therefore, a “state commission” under the Commission’s regulations. 18 C.F.R. § 1.101(k) (2008). Accordingly, the MPUC hereby gives notice of its intervention pursuant to Rule 214(a)(2). 18 C.F.R. § 385.214(a)(2) (2008).

## **III. BACKGROUND AND DESCRIPTION OF PETITION**

The July 1 Petition seeks the following incentive rate treatments: (1) authorization for 100% of prudently incurred CWIP to be included in rate base with a current return, subject to the use of appropriate accounting methodologies to prevent double recovery; (2) recovery of prudently incurred costs if the MPRP is abandoned, in whole or in part, as a result of factors beyond the control of CMP; and (3) a 150 basis point incentive adder to Petitioner’s base ROE for determining the revenue requirement of the project. The requested adder would bring CMP’s ROE up to 13.14% from 11.64%. The incremental cost of the requested 150 basis point ROE adder is between \$250 and \$265 million in total over the estimated 30 year lifetime. Attachment A, Affidavit of Richard S. Kivela (“Kivela Affidavit”) at P 26.

Also on July 1, 2008, CMP filed at the MPUC a Request for Certificate of Public Convenience and Necessity for the MPRP.<sup>2</sup> CMP requests that the Certificate Proceeding be completed by June 2009. The Initial Case conference was held in this case on July 29, 2008.

On March 24, 2008, the Commission approved a base mid-point ROE of 10.40%.<sup>3</sup> In Opinion No. 489, dated October 31, 2006, the Commission found that three adders should be made to the base ROE. These adders included the following: (1) 50 basis points for RTO participation; (2) 100 basis points for new transmission investment placed in service by December 21, 2008; and (3) 74 basis points for “updated bond market data . . . .”<sup>4</sup>

#### **IV. MOTION TO HOLD CASE IN ABEYANCE**

The MPUC, OPA, and NECPUC respectfully ask that CMP’s July 1 Petition be held in abeyance pending the Certificate of Need proceeding recently initiated by CMP. Holding the July 1 Petition in abeyance will allow the Commission to determine the merits of the application made by CMP based on the specifics of any project that may be approved by the MPUC. For obvious reasons, the MPUC will not and cannot here contest the merits of the

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<sup>2</sup> See Cent. Me. Power Co., Request for Certificate of Public Convenience and Necessity for the Maine Power Reliability Program Consisting of the Construction of Approximately 350 miles of 345kV and 115 kV Transmission Lines, MPUC Docket No. 2008-255, available at [http://mpuc.informe.org/easyfile/cache/easyfile\\_doc207087.PDF](http://mpuc.informe.org/easyfile/cache/easyfile_doc207087.PDF).

<sup>3</sup> See *Bangor Hydro-Elec., Co.*, 122 FERC ¶ 61,265 at P 22 (2008) (“Order on Rehearing”).

<sup>4</sup> See *Bangor Hydro-Elec. Co.*, 117 FERC ¶ 61,129 at P 2 (2006) (“Opinion No. 489”).

MPRP because they are subject to adjudication through the Certificate of Need process.<sup>5</sup> If and when the project receives a Certificate of Need, then the Commission will have the actual project before it. Granting the motion will allow the MPUC to address the claims made by CMP in this Commission proceeding without prejudging the merits of the proposed project before it in the state Certificate of Need proceeding.

Further, it is clear that the peak of the spending projected by CMP will be in 2010 and 2011. CMP has requested in its state Certificate Petition that a decision be made by June 2009. Thus, as long as the Certificate of Need proceeding is concluded by the second quarter of 2009, the Commission could consider CMP's July 1 Petition well before the peak of the construction spending occurs. As a practical matter, construction cannot begin until the required certificates and permits are in place. Thus, CMP's request for a quick decision by the Commission is not justified, and CMP would not be prejudiced by holding the proceeding in abeyance pending the completion of MPUC's Certificate of Need proceeding.<sup>6</sup>

This is not a case in which incentives can be conditioned upon state siting approval, *see, e.g., Xcel Energy Services, Inc.*, 121 FERC ¶ 61,284 at P 53 (2007), because there is no way to determine at this early stage in the state Certificate case the final parameters of any project that might ultimately be approved. By holding CMP's July 1 Petition in abeyance,

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<sup>5</sup> The MPUC does here correct one incorrect allegation, consistent with information both it and ISO-NE has provided to the DOE. CMP references the 2006 congestion study in which the DOE found that the Maine-New Hampshire and Maine-New Brunswick Interfaces were constrained. This is incorrect. In the FCM case and before DOE itself, ISO-NE argued vehemently that the Maine-New Hampshire interface was not export constrained. *See, e.g.*, Memorandum entitled "Comments of ISO-NE on the Possible Designation of New England as a Congestion Area of Concern from Stephen J. Rourke, Vice President of System Planning, ISO New England Inc., to DOE (Oct. 10, 2006), available at [http://web.ead.anl.gov/1221a/involve/searchcomment/act\\_displayfile.cfm?filename=ISONE.pdf](http://web.ead.anl.gov/1221a/involve/searchcomment/act_displayfile.cfm?filename=ISONE.pdf). ISO-NE also disagreed with the congestion study's finding of an export constraint. *Id.* In fact as a result of several smaller construction projects, the Maine-New Hampshire transfer capability has increased to nearly 1600 MWs from a level of 1400 MWs during the FCM proceeding.

<sup>6</sup> *See Pac. Gas & Elec. Co.*, 123 FERC ¶ 61,067 at P 40 (2008) (deferring consideration of the petitioner's requested CWIP and ROE incentives "given the early stage of the project's development").

the Commission will avoid having to revisit its decision if the facts upon which it relied in adjudicating CMP's incentive request change as a result of the Certificate of Need proceeding.

Finally, holding the July 1 Petition in abeyance is consistent with the Commission's statements in Order Nos. 679 and 679-A<sup>7</sup> in which the Commission expressed its intent to coordinate its consideration of incentives with the state siting authority. For example, in Order No. 679, the Commission stated:

With regard to state review, the Commission recognizes that incentives for many utilities are incorporated into rates that must receive state commission approval and that many decisions on siting and permitting of new facilities are under the jurisdiction of state and local government authorities. Because of this, we will carefully consider the views of any state bodies having jurisdiction over these matters. We also will, as discussed below, adopt a rebuttable presumption that projects approved by an appropriate state commission or siting authority are eligible for incentives under section 219. We believe that, in these ways, we will appropriately coordinate our consideration of incentives with the views of responsible state agencies.

Order No. 679 at P 54. On rehearing, the Commission stated, "The Commission created the rebuttable presumption because we do not wish to duplicate the work of state siting authorities, regional planning processes, or the U.S. Department of Energy (DOE) under EPCAct section 1221." Order 679-A at P 5. If the Commission makes determinations about the project before the state siting authorities even determine what the project, if approved, will ultimately look like, the Commission will not have the benefit of the MPUC's extensive review of the specifics of the project. Moreover, premature consideration of the incentive request based on a different project than that approved by the state siting authority will likely

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<sup>7</sup> Order No. 679, FERC Stats. & Regs. ¶ 31,222, *order on reh'g*, Order No. 679-A, FERC Stats. & Regs. ¶ 31,236 (2006), *order on reh'g*, 119 FERC ¶ 61,062 (2007).

require the Commission to revisit its original decision. This administrative inefficiency could be avoided by simply deferring consideration of CMP's request for incentive rate treatment for the MPRP until after the siting process is completed. For all of these reasons, the MPUC, OPA, and NECPUC request that CMP's July 1 Petition be held in abeyance until the conclusion of the Certificate of Need proceeding.

**V. STANDARD FOR GRANTING INCENTIVES**

The Energy Policy Act of 2005 ("EPAct 2005") added Section 219 to the Federal Power Act. Section 219 required the Commission to develop rules for incentive-based rate treatment for transmission that ensures reliability and reduces congestion. Section 219 requires that the rules:

- “(1) promote reliable and economically efficient transmission and generation of electricity by promoting capital investment in the enlargement, improvement, maintenance, and operation of all facilities for the transmission of electric energy in interstate commerce, regardless of the ownership of the facilities;
- “(2) provide a return on equity that attracts new investment in transmission facilities (including related transmission technologies);
- “(3) encourage deployment of transmission technologies and other measures to increase the capacity and efficiency of existing transmission facilities and improve the operation of the facilities; and
- “(4) allow recovery of— (A) all prudently incurred costs necessary to comply with mandatory reliability standards issued pursuant to section 215; and
- “(B) all prudently incurred costs related to transmission infrastructure development pursuant to section 216.

Energy Policy Act of 2005, Pub. L. No. 109-58, § 1241, 119 Stat. 594, 961 (to be codified at 16 U.S.C. § 824S) (adding section 219 to the Federal Power Act). Section 219 further requires that all rates approved under the rules “are subject to the requirements of section 205

and 206 that all rates, charges, terms, and conditions be just and reasonable and not unduly discriminatory of preferential.” *Id.*

In Order Nos. 679 and 679-A, the Commission issued rules to implement Section 219. The Commission rules establish a rebuttable presumption that the project ensures reliability or reduces congestion if it has resulted from a regional planning process or has been approved through a state siting process. Order No. 679 at P 58. Once a project meets this test of “ensuring reliability” or “reducing congestion,” there is an additional standard to determine whether incentives are appropriate. This standard, referred to as the “nexus” test, is designed to “ensure that incentives are not provided in circumstances where they do not materially affect investment decisions.” Order No. 679-A at P 25. While the test originally required only that an applicant show that there is a “nexus” between each individual incentive being sought and the investment being made, rather than to the package of incentives as a whole, on rehearing, the Commission clarified that the nexus test would be more robust and would be met when an applicant demonstrates that the total package of incentives requested is “tailored to address the demonstrable risks or challenges faced by the applicant in undertaking the project.” *Id.* at P 6.

Further, on clarification, the Commission sought to assure commenters that it would not routinely grant adders at the highest end of the zone of reasonableness. Thus, it clarified that it did “not intend to grant incentive returns ‘routinely’ or that, when granted, *they will always be at the ‘top’ of the zone of reasonableness.* Rather, each applicant will, first, be required to justify a higher ROE under the required nexus test and, second, to justify *where in the zone of reasonableness that return should lie.*” *Id.* at P 7 (emphasis added). The Commission further revised the rule to require that “applicants must provide sufficient

explanation and support to allow the Commission to evaluate each element of the package and the *interrelationship* of all elements of the package. If some of the incentives would reduce the risks of the project, that fact will be taken into account in any request for an enhanced ROE.” *Id.* at P 27 (emphasis added).

Finally, the Commission addressed the concern raised by the California Public Utilities Commission that Order No. 679 did not take into consideration the relative low risk associated with transmission investment. The Commission stated that it agreed with the California Commission “that utilities should consider the effect that certain incentives (e.g. CWIP in rate base, recovery of abandoned plant) may have on risk and that *return on equity in the upper end of the zone of reasonableness may not be appropriate when combined with incentive rate treatments that lower overall risk.*” *Id.* at P 65 (emphasis added).

## **VI. PROTEST**

### **A. Incentives are Not Appropriate Where Utilities Have an Obligation to Build**

The purpose of the new Section 219 as explained by the Commission is to “attract new investment,” which the Commission explains was not generally occurring in the country. Incentives under this provision were designed to encourage investment in large transmission projects in which a utility has no obligation to build:

New transmission is needed to connect new generation sources and to reduce congestion. However, because there is a competitive market for new generation facilities, these new generation resources may be constructed anywhere in a region that is economic with respect to fuel sources or other siting considerations (e.g., proximity to wind currents), not simply on a "local" basis within each utility's service territory. To integrate this new generation into the regional power grid, new regional high voltage transmission facilities will often be necessary and, importantly, *no single utility will be "obligated" to build such facilities.* Indeed, many of these projects may be

too large for a single load serving entity to finance. Thus, for the Nation to be able to integrate the next generation of resources, we must encourage investors to take the risks associated with constructing large new transmission projects that can integrate new generation and otherwise reduce congestion and increase reliability.

Order No. 679 at P 25 (emphasis added). In contrast to the situation described by the Commission as one warranting incentives, in New England, the transmission owners, including CMP, have voluntarily assumed an obligation to build new transmission included in the RSP subject to approval by the relevant state siting authorities. The TOA provides:

Subject to the requirements of applicable law, government regulations and approvals, including requirements to obtain any necessary federal, state or local siting, construction and operating permits; the availability of required financing; the ability to acquire necessary rights-of-way; and satisfaction of the other conditions set forth in this Section 1.1, each PTO shall have the obligation to own and construct (or cause to be constructed) any New Transmission Facility or Transmission Upgrade that is designated in the ISO System Plan as necessary and appropriate for system reliability or economic efficiency. The PTO may enter into appropriate contracts to fulfill any obligations associated with the ownership and construction of such New Transmission Facilities or Transmission Upgrades.

TOA at Schedule 3.09(a), Section 1.1(a). The TOA further provides that this obligation is subject to the utilities' right to earn a return of and on prudently incurred costs. As discussed below and referenced in CMP's July 1 Petition, the TOA also gives CMP the right to recover all prudently incurred abandoned plant costs. *See* TOA Schedule 3.09. Because, subject to obtaining necessary siting approvals, CMP is obligated to build a project within or connected to its electric system the requested incentives "do not materially affect," Order No. 679 at P 25, CMP's investment decisions. CMP will invest in the project, if it is approved by the state

siting authorities, because it has an obligation to do so.<sup>8</sup> As discussed below, its obligation to invest, moreover, comes with very minimal risk due to its ability to recover investments through a formula rate, its right to recover prudently incurred abandoned plant costs, and the more-than-generous base ROE and adds the Commission has already granted in Opinion No. 489.<sup>9</sup>

**B. Incentives Are Not Appropriate Where A Formula Rate Minimizes Investor Risk**

The New England transmission owners operate under a formula rate. As the Commission has noted, companies with formula rates face materially less risk than those with stated rates. *See, e.g., Ne. Utils. Serv. Co.*, 56 FERC ¶ 61,269 at p. 62,053 (1991); *Ind. & Mich. Power Co.*, 4 FERC ¶ 61,316 at p. 61,739 (1978); *S.C. Generating Co.*, 40 FERC ¶ 61,116 at p. 61,311 (1978). A formula rate significantly curtails regulatory risk. Costs can be recovered quickly and with a minimal expenditure of resources. Kivela Affidavit at P 35. In Order No. 679-A, the Commission noted that the reason routine investments may not qualify for incentive treatment is the “high assurance of cost recovery.” Order No. 679-A at P 51. Where formula rates assure timely recovery of costs, incentive treatment is neither needed nor justified.<sup>10</sup>

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<sup>8</sup> *See Duquesne Light Co.*, 118 FERC ¶ 61,087 (2007) at Dissenting Statement of Commissioner Kelly (stating that, where the utility had a regulatory obligation to undertake a project, the grant of incentives was inappropriate by remarking that “[I]t is a bedrock principle that incentives are meant to encourage behavior that is in the public interest but that is not otherwise required”).

<sup>9</sup> Petitioners have appealed the Commission’s orders in Docket No. ER04-157. This appeal is before the D.C. Circuit Court of Appeals as *Conn. Dep’t Pub. Util. Control v. FERC*, No. 08-1199 (D.C. Cir. filed May 23, 2008).

<sup>10</sup> *Cf. Nevada Hydro Co., Inc.*, 122 FERC ¶ 61,272 at P 34 (2008) (noting that, when a petitioner is “shouldering all risks associated with permitting, financing and constructing” the project, the petitioner has demonstrated that the “project faces substantial economic uncertainty and regulatory risk”).

**C. CMP's Requested Construction Work In Progress Incentive If Granted Would Make Any ROE Adders Unnecessary and Therefore Unjust and Unreasonable**

CMP asks for an incentive rate treatment of 100% of CWIP. In support of its request,

CMP's witness Paul Dumais testifies:

Including CWIP in rate base would allow CMP to recover financing costs (both equity and debt) of construction for the Project on a current basis during the construction period, which, in turn improves CMP's cash flow (as described in Paragraph 12), reduces long-term capital costs, provides up-front regulatory certainty, *preserves CMP's credit rating, encourages financing and decreases the amount of borrowing necessary for financing the debt.*

...

By improving CMP's cash flow and financial metrics, the inclusion of CWIP in rate base specifically offsets the financial risks and ongoing financial burden inherent in funding a capital intensive, long lead time project of this scope *and will encourage CMP to take the risk of promoting a significant new transmission investment that would help ensure continued reliable transmission service and reduce congestion in Maine.*

Dumais Affidavit at ¶¶ 34, 36.

As discussed above, incentives to encourage construction of transmission are not appropriate here because CMP already has *an obligation* to build and its formula rate already minimizes regulatory risk. However, if the Commission determines that incentives are appropriate, the Dumais affidavit makes clear that the CWIP incentive is sufficient to mitigate any risk that may be posed by the MPRP.<sup>11</sup> The Dumais affidavit also demonstrates that granting the CWIP incentive *by itself* would permit CMP to maintain solid investment

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<sup>11</sup> The MPUC understands from discussions with counsel for CMP that (1) it would not seek to recover any CWIP until and unless the project is approved by the MPUC and (2) that because CMP projects costs it expects to incur in the coming year under the annual Regional Formula Rate Filing made by the transmission owners, CMP will not seek to recover any more than its load ratio share of the CWIP in its local transmission tariff.

grade bond rating credit metrics in the BBB+/A- range (where it is today). *See* Kivela Affidavit at P 33; *see also* July 1 Petition at 65.

It is CMP's concern that the impact of a substantial financial expenditure "may have an adverse impact on the (*sic*) CMP's credit and debt ratings and, in turn, limit CMP's ability to attract financing for the Project from the investment community," Dumais Affidavit at ¶ 33, that is at the core of CMP's ROE adder request. Since CWIP will allow CMP to retain its current investment grade bond rating, granting an adder in addition to CWIP extracts money from ratepayers without any justification for doing so other than giving utilities "creamy" returns. *Farmers Union Cent. Exch. v. FERC*, 734 F.2d 1486 (D.C. Cir. 1984). Further, unlike several cases in which ROE adders have been granted, CMP's bond rating has not been recently downgraded, *see United Illuminating Co.*, 119 FERC ¶ 61,182 at P 64 (2007); nor have credit rating agencies described CMP's outlook as "negative." *See PPL Elec. Utils. Corp.*, 123 FERC ¶ 61,068 at P 6 (2008).<sup>12</sup> Therefore, CMP's conjectures about the possible effect of the MPRP on its credit rating (which as discussed above are addressed by the CWIP incentive) are unsupported and cannot form the basis for the incentive adders.<sup>13</sup>

CMP's other justification for the ROE adder is to meet investor expectations for a "fair return" and to attract investment by providing regulatory certainty. Dumais Affidavit at ¶ 33. However, in requesting the CWIP incentive, CMP states that inclusion of CWIP in rate base "*specifically offsets* the financial risks and ongoing financial burden inherent in funding a capital intensive, long lead time project of this scope and will encourage CMP *to take the*

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<sup>12</sup> *See also Westar Energy Inc.*, 122 FERC ¶ 61,268 at P 47 (2008) (finding that petitioner's BBB- credit rating was "not significantly above a non-investment grade rating" and that "its financial position could be stressed as it takes on a large amount of additional debt to support" the project); *Duquesne Light Co.*, 118 FERC ¶ 61,087 at P 12 (2007) (noting that Duquesne's credit rating for senior debt was BBB, which is below the average for electric utilities).

<sup>13</sup> The Commission may not base its decision on speculation of what could potentially occur. It must base its decision on actual facts. *See Nat'l Fuel Gas Supply v. FERC*, 468 F.3d 831, 843 (D.C. Cir. 2006).

*risk of promoting a significant new transmission investment . . .” Id. at ¶ 35. Where CWIP offsets financial risks, the requested ROE adders are simply not justified.<sup>14</sup>*

**D. Granting the Requested Recovery of Prudently Incurred Abandoned Plant Incentive Eliminates Any Remaining Credit Risk**

In addition to its request for the inclusion of 100% of CWIP in rate base and a greatly enhanced ROE, CMP requests that the Commission affirm in advance that prudently incurred costs would be eligible for recovery if the Project were ultimately cancelled or abandoned due to events beyond CMP’s control.

In this case, recovery of prudently incurred costs on abandoned construction coupled with the inclusion of 100% of CWIP in rate base should insulate CMP, its lenders, and its equity investors from the investment risks associated with this project. Kivela Affidavit at P 39.

**E. The Cost of the Requested ROE Adders Is Significant and Would, If Granted, Impose Excessive Rates on Consumers**

The requested ROE adders would impose significant (and as discussed above) unjustified costs on ratepayers. As discussed in the Kivela affidavit, the cost of the project with the requested 150 basis point adder bringing CMP’s ROE up to 13.14% for the MPRP (assuming that there are not cost major overruns to the \$1.4 billion projected cost<sup>15</sup>) is between \$4.20 and \$4.38 billion. The incremental cost to ratepayers of CMP’s requested 150

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<sup>14</sup> See *PPL Elec. Utils. Corp.*, 123 FERC ¶ 61,068 (2008), at Dissenting Statement of Commissioner Kelly (finding that CWIP and abandoned plant incentives adequately address risks associated with the significant investment, the regulatory process, abandonment, and unique construction risks and challenges and that “a project-specific ROE is not required to get the project built”); *id.* at Dissenting Statement of Commissioner Wellinghoff (explaining that non-ROE incentives address concerns about cash flows, financial risk, and regulatory risk and finding a 25-point reduction from the requested adder inadequate “to account for the extent to which the other incentives granted in [the] order address the risks and challenges faced by the Project”).

<sup>15</sup> If history is a guide, relying on the \$1.4 billion projected cost as an outside number would be a mistake, since every major RSP-approved project has resulted in extreme cost overruns from the projected cost of the project.

basis point adder alone is between \$250 and \$265 million in total over the estimated 30 year lifetime. Kivela Affidavit at P 26.<sup>16</sup>

This is on top of recent extraordinary increases in the transmission rate due to major new projects, cost overruns on those projects and the high ROE already granted to the transmission owners, including adders and adjustments made in Docket No. ER04-157. For example, the formula rate filing for the New England transmission owners show a dramatic increase between 2007 and 2008 rates from 27.90 per kW year to 44.10 per kW year. *See* Attachment B, Presentation at July 22, 2008 NEPOOL Transmission Committee Meeting. This increase translates into an approximate 6.5 % increase in the distribution component of CMP's residential rates. *See NECPUC v. Bangor Hydro Elec. Co.*, Docket No. EL08-69, Complaint at 3 (filed on June 12, 2008).

**F. CMP Has Failed to Demonstrate That an ROE Adder Should Be at or Near the High End of the Range of Reasonableness**

CMP has failed to show either that an ROE adder is justified or that an adder that brings its ROE to 13.14%, close to the top of the high end of the zone of reasonableness,<sup>17</sup> is justified. First, CMP cites the incorrect standard. It states that "FERC shall 'approve an ROE at the upper end of the zone of reasonableness for new infrastructure that meet the requirements of Section 219.'" July 1 Petition at 57-58. The Commission did state in Order No. 679 that "the Commission will approve an ROE at the upper end of the zone of

<sup>16</sup> *Cf Duquesne*, 118 FERC ¶ 61087 at PP 12, 57 (2007) (reducing the requested adder by 50 basis points because other incentives reduced Duquesne's overall risk). In *Duquesne*, the utility presented the Commission with a petition for rate incentives in which the cost of a requested ROE adder of 150 basis points would, according to the utility, total \$11 million dollars over the 43-year life of the facilities. *Id.* In addition to reducing the requested adder, the Commission assured protesting ratepayer representatives who had argued that, since the overall ROE reflected a low level of risk, during a future hearing the utility's "overall range of reasonableness will be established, as well as a determination of where, within that range, its base ROE should be set." *Id.*

<sup>17</sup> As discussed in the Kivela Affidavit and in Section F below, if the adjustment is made to the base ROE to reflect current bond yield information, the top-end of the range of reasonableness would be 12.64% (13.84%-1.20%).

reasonableness for new infrastructure investments that meet the requirements of section 219 as discussed elsewhere in this Final Rule.” Order No. 679 at P 91. However, CMP fails to note that on rehearing the Commission tightened the standard, making clear that a utility requesting an ROE adder is “required to justify a higher ROE under the required nexus test and, second, to justify *where in the zone of reasonableness that return should lie.*” *Id.* at P 7 (emphasis added). Here, CMP has failed to show that an adder is justified, especially as discussed above, in light of its formula rate, obligation to build, and ability to recover prudently incurred abandoned plant costs.

Moreover, to the degree that any incentive is justified, CWIP is more than adequate to address any remaining risk and cash flow returns. Even if an adder, in addition to the CWIP and the recovery of the abandoned plant cost incentives were justified, and as discussed above it is not, CMP has failed to show that its requested adder that brings CMP’s ROE to an extraordinarily high level is justified. In fact, most of its arguments for the adder are the same as its arguments for CWIP. For example, CMP claims that “absent the requested ROE adder, the impact of such a capital expenditure will have an adverse impact on CMP’s credit and debt ratings and, in turn, its ability to attract financing for the Project from the investment community.” July 1 Petition at 58. CMP further states that “[a]n incentive ROE can attract investment and improve cash flow.” However, CMP fails to explain why the cash flow and siting risks are not fully addressed by its requested CWIP incentive. While CMP states that it has “carefully tailored its request in this Petition to only those incentives that will offset the demonstrable risks and challenges associated with the project,” the pleading makes clear that the ROE incentive is redundant because CWIP addresses the same concerns.

This redundancy is demonstrated by the fact that CMP provides the same justification for the adder as it does for CWIP; for example, CMP states, “The ROE adder serves to provide the improved cash flow during construction to enhance CMP’s credit quality and debt rating and offers up-front regulatory certainty that is required for this Project of such significant magnitude.” In support of the CWIP incentive, however, CMP states that granting CWIP will “provide CMP with up-front regulatory certainty, increase cash flow, and decrease the amount of borrowing necessary to finance the project.” July 1 Petition at 64. Because CWIP will address CMP’s cash flow and enhance CMP’s credit quality, CMP has failed to justify a higher ROE or to justify one near the top of the range of reasonableness.<sup>18</sup>

The only arguments for the size of the adder that are not redundant to those for the CWIP and recovery of abandoned plant costs incentives are CMP’s suggestion that (1) a 150 basis point adder is appropriate because the Commission has granted 100 and 125 basis point adders for projects smaller in scope to that of the MPRP and (2) “equitable considerations” require granting a 150 basis point adder.

CMP’s argument that the 150 basis point adder is appropriate because the Commission has granted large adders in other cases does not meet CMP’s burden of showing that an adder of the magnitude requested is justified or that its ROE should be close to the top end of the range of reasonableness. If there are any risks not addressed by the non-ROE incentives, CMP has failed to demonstrate what they are. Thus, CMP’s request, if granted, would simply inflate its ROE by 150 basis points without any justification for doing so. Congress, in enacting EAct 2005, did not intend that ROE adders would be used simply to provide a “bonus” to transmission owners, as would be the case here. In fact, the

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<sup>18</sup> If the adjustment is made to the base ROE as required to reflect current bond yields, the requested adders would be significantly above the 12.64% top end of the range of reasonableness. See Section F below and Kivela Affidavit at PP 6-13.

Commission has made clear that the ROE incentives “do not constitute an ‘incentive’ in the sense of a ‘bonus’ for good behavior. Rather, as we explain below, each will be applied in a manner that is rationally tailored to the risks and challenges faced in constructing new transmission.” Order No. 679 at P 26. CMP and its investors are not entitled to a bonus (especially for fulfilling its contractual obligation to build), and as stated above, any risks are fully addressed by the CWIP incentive.

Finally, CMP suggests that as a matter of equity, it should be granted its requested 150-basis point adder because it began undertaking studies for the MPRP when Opinion No. 489 (in Docket No. ER04-157) applied a 100 basis point incentive to all RSP projects. This argument is nothing more than a collateral attack on the Rehearing Order in that case. The Rehearing Order set a cut-off date of project completion by December 2008 for entitlement to the 100 basis point adder for RSP projects. Rehearing Order at P 51. The Rehearing Order made clear that other projects would have to meet the standards of Order No. 679. *Id.* Thus, to suggest that any project for which any studies were undertaken while rehearing was pending of the original Opinion No. 489 is entitled to an ROE adder (and one significantly exceeding the 100 basis point adder in Opinion No. 489) is to eviscerate the limitation on the applicability of the adder in Opinion No. 489. Further, CMP’s equity argument fails because there can be no reliance on Opinion No. 489 since CMP, in undertaking the studies and initial planning for the MPRP, was only meeting its contractual obligations.<sup>19</sup>

CMP has thus failed to demonstrate that its requested adder (or any adder) is tailored to address the purported risks of the project. Moreover, granting an adder that results in an

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<sup>19</sup> CMP’s claim that the MPRP was in the RSP while the rehearing of Opinion No. 489 was pending is incorrect. The MPRP will not become an RSP-approved project until ISO-NE actually approves its proposed plan application. Although approval was recommended by the reliability committee, the ISO has not yet issued its approval for the project.

ROE of 13.14% for the MPRP near the top of the high end of the range of reasonableness would not “balance[] the interests of shareholders and consumers” nor would it protect consumers from excessive rates. *See* Opinion No. 489 at Dissenting Statement of Commissioner Wellinghoff.

**G. A Substantial Incentive Is Already Built Into CMP’s Rate—No More is Necessary or Required**

In Opinion No. 489, the Commission granted a base ROE of 10.4%, which it increased to reflect the change in bond prices. Opinion No. 489 at P 81. In *PPL*, the Commission justified the size of a 125 basis-point adder because “the ultimate ROE granted to Petitioners will be subject to a determination under FPA section 205.” *PPL Elec. Utils. Corp.*, 123 FERC ¶ 61,068 at P 38 (2008). Here, CMP seeks a very high adder in addition to the adder that was granted on rehearing to Opinion No. 489, which, as the Kivela affidavit makes clear, is no longer justified because of falling bond yields. Thus, either the Commission should revise the range of reasonableness or consider the requested adder subsumed by the changed conditions and thus no longer necessary. If the adder to reflect changed economic conditions was appropriate to establish CMP’s base ROE in Docket No. ER04-157, it certainly is appropriate to adjust the base ROE now based on changes in the other direction.

Moreover, the Commission has determined that, even when a base ROE was established in a settlement, hearing procedures would be established to determine the utility’s “overall range of reasonableness” and a “determination of where, within that range, its base level ROE should be set.” *Duquesne Light Co.*, 118 FERC ¶ 61,087 at P 57 (2007). Here, either the adjustment to reflect current bond yields should be made to reflect current

conditions or the New England transmission owners ROE should be set for hearing in order to determine that the ultimate rate is just and reasonable.

**H. CMP Has Failed to Take into Account That an Upfront Grant of an Adder Serves to Reduce the Size of the Adder Needed**

The Commission has stated that “[a]n applicant seeking such an up-front ROE determination also may request an ROE at the upper end of the zone of reasonableness; however, the fact that an up-front ROE determination is itself an incentive that tends to reduce risk will be taken into account in considering any such request.” Order No. 679-A at P 70. Thus, while the MPUC, OPA, and NECPUC believe that no adder is appropriate based on the above discussion, if an adder is granted it should be reduced not only by the factors discussed above but by the granting of an adder up-front rather than at the end of the project, which is itself an incentive.

## VII. CONCLUSION

For the reasons stated above, the MPUC, OPA, and NECPUC respectfully request that the Commission grant their joint motion to hold CMP's July 1 Petition in abeyance until the MPUC acts on CMP's request for a Certificate for Public Convenience and Necessity. Alternatively, MPUC, OPA, and NECPUC protest the granting of incentives for the MPRP as discussed more fully herein.

Respectfully submitted,

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# **ATTACHMENT A**

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

)  
)  
*Central Maine Power Company* )                    **Docket No. EL-08-74-000**  
)  
)

**AFFIDAVIT OF RICHARD S. KIVELA**

**I.     QUALIFICATIONS AND BACKGROUND**

1.     My name is Richard S. Kivela. I am employed by the Maine Public Utilities Commission (“Maine PUC”) as a Utility Analyst.

2.     I have been employed by the Maine PUC since January 1995, and have both testified as an expert witness and acted as a hearing examiner on cost of capital issues on numerous occasions. I earned an MBA in Finance from the University of Rochester’s Simon School of Management in 1986. I was employed in the Regulatory and Corporate Finance Departments at Rochester Telephone Corporation, the Treasury Department at Chase Manhattan Bank in Rochester, New York and in the Commercial Credit Department at Key Bank of Maine prior to joining the Commission Staff.

3.     I have been asked by the Maine Public Utilities Commission to analyze the recent Petition by Central Maine Power, Company (“CMP”) for a Declaratory Order Authorizing Incentive Rates for the Maine Power Reliability Program (“Petition”) that was filed with the Federal Energy Regulatory Commission (“FERC” or “Commission”) on July 1, 2008.

4. I have reviewed CMP's Petition as well as the supporting Affidavit of Mr. Paul A. Dumais. In these materials, CMP seeks: (1) a 150 basis point return on equity ("ROE") incentive adder to the base ROE of 11.64%; (2) inclusion of 100% of construction work in progress ("CWIP"); and, (3) 100% of prudently incurred costs associated with abandoned transmission projects.

5. I have identified several factual as well as methodological problems with CMP's position that lead me to conclude that the total package of incentives sought by CMP are not necessary and would result in a return on equity far in excess of what investors require to invest in the Maine Power Reliability Program ("MPRP").

## **II. THE IMPACT OF RECENT MARKET CONDITIONS ON CMP'S REQUESTED ADDER**

6. First, a marked change in market conditions renders CMP's request of an overall allowed ROE of 13.14% to actually be the equivalent of requesting an incentive adder of 270 basis points. This impact from market conditions is explained as follows:

7. On March 24, 2008, FERC approved a base mid-point ROE of 10.40%.<sup>1</sup> In the original Opinion No. 489, dated October 31, 2006, the Commission found that three adders should be made to the base ROE. These included: (1) 50 basis points for RTO participation; (2) 100 basis points for new

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<sup>1</sup> See *Bangor Hydro-Electric, Co., et al.*, 122 FERC ¶ 61,265 (2008) ("Opinion No. 489") at ¶ 22.

transmission investment placed in service by December 21, 2008; and (3) 74 basis points for “updated bond market data...”<sup>2</sup>

8. In Paragraph 80 of the original opinion No. 489, the Commission noted that the 74 basis point adder was necessary to account for market changes, stating:

The monthly yields on ten-year constant maturity U.S. Treasury Bonds provide a good indicator of these trends and have previously been endorsed by the Commission. For the six-month period reflected in Staff's updated values (Exh. No. S-5), *i.e.*, for the period July 2004 through December 2004, the average monthly yield on these bonds was 4.2 percent, while the most recent bond data (for the period March 2006 through August 2006), *produces an average monthly yield of 5.0 percent (a difference of 74 basis points). Adjusting the ROE for the going-forward period by this amount (inclusive of the base-level ROE and the other incentives noted above) raises the ROE...*<sup>3</sup>

9. Based on this calculation, the base ROE approved on Rehearing in Opinion No. 489 was 11.64% (or 10.40% + 0.50% + 0.74%).<sup>4</sup>

10. Importantly, the capital market conditions that caused the Commission to add 74 basis points to the “base” ROE found in Opinion No. 489 have more than reversed themselves since August 2006.

11. For the 6-month period, January 2008 through June 2008, the average monthly yield on 10-Year U.S. Treasury Bonds was 3.78% (3.8% rounded). Using the Commission's preferred methodology for updating ROE suggests that a

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<sup>2</sup> See *Bangor Hydro-Electric, Co., et al.*, 117 FERC ¶ 61, 129 (2006) (“Order on Rehearing”) at ¶ 2.

<sup>3</sup> Opinion No. 489 at ¶ 80 (emphasis added) (internal citations omitted).

<sup>4</sup> The additional 100 basis points for new transmission investment placed in service prior to December 31, 2008 (which served to raise the ROE to 12.64% at the time) does not apply here.

downward adjustment of 120 basis points (5.0% minus 3.8%) to the base ROE approved on Rehearing would be appropriate at this time.<sup>5</sup>

12. Therefore the appropriate base mid-point ROE would be 10.44% (11.64% less 1.20%) and the suggested high-end ROE cited as 13.84% in the affidavit of Mr. Dumais (at ¶ 27 on page 7) would actually be reduced to 12.64% (13.84% less 1.20%) today.

13. Based on this change in market conditions, the allowance of CMP's request for an ROE of 13.14% (or 1.50% above 11.64%) would be the equivalent of allowing the Company an incentive adder of 270 basis points (1.50% as requested + 1.20% due to the decline in interest rates). Under these circumstances CMP's requested adder is excessive.

### **III. CMP'S LONG-TERM INVESTMENT POTENTIAL AND EQUITY**

14. CMP asserts that its investment potential will be adversely impacted in the absence of an incentive ROE as the current financial markets are in a state of turmoil.<sup>6</sup> This argument is without merit.

15. Despite CMP's assertions that the financial markets are in a state of "turmoil," it fails to note that long-term investment-grade utility bond yields remain reasonable by historical standards.

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<sup>5</sup> See *Federal Reserve Statistical Release* for months of January through July 2008, attached hereto as "Kivela Affidavit Exhibit A."

<sup>6</sup> See Petition at 36.

16. In fact, according to the Mergent Bond Record, utilities rated Baa (Triple-B) by Moody's had yields in the range of 7.6% to 8.3% throughout 2001 and 2002 before they dipped below 7.0% in the middle of 2003.<sup>7</sup> According to Moody's Investors Service as of July 24, 2008, those yields were hovering in the area of 7.0%.<sup>8</sup>

17. This suggests that despite a so-called "credit squeeze" that the financial markets experienced in the latter half of 2007 and early 2008, interest rates for investment grade utilities remain fairly stable and reasonable.

18. Turning to equity returns, CMP is a significant subsidiary of Energy East Corporation. The bulk of Energy East Corporation is comprised of electric utilities that are primarily in the T&D electric business (having relatively small generation investment) and natural gas LDC companies. These "pipes & wires" types of utilities are considered to be at the least risky end of the utility spectrum by the investment community.

19. In a recent Maine rate case, CMP provided a table showing that the subsidiaries comprising Energy East all had state jurisdictional allowed ROE's of 10.5% or less. (CMP Response to Examiner's Data Request 10-25 in Docket No.

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<sup>7</sup> See Mergent Bond Record, Corporate Yield Averages for December 2006, attached hereto as "Kivela Affidavit Exhibit B."

<sup>8</sup> See Moody's Investors Service, Daily Bond Yields and Key Indicators for July 24, 2008, attached hereto as "Kivela Affidavit Exhibit C." Also available online at <http://credittrends.moodys.com>.

2007-215).<sup>9</sup> Despite this fact, Energy East is currently in receipt of a friendly merger offer from the Spanish utility, Iberdrola S.A. for \$28.50 per share.

20. During the merger approval process in Maine (Docket No. 2007-355), Iberdrola S.A. stated that the completion of the proposed merger would not result in synergistic cost savings.

21. Energy East's book value as of the most recent quarter-end was approximately \$20.83 per share. This amounts to Iberdrola S.A. offering a premium of more than \$1.2B for a portfolio of regulated utilities which are allowed to earn an aggregate ROE of something less than 11.0%.<sup>10</sup> In the absence of synergistic cost savings, this situation is most likely to occur when the acquirer views the allowed ROE (in this case we assume no higher than 11.0%) on the portfolio it wishes to acquire to be higher than the ROE the acquirer would demand, or deem reasonable, when it values the target company.

22. By virtue of its offering to pay this substantial premium, Iberdrola S.A. has chosen to acquire Energy East (and to take on its regulatory obligations) at an ROE that is not only far less than the 13.14% that CMP deems to be "necessary" in this proceeding, but at an ROE that is also apparently something less than the 10.5% to 11.0% range.

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<sup>9</sup> The response notes that RG&E Corp.'s most recent rate order from the NYPSC did not specify an ROE. However, the NYPSC's most recent ROE finding for an Energy East subsidiary was 9.55% for NYSEG in Docket No. 05-E-1222. It is therefore reasonable to assume that none of Energy East's operating companies would be allowed a state ROE greater than 11.0%.

<sup>10</sup> \$1.2B = (\$28.50 per share - \$20.83 per share) x 158,300,000 shares outstanding.

#### **IV. ACTUAL COST TO CONSUMERS**

23. CMP's Petition fails to account for the Project's total cost to ratepayers over its lifetime. The actual cost impact of the Project over a thirty year lifetime<sup>11</sup> yields costs much greater than \$1.4 billion.

24. If we assume that the \$1.4 billion construction investment is made evenly over 5 years; that CWIP goes into rate base each year starting in the second year of the Project; and that a 25 year depreciable life is used thereafter (for a 30 year total project life), the total cost to ratepayers of this Project is between \$4.20 and \$4.38 billion using CMP's proposed incentive enhanced ROE of 13.14%.

25. At the base ROE of 11.64%, which I also consider to be excessive for reasons noted in paragraphs 8 through 13, and 16 through 22 of this Affidavit, I estimate the total cost to ratepayers to be between \$3.95 and \$4.12 billion.

26. The incremental cost to ratepayers of CMP's requested 150 basis point adder alone is, therefore, between \$250 and \$265 million in total over the estimated 30 year lifetime.

27. If the base ROE is reduced by 120 basis points to correctly reflect the change in the level of the 10-Year constant maturity U.S. Treasury Bond as described in paragraphs 10 through 13 of this Affidavit, CMP's base ROE should be reduced to 10.44%.<sup>12</sup>

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<sup>11</sup> It is not unreasonable for a project of this size to have a 25 year depreciable lifetime. The "useful" life of transmission assets are often much longer than the depreciable life. Using a depreciable life that is longer than the 30 year life we used for estimation purposes here would further increase the total cost of this project.

<sup>12</sup> *Supra*, at ¶¶ 10-13 and n. 5.

28. At a base ROE of 10.44%, using the same assumptions described in paragraph 24 of this Affidavit, I estimate that the incremental total cost of the resulting 270 basis point ROE adder (13.14% less 10.44%) alone is between \$450 and \$475 million over the estimated 30 year lifetime of the Project.

**V. CMP'S REQUEST FOR 100% CWIP**

29. With regard to the Company's request for including 100% of Construction Work in Progress ("CWIP") in rate base immediately, CMP's Petition fails to provide any facts to support its assertion that its credit rating (or credit rating metrics) would be adversely impacted in the absence of any granted ROE incentive adder or that faster recovery of CWIP would not by itself be sufficient to ensure that CMP maintained a healthy cash flow-to-interest ratio.

30. CMP alleges that during the project its cash flow-to-interest ratio during the project would decline from 4.4 to 3.4 if CWIP was not included in rate base at the outset.<sup>13</sup> Importantly, CMP provided no calculations on which this conclusion was based.<sup>14</sup>

31. CMP further states that including 100% of CWIP in rate base would allow it to maintain a cash flow-to-interest ratio of 4.2 at the height of construction. This assertion, assuming that it was justified by any calculations,<sup>15</sup>

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<sup>13</sup> Petition at 65.

<sup>14</sup> *See Id.*

<sup>15</sup> Nothing in the Petition or the Affidavit of Mr. Dumais substantiates the assertion that 100% recovery of the CWIP would result in a cash flow-to-interest ratio of 4.2.

actually undercuts CMP's argument for the need for any additional ROE incentives.

32. In fact, for T&D-only companies like CMP with very low business risk profiles, Standard & Poor's ("S & P's") guidelines indicate that the 4.2 level of the cash flow-to-interest ratio that CMP contends it would have at the height of construction if its CWIP request is granted, would be consistent with a "high-A" to a "low-AA" credit rating.<sup>16</sup>

33. In light of this, CMP's cash flow-to-interest ratio of 4.2 would be more than sufficient to allow CMP to maintain solid investment grade bond rating credit metrics in the BBB+/A- range (where it is today).

## **VI. THE NATURE OF FORMULA RATES**

34. CMP's Petition overlooks another important factor in this case that mitigates its investment risks. New England transmission owners operate under a formula rate system under which new rates take effect upon filing and approval with FERC.

35. FERC recognizes that companies with formula rates face materially less risk than those with stated rates and that costs may be quickly recovered with minimal expenditure of resources. This is because formula rates usually ensure

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<sup>16</sup> See "S & P's Utility Financial Ratio Benchmarks published June 2, 2004, attached hereto as "Kivela Affidavit Exhibit D."

timely recovery of costs included in the formula rate, including the costs of new construction.

36. The present case is no different. The costs of the construction of the project will be part of CMP's formula rate filing, which will ensure that these costs will be recovered in a timely manner through rates. The risk of "regulatory lag" is greatly diminished and; therefore, there is very little need for any additional ROE incentive adder.

#### **VII. CMP'S REQUEST FOR COSTS OF ABANDONMENT.**

37. In addition to its request for the inclusion of 100% of CWIP in rate base and a greatly enhanced ROE, CMP requests that FERC affirm in advance that prudently incurred costs would be eligible for recovery if the Project were ultimately cancelled or abandoned due to events beyond CMP's control.

38. It is my understanding that it is the policy of FERC to approve prudently incurred costs associated with projects that are ultimately abandoned for reasons beyond a utility's control.

39. In this case, recovery of prudently incurred costs on abandoned construction coupled with the inclusion of 100% of CWIP in rate base should be sufficient to insulate CMP, its lenders and its equity investors from the investment risks associated with this project.

40. In summary, CMP's request for an enhanced ROE is not justified by market conditions or the nature of the project and would only lead to an inflated, unnecessary premium to be paid by all ratepayers.

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

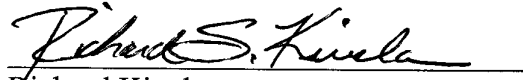
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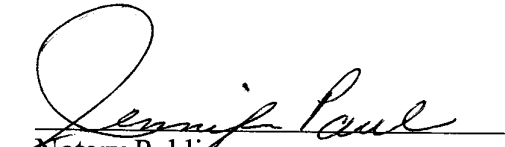
VERIFICATION OF RICHARD S. KIVELA

County of Kennebec, SS  
State of Maine

I, the undersigned, being duly sworn, depose and say that the foregoing is the Affidavit of the undersigned, and that such Affidavit and any exhibits sponsored by me to the best of my knowledge, information and belief, are true, correct, accurate and complete, and I hereby adopt said Affidavit as if given by me in formal hearing, under oath.

  
Richard Kivela  
Utility Analyst, Maine PUC

Subscribed and sworn to before me,  
this 15<sup>th</sup> day of August, 2008

  
Notary Public

My Commission Expires:

JENNIFER PAUL  
NOTARY PUBLIC • MAINE  
MY COMMISSION EXPIRES JUNE 21, 2014

**Kivela Affidavit – Exhibit A**

# FEDERAL RESERVE statistical release



## H.15 (519) SELECTED INTEREST RATES

For use at 2:30 p.m. Eastern Time

Yields in percent per annum

February 11, 2008

Instruments	2008	2008	2008	2008	2008	Week Ending		2008
	Feb 4	Feb 5	Feb 6	Feb 7	Feb 8	Feb 8	Feb 1	Jan ←
Federal funds (effective) <sup>1 2 3</sup>	2.82	2.71	2.94	3.03	3.05	3.01	3.50	3.94
Commercial Paper <sup>3 4 5</sup>								
Nonfinancial								
1-month	2.93	3.01	2.90	2.85	2.94	2.93	2.99	3.61
2-month	2.89	3.12	2.70	2.75	2.85	2.86	2.95	3.41
3-month	2.86	2.85	2.77	2.70	2.80	2.80	2.83	3.25
Financial								
1-month	3.08	3.07	3.03	2.98	2.98	3.03	3.02	3.71
2-month	3.01	3.00	3.05	2.95	2.97	3.00	3.03	3.72
3-month	3.00	3.06	3.00	2.98	3.09	3.03	3.01	3.70
CDs (secondary market) <sup>3 6</sup>								
1-month	3.13	3.17	3.10	3.10	3.12	3.12	3.18	3.85
3-month	3.09	3.10	3.05	3.07	3.05	3.07	3.13	3.84
6-month	3.07	3.06	2.96	2.95	2.99	3.01	3.06	3.71
Eurodollar deposits (London) <sup>3 7</sup>								
1-month	3.25	3.25	3.25	3.20	3.15	3.22	3.23	3.93
3-month	3.20	3.25	3.15	3.10	3.10	3.16	3.24	3.95
6-month	3.15	3.20	3.05	3.00	3.00	3.08	3.14	3.82
Bank prime loan <sup>2 3 8</sup>	6.00	6.00	6.00	6.00	6.00	6.00	6.43	6.98
Discount window primary credit <sup>2 9</sup>	3.50	3.50	3.50	3.50	3.50	3.50	3.93	4.48
U.S. government securities								
Treasury bills (secondary market) <sup>3 4</sup>								
4-week	2.10	2.18	2.08	2.15	2.20	2.14	1.87	2.68
3-month	2.22	2.14	2.05	2.12	2.18	2.14	2.13	2.75
6-month	2.16	2.07	2.04	2.07	2.06	2.08	2.18	2.75
Treasury constant maturities								
Nominal <sup>10</sup>								
1-month	2.15	2.22	2.12	2.19	2.24	2.18	1.91	2.74
3-month	2.27	2.19	2.10	2.17	2.23	2.19	2.18	2.82
6-month	2.22	2.13	2.10	2.13	2.12	2.14	2.25	2.84
1-year	2.17	2.06	2.05	2.08	2.05	2.08	2.23	2.71
2-year	2.08	1.93	1.96	1.99	1.93	1.98	2.21	2.48
3-year	2.23	2.08	2.11	2.21	2.10	2.15	2.31	2.51
5-year	2.78	2.66	2.67	2.79	2.69	2.72	2.84	2.98
7-year	3.18	3.08	3.08	3.21	3.11	3.13	3.20	3.31
10-year	3.68	3.61	3.61	3.74	3.64	3.66	3.67	3.74 ←
20-year	4.37	4.32	4.36	4.50	4.41	4.39	4.35	4.35 ←
30-year	4.37	4.33	4.37	4.51	4.43	4.40	4.35	4.33
Inflation indexed <sup>11</sup>								
5-year	0.74	0.68	0.71	0.80	0.67	0.72	0.74	0.86
7-year	1.11	1.07	1.08	1.18	1.07	1.10	1.09	1.24
10-year	1.38	1.34	1.36	1.47	1.36	1.38	1.36	1.47
20-year	1.76	1.72	1.75	1.86	1.78	1.77	1.74	1.81
Inflation-indexed long-term average <sup>12</sup>	1.75	1.72	1.74	1.87	1.79	1.77	1.73	1.80
Interest rate swaps <sup>13</sup>								
1-year	2.77	2.69	2.66	2.63	2.66	2.68	2.81	3.33
2-year	2.82	2.70	2.71	2.69	2.74	2.73	2.88	3.18
3-year	3.05	2.92	2.96	2.94	3.02	2.98	3.09	3.31
4-year	3.29	3.17	3.22	3.21	3.29	3.24	3.32	3.49
5-year	3.52	3.41	3.45	3.45	3.55	3.48	3.53	3.68
7-year	3.90	3.79	3.85	3.86	3.95	3.87	3.88	4.00
10-year	4.27	4.17	4.25	4.27	4.35	4.26	4.23	4.33
30-year	4.83	4.73	4.82	4.86	4.94	4.84	4.77	4.82
Corporate bonds								
Moody's seasoned								
Aaa <sup>14</sup>	5.39	5.33	5.36	5.49	5.43	5.40	5.38	5.33
Baa	6.66	6.62	6.66	6.80	6.73	6.69	6.63	6.54
State & local bonds <sup>15</sup>				4.33		4.33	4.39	4.27
Conventional mortgages <sup>16</sup>				5.67		5.67	5.68	5.76

See overleaf for footnotes.

# FEDERAL RESERVE statistical release



## H.15 (519) SELECTED INTEREST RATES

For use at 2:30 p.m. Eastern Time

Yields in percent per annum

March 17, 2008

Instruments	2008	2008	2008	2008	2008	Week Ending		2008
	Mar 10	Mar 11	Mar 12	Mar 13	Mar 14	Mar 14	Mar 7	Feb ←
Federal funds (effective) <sup>1 2 3</sup>	2.99	2.95	2.97	2.98	2.99	2.97	3.00	2.98
Commercial Paper <sup>3 4 5</sup>								
Nonfinancial								
1-month	2.60	2.55	2.53	2.22	2.46	2.47	2.69	2.90
2-month	2.56	2.57	2.31	2.30	2.45	2.44	2.64	2.75
3-month	2.52	2.53	n.a.	2.26	n.a.	2.44	2.60	2.72
Financial								
1-month	2.81	2.79	2.69	2.61	2.59	2.70	2.87	3.00
2-month	2.82	2.73	2.75	2.74	2.66	2.74	2.86	2.95
3-month	2.84	2.72	2.97	2.80	2.66	2.80	2.92	3.03
CDs (secondary market) <sup>3 6</sup>								
1-month	2.91	2.87	2.87	2.78	2.76	2.84	3.04	3.11
3-month	2.84	2.85	2.84	2.78	2.74	2.81	2.94	3.06
6-month	2.78	2.75	2.77	2.82	2.66	2.76	2.82	2.99
Eurodollar deposits (London) <sup>3 7</sup>								
1-month	2.95	2.90	2.90	2.80	2.70	2.85	3.08	3.17
3-month	2.90	2.90	2.90	2.85	2.80	2.87	3.04	3.12
6-month	2.80	2.80	2.80	2.80	2.70	2.78	2.93	3.05
Bank prime loan <sup>2 3 8</sup>	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Discount window primary credit <sup>2 9</sup>	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
U.S. government securities								
Treasury bills (secondary market) <sup>3 4</sup>								
4-week	1.66	1.80	1.67	1.55	1.18	1.57	1.86	2.23
3-month	1.33	1.45	1.45	1.33	1.16	1.34	1.52	2.12
6-month	1.42	1.60	1.53	1.47	1.29	1.46	1.66	2.04
Treasury constant maturities								
Nominal <sup>10</sup>								
1-month	1.63	1.82	1.68	1.56	1.20	1.58	1.86	2.27
3-month	1.35	1.48	1.48	1.35	1.18	1.37	1.55	2.17
6-month	1.45	1.64	1.56	1.50	1.32	1.49	1.70	2.10
1-year	1.46	1.67	1.58	1.54	1.37	1.52	1.66	2.05
2-year	1.47	1.74	1.63	1.63	1.47	1.59	1.60	1.97
3-year	1.67	1.93	1.81	1.84	1.65	1.78	1.83	2.19
5-year	2.37	2.61	2.49	2.53	2.37	2.47	2.51	2.78
7-year	2.84	3.04	2.93	2.99	2.84	2.93	3.00	3.21
10-year	3.46	3.60	3.49	3.56	3.44	3.51	3.61	3.74 ←
20-year	4.39	4.48	4.35	4.42	4.30	4.39	4.48	4.49
30-year	4.45	4.53	4.40	4.47	4.35	4.44	4.53	4.52
Inflation indexed <sup>11</sup>								
5-year	0.01	0.20	0.12	0.15	0.12	0.12	0.17	0.65
7-year	0.55	0.69	0.59	0.68	0.64	0.63	0.74	1.09
10-year	0.90	1.05	0.95	1.05	1.01	0.99	1.09	1.41
20-year	1.60	1.69	1.58	1.70	1.63	1.64	1.74	1.87
Inflation-indexed long-term average <sup>12</sup>	1.60	1.68	1.57	1.69	1.63	1.63	1.75	1.87
Interest rate swaps <sup>13</sup>								
1-year	2.47	2.54	2.51	2.39	2.31	2.44	2.55	2.69
2-year	2.55	2.67	2.62	2.44	2.39	2.53	2.60	2.78
3-year	2.86	2.99	2.93	2.75	2.71	2.85	2.90	3.06
4-year	3.20	3.32	3.24	3.08	3.04	3.17	3.22	3.35
5-year	3.48	3.60	3.50	3.35	3.30	3.45	3.50	3.61
7-year	3.93	4.02	3.91	3.78	3.71	3.87	3.94	4.01
10-year	4.34	4.42	4.29	4.19	4.12	4.27	4.37	4.41
30-year	4.96	5.00	4.90	4.78	4.74	4.88	4.99	4.99
Corporate bonds								
Moody's seasoned								
Aaa <sup>14</sup>	5.50	5.63	5.49	5.53	5.48	5.53	5.54	5.53
Baa	6.89	6.99	6.88	6.95	6.86	6.91	6.89	6.82
State & local bonds <sup>15</sup>				4.94		4.94	4.92	4.64
Conventional mortgages <sup>16</sup>				6.13		6.13	6.03	5.92

See overleaf for footnotes.  
n.a. Not available.

# FEDERAL RESERVE statistical release



## H.15 (519) SELECTED INTEREST RATES

For use at 2:30 p.m. Eastern Time

Yields in percent per annum

April 14, 2008

Instruments	2008	2008	2008	2008	2008	Week Ending		2008
	Apr 7	Apr 8	Apr 9	Apr 10	Apr 11	Apr 11	Apr 4	Mar ←
Federal funds (effective) <sup>1 2 3</sup>	2.24	2.23	2.20	2.30	2.37	2.23	2.23	2.61
Commercial Paper <sup>3 4 5</sup>								
Nonfinancial								
1-month	2.09	2.13	2.07	2.16	2.06	2.10	2.08	2.36
2-month	2.05	2.05	2.10	2.10	2.09	2.08	2.06	2.32
3-month	1.98	2.08	2.07	n.a.	n.a.	2.04	2.02	2.35
Financial								
1-month	2.41	2.41	2.66	2.52	2.50	2.50	2.51	2.61
2-month	2.50	2.51	2.50	2.59	2.52	2.52	2.49	2.65
3-month	2.59	2.67	2.74	2.66	2.61	2.65	2.62	2.70
CDs (secondary market) <sup>3 6</sup>								
1-month	2.77	2.76	2.73	2.74	2.73	2.75	2.82	2.82
3-month	2.75	2.75	2.75	2.74	2.74	2.75	2.80	2.79
6-month	2.71	2.73	2.70	2.70	2.74	2.72	2.74	2.70
Eurodollar deposits (London) <sup>3 7</sup>								
1-month	2.95	3.00	3.00	3.00	2.95	2.98	3.00	2.87
3-month	3.00	3.00	3.00	3.00	3.00	3.00	2.97	2.86
6-month	2.95	2.95	2.90	2.90	2.90	2.92	2.88	2.78
Bank prime loan <sup>2 3 8</sup>	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.66
Discount window primary credit <sup>2 9</sup>	2.50	2.50	2.50	2.50	2.50	2.50	2.50	3.04
U.S. government securities								
Treasury bills (secondary market) <sup>3 4</sup>								
4-week	1.40	1.32	1.04	0.95	0.87	1.12	1.46	1.34
3-month	1.43	1.39	1.29	1.25	1.17	1.31	1.37	1.26
6-month	1.58	1.55	1.48	1.46	1.37	1.49	1.51	1.48
Treasury constant maturities								
Nominal <sup>10</sup>								
1-month	1.42	1.34	1.06	0.98	0.90	1.14	1.48	1.35
3-month	1.45	1.41	1.31	1.27	1.19	1.33	1.39	1.28
6-month	1.61	1.58	1.51	1.49	1.40	1.52	1.54	1.51
1-year	1.72	1.68	1.60	1.61	1.52	1.63	1.63	1.54
2-year	1.95	1.87	1.77	1.84	1.76	1.84	1.81	1.62
3-year	2.10	2.06	1.95	2.02	1.94	2.01	1.97	1.80
5-year	2.75	2.72	2.59	2.66	2.57	2.66	2.64	2.48
7-year	3.09	3.08	2.97	3.05	2.97	3.03	3.02	2.93
10-year	3.57	3.58	3.49	3.55	3.49	3.54	3.55	3.51 ←
20-year	4.37	4.37	4.30	4.33	4.28	4.33	4.37	4.36
30-year	4.36	4.37	4.31	4.34	4.30	4.34	4.36	4.39
Inflation indexed <sup>11</sup>								
5-year	0.52	0.53	0.42	0.47	0.40	0.47	0.44	0.23
7-year	0.89	0.91	0.83	0.92	0.85	0.88	0.85	0.73
10-year	1.23	1.26	1.19	1.26	1.19	1.23	1.21	1.09
20-year	1.84	1.82	1.76	1.80	1.75	1.79	1.85	1.76
Inflation-indexed long-term average <sup>12</sup>	1.83	1.84	1.76	1.81	1.75	1.80	1.85	1.76
Interest rate swaps <sup>13</sup>								
1-year	2.50	2.50	2.49	2.48	2.48	2.49	2.46	2.41
2-year	2.69	2.68	2.59	2.58	2.58	2.63	2.63	2.50
3-year	3.02	2.98	2.90	2.88	2.88	2.93	2.95	2.82
4-year	3.29	3.27	3.20	3.18	3.16	3.22	3.25	3.13
5-year	3.50	3.50	3.44	3.42	3.39	3.45	3.48	3.39
7-year	3.83	3.84	3.81	3.79	3.76	3.81	3.84	3.80
10-year	4.16	4.18	4.16	4.14	4.11	4.15	4.18	4.20
30-year	4.69	4.70	4.71	4.70	4.65	4.69	4.72	4.78
Corporate bonds								
Moody's seasoned								
Aaa <sup>14</sup>	5.50	5.52	5.44	5.47	5.43	5.47	5.53	5.51
Baa	6.94	6.95	6.87	6.90	6.87	6.91	6.96	6.89
State & local bonds <sup>15</sup>				4.61		4.61	4.90	4.93
Conventional mortgages <sup>16</sup>				5.88		5.88	5.88	5.97

See overleaf for footnotes.  
n.a. Not available.

# FEDERAL RESERVE statistical release



## H.15 (519) SELECTED INTEREST RATES

For use at 2:30 p.m. Eastern Time

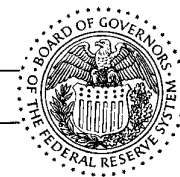
Yields in percent per annum

May 19, 2008

Instruments	2008	2008	2008	2008	2008	Week Ending		2008
	May 12	May 13	May 14	May 15	May 16	May 16	May 9	Apr ←
Federal funds (effective) <sup>1 2 3</sup>	1.88	1.93	2.03	2.03	1.91	1.96	1.94	2.28
Commercial Paper <sup>3 4 5</sup>								
Nonfinancial								
1-month	1.95	1.94	1.94	2.03	2.01	1.97	1.96	2.10
2-month	1.98	1.98	1.99	1.94	1.94	1.97	1.98	2.05
3-month	n.a.	1.89	n.a.	n.a.	2.00	1.95	1.96	1.99
Financial								
1-month	2.23	2.34	2.34	2.21	2.26	2.28	2.35	2.56
2-month	2.50	2.50	2.49	2.41	2.45	2.47	2.49	2.61
3-month	2.66	2.52	2.50	2.58	2.64	2.58	2.62	2.72
CDs (secondary market) <sup>3 6</sup>								
1-month	2.52	2.51	2.46	2.50	2.50	2.50	2.62	2.82
3-month	2.62	2.65	2.70	2.67	2.68	2.66	2.70	2.85
6-month	2.77	2.82	2.94	2.90	2.86	2.86	2.80	2.86
Eurodollar deposits (London) <sup>3 7</sup>								
1-month	2.60	2.60	2.60	2.60	2.60	2.60	2.77	2.97
3-month	2.90	2.80	2.85	2.85	2.85	2.85	2.85	3.03
6-month	2.95	2.95	3.05	3.05	3.00	3.00	2.98	3.04
Bank prime loan <sup>2 3 8</sup>	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.24
Discount window primary credit <sup>2 9</sup>	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.49
U.S. government securities								
Treasury bills (secondary market) <sup>3 4</sup>								
4-week	1.70	1.83	1.83	1.81	1.82	1.80	1.49	1.04
3-month	1.74	1.80	1.79	1.80	1.81	1.79	1.61	1.29
6-month	1.83	1.85	1.86	1.85	1.86	1.85	1.71	1.55
Treasury constant maturities								
Nominal <sup>10</sup>								
1-month	1.73	1.86	1.86	1.84	1.85	1.83	1.52	1.07
3-month	1.77	1.83	1.82	1.83	1.84	1.82	1.64	1.31
6-month	1.87	1.89	1.90	1.90	1.91	1.89	1.75	1.58
1-year	2.01	2.08	2.11	2.08	2.09	2.07	1.94	1.74
2-year	2.30	2.47	2.53	2.45	2.47	2.44	2.32	2.05
3-year	2.54	2.70	2.78	2.70	2.71	2.69	2.55	2.23
5-year	3.00	3.17	3.22	3.10	3.12	3.12	3.07	2.84
7-year	3.34	3.49	3.50	3.39	3.43	3.43	3.42	3.19
10-year	3.78	3.90	3.92	3.83	3.85	3.86	3.85	3.68 ←
20-year	4.52	4.61	4.63	4.55	4.57	4.58	4.58	4.44
30-year	4.53	4.62	4.63	4.56	4.58	4.58	4.57	4.44
Inflation indexed <sup>11</sup>								
5-year	0.70	0.85	0.86	0.75	0.75	0.78	0.77	0.62
7-year	1.10	1.21	1.20	1.10	1.11	1.14	1.17	1.00
10-year	1.41	1.51	1.49	1.40	1.41	1.44	1.48	1.36
20-year	1.95	2.04	2.04	1.97	1.97	1.99	2.02	1.91
Inflation-indexed long-term average <sup>12</sup>	1.95	2.04	2.04	1.97	1.97	1.99	2.02	1.90
Interest rate swaps <sup>13</sup>								
1-year	2.78	2.89	2.98	2.95	2.84	2.89	2.81	2.71
2-year	3.06	3.21	3.33	3.30	3.16	3.21	3.12	2.89
3-year	3.34	3.50	3.62	3.60	3.44	3.50	3.42	3.18
4-year	3.57	3.73	3.84	3.82	3.65	3.72	3.67	3.45
5-year	3.76	3.90	4.02	3.98	3.80	3.89	3.85	3.66
7-year	4.06	4.19	4.28	4.24	4.08	4.17	4.16	3.99
10-year	4.35	4.47	4.53	4.50	4.35	4.44	4.44	4.30
30-year	4.81	4.90	4.93	4.91	4.79	4.87	4.91	4.80
Corporate bonds								
Moody's seasoned								
Aaa <sup>14</sup>	5.49	5.59	5.61	5.55	5.55	5.56	5.57	5.55
Baa	6.84	6.94	6.98	6.91	6.91	6.92	6.89	6.97
State & local bonds <sup>15</sup>				4.53		4.53	4.62	4.70
Conventional mortgages <sup>16</sup>				6.01		6.01	6.05	5.92

See overleaf for footnotes.  
n.a. Not available.

# FEDERAL RESERVE statistical release



## H.15 (519) SELECTED INTEREST RATES

For use at 2:30 p.m. Eastern Time

Yields in percent per annum

June 16, 2008

Instruments	2008	2008	2008	2008	2008	Week Ending		2008
	Jun 9	Jun 10	Jun 11	Jun 12	Jun 13	Jun 13	Jun 6	May
Federal funds (effective) <sup>1 2 3</sup>	2.02	1.96	1.95	2.01	2.02	1.99	1.99	1.98
Commercial Paper <sup>3 4 5</sup>								
Nonfinancial								
1-month	2.05	2.06	2.14	2.16	2.10	2.10	2.09	1.99
2-month	2.12	n.a.	2.13	2.15	2.12	2.13	2.11	2.01
3-month	2.14	n.a.	2.13	2.19	n.a.	2.15	2.15	2.00
Financial								
1-month	2.30	2.40	2.40	2.39	2.20	2.34	2.30	2.28
2-month	2.39	2.48	2.59	2.49	2.59	2.51	2.45	2.43
3-month	2.55	2.68	2.76	2.79	2.82	2.72	2.59	2.61
CDs (secondary market) <sup>3 6</sup>								
1-month	2.43	2.43	2.48	2.50	2.50	2.47	2.45	2.50
3-month	2.66	2.77	2.77	2.78	2.83	2.76	2.67	2.66
6-month	2.92	3.10	3.15	3.14	3.27	3.12	2.90	2.84
Eurodollar deposits (London) <sup>3 7</sup>								
1-month	2.65	2.65	2.65	2.70	2.65	2.66	2.61	2.63
3-month	2.85	2.90	2.90	2.95	2.95	2.91	2.87	2.84
6-month	3.05	3.30	3.35	3.30	3.35	3.27	3.03	2.98
Bank prime loan <sup>2 3 8</sup>	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Discount window primary credit <sup>2 9</sup>	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
U.S. government securities								
Treasury bills (secondary market) <sup>3 4</sup>								
4-week	1.77	1.97	1.88	1.89	1.83	1.87	1.83	1.73
3-month	1.86	1.98	1.92	1.96	1.95	1.93	1.82	1.73
6-month	2.07	2.19	2.13	2.22	2.24	2.17	1.95	1.82
Treasury constant maturities								
Nominal <sup>10</sup>								
1-month	1.80	2.00	1.91	1.92	1.86	1.90	1.86	1.76
3-month	1.89	2.02	1.96	2.00	1.99	1.97	1.85	1.76
6-month	2.12	2.24	2.18	2.28	2.30	2.22	2.00	1.86
1-year	2.29	2.53	2.47	2.62	2.64	2.51	2.14	2.06
2-year	2.73	2.91	2.83	3.03	3.05	2.91	2.47	2.45
3-year	3.03	3.20	3.16	3.35	3.38	3.22	2.78	2.69
5-year	3.41	3.54	3.49	3.68	3.73	3.57	3.26	3.15
7-year	3.65	3.77	3.73	3.90	3.95	3.80	3.55	3.46
10-year	4.02	4.11	4.10	4.23	4.27	4.15	3.98	3.88
20-year	4.68	4.76	4.76	4.83	4.86	4.78	4.70	4.60
30-year	4.64	4.70	4.72	4.77	4.79	4.72	4.68	4.60
Inflation indexed <sup>11</sup>								
5-year	0.93	1.06	0.98	1.14	1.17	1.06	0.88	0.79
7-year	1.27	1.36	1.35	1.46	1.51	1.39	1.27	1.16
10-year	1.54	1.62	1.62	1.73	1.77	1.66	1.54	1.46
20-year	2.15	2.22	2.24	2.30	2.31	2.24	2.17	2.00
Inflation-indexed long-term average <sup>12</sup>	2.15	2.23	2.24	2.30	2.32	2.25	2.17	2.00
Interest rate swaps <sup>13</sup>								
1-year	3.11	3.32	3.28	3.38	3.39	3.29	2.95	2.88
2-year	3.54	3.77	3.73	3.86	3.85	3.75	3.35	3.23
3-year	3.91	4.09	4.04	4.19	4.19	4.08	3.70	3.53
4-year	4.14	4.29	4.24	4.39	4.40	4.29	3.96	3.76
5-year	4.30	4.42	4.37	4.51	4.52	4.42	4.13	3.93
7-year	4.53	4.61	4.57	4.69	4.70	4.62	4.41	4.21
10-year	4.75	4.78	4.76	4.86	4.87	4.81	4.66	4.48
30-year	5.13	5.10	5.11	5.18	5.19	5.14	5.10	4.92
Corporate bonds								
Moody's seasoned								
Aaa <sup>14</sup>	5.58	5.66	5.66	5.73	5.76	5.68	5.63	5.57
Baa	6.96	7.05	7.07	7.13	7.17	7.08	7.01	6.93
State & local bonds <sup>15</sup>				4.59		4.59	4.59	4.58
Conventional mortgages <sup>16</sup>				6.32		6.32	6.09	6.04

See overleaf for footnotes.  
n.a. Not available.

# FEDERAL RESERVE statistical release



## H.15 (519) SELECTED INTEREST RATES

For use at 2:30 p.m. Eastern Time

Yields in percent per annum

July 14, 2008

Instruments	2008	2008	2008	2008	2008	Week Ending		2008
	Jul 7	Jul 8	Jul 9	Jul 10	Jul 11	Jul 11	Jul 4	Jun ←
Federal funds (effective) <sup>1 2 3</sup>	1.99	1.97	1.99	2.01	1.97	1.95	2.08	2.00
Commercial Paper <sup>3 4 5</sup>								
Nonfinancial								
1-month	2.13	2.16	2.11	2.14	2.09	2.13	2.18	2.14
2-month	2.18	2.15	2.24	n.a.	2.05	2.16	2.22	2.15
3-month	n.a.	n.a.	n.a.	2.31	n.a.	2.31	2.28	2.21
Financial								
1-month	2.34	2.34	2.42	2.38	2.29	2.35	2.33	2.34
2-month	2.52	2.57	2.54	2.56	2.50	2.54	2.48	2.53
3-month	2.68	2.67	2.76	2.77	2.78	2.73	2.72	2.70
CDs (secondary market) <sup>3 6</sup>								
1-month	2.47	2.48	2.45	2.47	2.48	2.47	2.52	2.50
3-month	2.78	2.78	2.78	2.78	2.80	2.78	2.79	2.76
6-month	3.15	3.10	3.04	3.08	3.14	3.10	3.14	3.09
Eurodollar deposits (London) <sup>3 7</sup>								
1-month	2.65	2.65	2.65	2.65	2.65	2.65	2.64	2.66
3-month	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.95
6-month	3.30	3.25	3.30	3.25	3.25	3.27	3.31	3.25
Bank prime loan <sup>2 3 8</sup>	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Discount window primary credit <sup>2 9</sup>	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
U.S. government securities								
Treasury bills (secondary market) <sup>3 4</sup>								
4-week	1.77	1.83	1.79	1.45	1.35	1.64	1.78	1.69
3-month	1.84	1.83	1.79	1.64	1.58	1.74	1.83	1.86
6-month	2.05	2.04	2.00	1.96	1.96	2.00	2.07	2.13
1-year	2.19	2.19	2.14	2.13	2.22	2.17	2.27	2.35
Treasury constant maturities								
Nominal <sup>10</sup>								
1-month	1.80	1.86	1.82	1.48	1.38	1.67	1.81	1.72
3-month	1.87	1.86	1.82	1.67	1.62	1.77	1.86	1.89
6-month	2.10	2.09	2.05	2.01	2.02	2.05	2.12	2.19
1-year	2.26	2.26	2.21	2.20	2.30	2.25	2.35	2.42
2-year	2.47	2.47	2.41	2.44	2.59	2.48	2.60	2.77
3-year	2.78	2.78	2.71	2.72	2.88	2.77	2.88	3.08
5-year	3.23	3.19	3.11	3.10	3.27	3.18	3.32	3.49
7-year	3.53	3.49	3.42	3.40	3.55	3.48	3.61	3.73
10-year	3.95	3.91	3.85	3.83	3.96	3.90	4.00	4.10 ←
20-year	4.55	4.51	4.47	4.47	4.57	4.51	4.59	4.74
30-year	4.51	4.46	4.42	4.42	4.52	4.47	4.53	4.69
Inflation indexed <sup>11</sup>								
5-year	0.60	0.67	0.57	0.53	0.67	0.61	0.64	0.97
7-year	1.06	1.08	1.02	1.01	1.11	1.06	1.11	1.35
10-year	1.43	1.45	1.39	1.40	1.48	1.43	1.46	1.63
20-year	1.99	1.98	1.92	1.94	2.03	1.97	2.02	2.19
Inflation-indexed long-term average <sup>12</sup>	1.99	1.98	1.92	1.93	2.03	1.97	2.03	2.20
Interest rate swaps <sup>13</sup>								
1-year	3.11	3.04	3.04	3.03	3.04	3.05	3.12	3.22
2-year	3.53	3.43	3.43	3.36	3.37	3.42	3.54	3.66
3-year	3.89	3.79	3.76	3.67	3.68	3.76	3.89	4.00
4-year	4.13	4.02	3.98	3.89	3.89	3.98	4.11	4.23
5-year	4.29	4.18	4.14	4.04	4.04	4.14	4.25	4.37
7-year	4.53	4.43	4.38	4.29	4.30	4.39	4.47	4.58
10-year	4.76	4.66	4.60	4.53	4.53	4.62	4.68	4.78
30-year	5.07	5.00	4.93	4.89	4.88	4.95	4.99	5.12
Corporate bonds								
Moody's seasoned								
Aaa <sup>14</sup>	5.57	5.52	5.50	5.49	5.59	5.53	5.60	5.68
Baa	7.05	7.02	6.99	7.00	7.11	7.03	7.06	7.07
State & local bonds <sup>15</sup>				4.56		4.56	4.67	4.69
Conventional mortgages <sup>16</sup>				6.37		6.37	6.35	6.32

See overleaf for footnotes.  
n.a. Not available.

**Kivela Affidavit – Exhibit B**

Corporate Bond Yield Averages

Table with columns for Corporate Bond Ratings (Aaa, Aa, A, Baa), Public Utility Bonds (Aaa, Aa, A, Baa), Industrial Bonds (Aaa, Aa, A, Baa), and Railroad Bonds (Aaa, Aa, A, Baa). Rows represent months from Jan to Dec for years 2001 through 2006.

Notes: Moody's Long-Term Corporate Bond Yield Averages have been published daily since 1929. They are derived from pricing data on a regularly-replenished population of nearly 75 seasoned corporate bonds in the US market, each with current outstandings over \$100 million. The bonds have maturities close as possible to 30 years; they are dropped from the list if their remaining life falls below 20 years, if their ratings change. Bonds with deep discounts or steep premiums to par are generally excluded. All yields are yield-to-maturity calculated on a semi-annual basis. Each observation is an unweighted average, with Average Corporate Yields representing the unweighted average of the corresponding Average Industrial and Average Public Utility observations. Because of the death of Aaa-rated railroad term bond issues, Moody's Aaa railroad bond yield average was discontinued as of December 18, 1967. Moody's Aaa public utility average suspended from Jan. 1984 thru Sept. 1984. Oct. 1984 figures for last 14 business days only. The Railroad Bond Averages were discontinued as of July 17, 1989 because of insufficiently frequently tradable bonds. The July figures were based on 8 business days. Because of the death of Aaa-rated public utility bond issues, Moody's Aaa public utility bond yield average was discontinued as of December 10, 2001. Note: October 2002 figures have been adjusted. Note: January 2003 figures have been adjusted.

Table listing various bond issues with columns for issue name, rating, and other details. Includes entries like 003865AA, 004777AA, 0258APAB, etc.

Notes: Moody's assign

**Kivela Affidavit Exhibit C**

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Credit Trends Home &gt; Bond Yields

## Daily Bond Yields and Key Indicators

[Contact Us](#)

Data as of 24-JUL-08

### Moody's Daily Long-term Corporate Bond Yield Averages

	Utilities	Industrial	Corporate
Aaa	NA	5.72	5.72
Aa	6.19	6.01	6.10
A	6.45	6.60	6.53
Baa	7.03	7.40	7.22
Avg	6.56	6.43	6.50

### Moody's Daily Treasury Yield Averages

Short-Term (3-5 yrs)	2.94
Medium-Term (5-10 yrs)	3.66
Long-Term (10+ yrs)	4.53

### Moody's Daily Public Utility Common Stock Yield Averages

Price	282.39
Yield	3.65
New Dividend	10.32

### Moody's Commodity and Scrap Price Indexes

Spot Commodity Index	4240.00
Industrial Metals Index	1889.07

\* Moody's "Aaa" Utilities Index was suspended on 12/10/01. Since 2000, TVA was the only issuer left in the index as a decade of deregulation, debt growth, competition, and consolidation eliminated the rest of the Aaa universe.

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**Kivela Affidavit Exhibit D**

## S&P UTILITY FINANCIAL RATIO BENCHMARKS

ADJ. FFO INTEREST COVERAGE									
Business Profile	AA		A		BBB		BB		
1	3.0	2.5	2.5	1.5	1.5	1.0			< 1.0
2	4.0	3.0	3.0	2.0	2.0	1.0			< 1.0
<i>CMP</i> → 3	4.5	3.5	3.5	2.5	2.5	1.5		1.5	1.0
4	5.0	4.2	4.2	3.5	3.5	2.5		2.5	1.5
5	5.5	4.5	4.5	3.8	3.8	2.8		2.8	1.8
6	6.0	5.2	5.2	4.2	4.2	3.0		3.0	2.0
7	8.0	6.5	6.5	4.5	4.5	3.2		3.2	2.2
8	10.0	7.5	7.5	5.5	5.5	3.5		3.5	2.5
9	-	-	10.0	7.0	7.0	4.0		4.0	2.8
10	-	-	11.0	8.0	8.0	5.0		5.0	3.0

ADJ. FFO / AVG. TOTAL DEBT									
Business Profile	AA		A		BBB		BB		
1	20.0	15.0	15.0	10.0	10.0	5.0			< 5.0
2	25.0	20.0	20.0	12.0	12.0	8.0			< 8.0
<i>CMP</i> → 3	30.0	25.0	25.0	15.0	15.0	10.0		10.0	5.0
4	35.0	28.0	28.0	20.0	20.0	12.0		12.0	8.0
5	40.0	30.0	30.0	22.0	22.0	15.0		15.0	10.0
6	45.0	35.0	35.0	28.0	28.0	18.0		18.0	12.0
7	55.0	45.0	45.0	30.0	30.0	20.0		20.0	15.0
8	70.0	55.0	55.0	40.0	40.0	25.0		25.0	15.0
9	-	-	65.0	45.0	45.0	30.0		30.0	20.0
10	-	-	70.0	55.0	55.0	40.0		40.0	25.0

ADJ. TOTAL DEBT / TOTAL CAPITAL									
Business Profile	AA		A		BBB		BB		
1	48.0	55.0	55.0	60.0	60.0	70.0			> 70.0
2	45.0	52.0	52.0	58.0	58.0	68.0			> 68.0
<i>CMP</i> → 3	42.0	50.0	50.0	55.0	55.0	65.0		65.0	70.0
4	38.0	45.0	45.0	52.0	52.0	62.0		62.0	68.0
5	35.0	42.0	42.0	50.0	50.0	60.0		60.0	65.0
6	32.0	40.0	40.0	48.0	48.0	58.0		58.0	62.0
7	30.0	38.0	38.0	45.0	45.0	55.0		55.0	60.0
8	25.0	35.0	35.0	42.0	42.0	52.0		52.0	58.0
9	-	-	32.0	40.0	40.0	50.0		50.0	55.0
10	-	-	25.0	35.0	35.0	48.0		48.0	52.0

# **ATTACHMENT B**

# *RTO-NE RNS RATE PRESENTATION*

Participating Transmission Owners  
July 22, 2008

# Presentation Overview

---

- Timing and Nature of RNS Rate Updates
- Appendix C
- RNS Rates
- Regional Forecast Summary
- Annual True-up
- Individual PTO Presentations / Q & A
- Next Steps
- Questions

# Timing and Nature of Rate Updates

---

- Annual Formula Rate Update
  - Effective June 1
  - Reflects
    - most recent historical calendar year data
    - forecasted revenue requirements
    - annual true-up & associated interest
- Transition Period
  - Ended 2/29/08
  - Individual Local Network RNS rates fully transitioned to region-wide pool average rate on 3/1/08 and thereafter

# Appendix C

---

- Effective 6/1/06
- Modified the timing for recovery of PTF investments
- Provides for a forecasted RNS revenue requirement associated with PTF additions expected to be placed in service during the forecast period
- Total RNS revenue requirements are trued-up to actual costs in subsequent rate year with interest on any differences

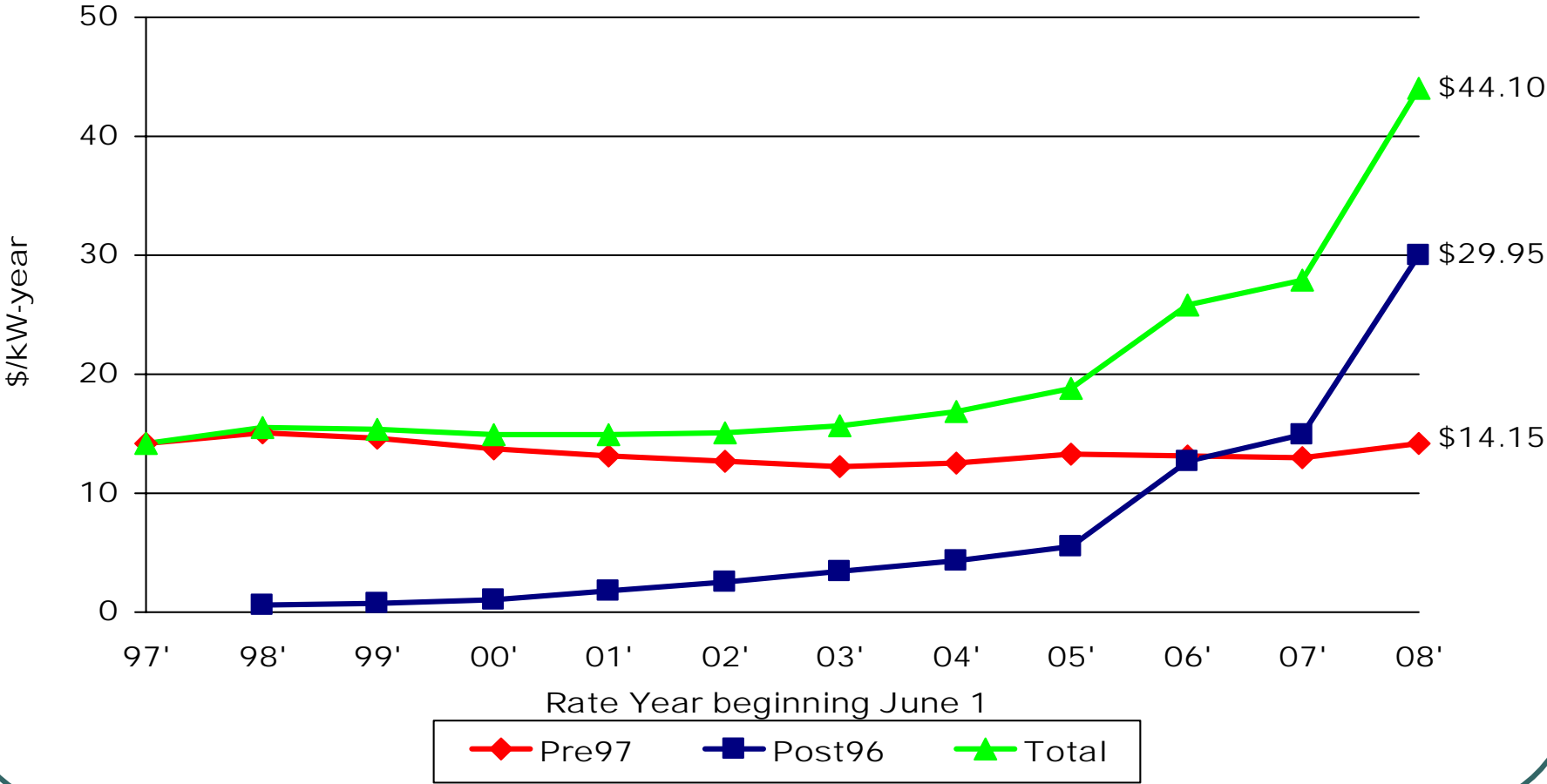
## RNS Rates June 1, 1997 – June 1, 2008

Rate Year Beginning	(\$/kW-year)		
	Pre97	Post96	Total
6/1/97	14.25	-	14.25
6/1/98	15.01	0.56	15.57
6/1/99	14.56	0.80	15.36
6/1/00	13.80	1.08	14.88
6/1/01	13.13	1.73	14.86
6/1/02	12.62	2.52	15.14
6/1/03	12.18	3.42	15.60
6/1/04*	12.48	4.33	16.81
6/1/05*	13.31	5.57	18.88
6/1/06*	13.09	12.68	25.77
6/1/07*	12.94	14.96	27.90
6/1/08*	14.15	29.95	44.10

\* Reflects Compliance with 3-24-08 ROE Rehearing Order

# RNS Rates

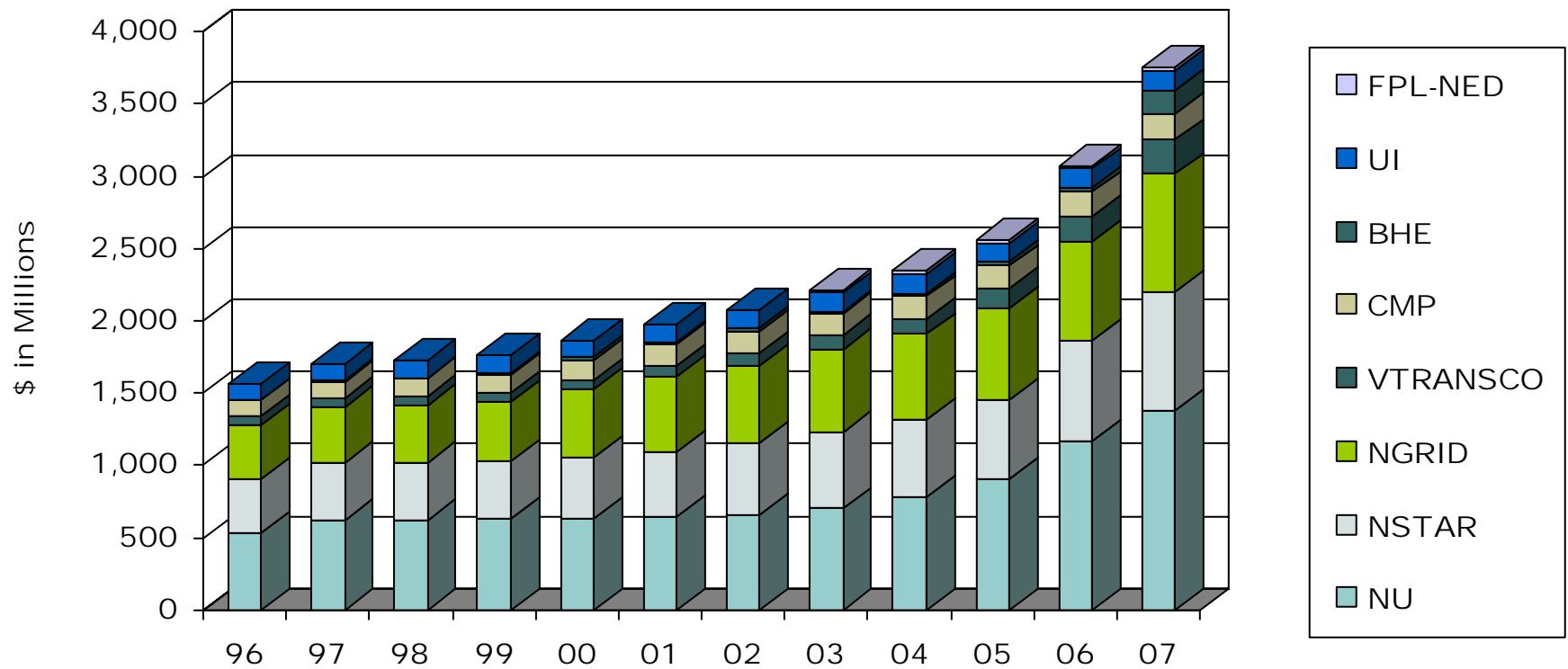
## June 1, 1997 – June 1, 2008



## PTF Investment

Balance for the calendar year ending:	( Millions of \$ )								
	<b>Total</b>	<b>NU</b>	<b>NSTAR</b>	<b>NGRID</b>	<b>VTransco</b>	<b>CMP</b>	<b>BHE</b>	<b>UI</b>	<b>FPLNED</b>
12/31/96	<b>1,569.8</b>	535.9	368.4	372.9	61.2	110.3	4.1	117.0	-
12/31/97	<b>1,702.8</b>	616.9	397.9	383.2	61.8	117.5	6.2	119.3	-
12/31/98	<b>1,723.4</b>	617.1	401.5	396.4	62.0	120.1	6.3	119.9	-
12/31/99	<b>1,759.1</b>	629.4	396.9	413.6	62.8	119.4	16.9	120.1	-
12/31/00	<b>1,866.8</b>	630.1	425.8	470.5	62.1	138.5	18.6	121.2	-
12/31/01	<b>1,977.9</b>	644.8	447.7	516.7	82.0	145.5	19.3	121.9	-
12/31/02	<b>2,072.9</b>	652.2	499.4	537.8	89.3	150.7	19.3	124.2	-
12/31/03	<b>2,217.2</b>	699.8	531.0	568.2	97.6	151.3	19.7	125.6	24.0
12/31/04	<b>2,344.2</b>	779.6	534.8	592.5	108.7	152.6	20.2	131.8	24.0
12/31/05	<b>2,562.8</b>	900.1	553.4	633.5	133.9	158.9	25.9	132.8	24.2
12/31/06	<b>3,075.9</b>	1,170.7	686.9	695.8	173.6	162.6	26.1	135.6	24.5
12/31/07	<b>3,759.2</b>	1,374.8	823.3	816.2	236.4	179.4	168.2	136.5	24.4

# PTF Investment



# June 1, 2008 RNS Rates Regional Forecast Summary

(Forecasted PTF Additions > \$0.5M)

<b>Participating Transmission Owner</b>	<b>2008 Projected PTF Additions (\$ in Millions)</b>	<b>Annual Carrying Charge (%)</b>	<b>Forecasted RNS Revenue Requirements (\$ in Millions)</b>	<b>6/1/08 RNS Rate Impact (\$/kW-yr.)</b>
<b>NU</b>	<b>865.7</b>	<b>18.13</b>	<b>156.9</b>	<b>7.30378</b>
<b>VTransco</b>	<b>134.4</b>	<b>19.43</b>	<b>26.1</b>	<b>1.21519</b>
<b>NGRID</b>	<b>98.3</b>	<b>17.27</b>	<b>17.0</b>	<b>0.78999</b>
<b>CMP</b>	<b>66.8</b>	<b>16.63</b>	<b>11.1</b>	<b>0.51728</b>
<b>NSTAR</b>	<b>39.9</b>	<b>15.06</b>	<b>6.0</b>	<b>0.27972</b>
<b>UI</b>	<b>13.4</b>	<b>20.61</b>	<b>2.8</b>	<b>0.12895</b>
<b>FPL-NED</b>	<b>0.7</b>	<b>19.33</b>	<b>0.1</b>	<b>0.00595</b>
<b>BHE</b>	<b>0.7</b>	<b>15.22</b>	<b>0.1</b>	<b>0.00508</b>
<b>TOTALS</b>	<b>1,219.9</b>	<b>18.05</b>	<b>220.1</b>	<b>10.24593</b>
<b>2007 RTO-NE 12CP RNS Load: 21,486MW</b>				

## June 1, 2008 RNS Rates Annual True-up

Participating Transmission Owner	(\$ in Millions)					Annual True Up and Associated Interest	6/1/08 RNS Rate Impact (\$/kW-yr.)
	RNS Rev Req'ts 2006 Test Year + 2007 Forecast (As Billed)	RNS Rev Req'ts 2007 Test Year (For True-Up)	Difference (over), under	Interest on Difference			
NU	\$ 215.8	\$ 241.4	\$ 25.6	\$ 2.1	\$ 27.7	1.28815	
NGRID	141.4	152.5	11.2	0.9	12.1	0.56208	
NSTAR	110.4	121.3	10.9	0.9	11.8	0.54689	
UI	30.4	33.4	3.0	0.2	3.3	0.15170	
VTransco	46.1	47.3	1.2	0.1	1.3	0.06007	
FPL-NED	9.0	9.1	0.1	0.0	0.1	0.00345	
BHE	25.8	25.6	(0.2)	(0.0)	(0.3)	(0.01188)	
CMP	29.1	28.3	(0.7)	(0.1)	(0.8)	(0.03570)	
<b>Totals</b>	<b>\$ 608.0</b>	<b>\$ 659.0</b>	<b>\$ 51.0</b>	<b>\$ 4.2</b>	<b>\$ 55.1</b>	<b>2.56475</b>	
<b>2007 RTO-NE 12-CP RNS</b>		<b>21,486 MW</b>					

# RNS Revenue Requirements

(\$ in Millions)

---

Total RNS RR @ 6/1/07	\$ 581.3
Prior Year TU included in above	39.5
Sub-total	620.8
2008 Forecast	220.2
2007 True up & Associated Interest	55.6
Update to 2007 data	51.0
Total RNS RR @ 6/1/08	\$ 947.6

# June 1, 2008 RNS Rates Individual PTO Presentations

(Annual True Up and Forecasts)

<b>PTO</b>	<b>PRESENTER(S)</b>
<b>NU</b>	<b>Allen Scarfone</b>
<b>VTransco</b>	<b>Dean LaForest</b>
<b>NGRID</b>	<b>Jim Loschiavo / Phil Tatro</b>
<b>CMP</b>	<b>Dave Conroy / Marc Guerrette</b>
<b>NSTAR</b>	<b>Paul Krawczyk / Steve Masse</b>
<b>UI</b>	<b>Rose Pysh / Alex Boutsoulis</b>
<b>FPL-NED</b>	<b>Steve Garwood</b>
<b>BHE</b>	<b>Gerry Chasse / Gradon Haehnel</b>
<b>Any Others</b>	<b>TBD</b>

# Individual PTO Presentations

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- Overview of Projects Included in 2008 Forecast
- Derivation of Annual True-up and Associated Interest
- PTO Specific Questions and Answers



**Vermont Transco LLC**  
**Forecasted Transmission Revenue Requirements of PTF Facilities and**  
**Analysis of True Up Applicable to June 2008-May 2009 rate Year**

<u>Forecasted PTF Transmission Revenue Requirements</u>	<u>Estimated Additional PTF In Service for 2008</u>
NRP-Granite Substation	73.1
NRP-Vergennes Substation	4.3
NRP-North Ferrisburg Substation	2
NRP-Charlotte Substation	1.9
NRP-Shelburne Substation	1.4
NRP-New Haven -Queen City 115kV Line	49.7
K33 reassignment	2
<b>Total</b>	<b>\$ 134.40</b>
<b>Carrying Cost Rate per Appendix C</b>	<b>19.43%</b>
<b>Revenue Requirement for 2008 / 2009 Rate year (\$Millions)</b>	<b>\$ 26.11</b>

<b>Analysis of True Up Applicable to June 2008-May 2009 rate Year</b>			
<u>Cost in \$Millions</u>	2007	2006	Change
Total Transmission Plant	\$ 236.4	\$ 173.6	\$ 62.8
2007 Forecasted Trans Plant	-	85.8	(85.8)
<b>Total</b>	<b>\$ 236.4</b>	<b>\$ 259.4</b>	<b>\$ (23.0)</b>
 Carrying Charge (CC) per Appendix C	 19.43%	 17.24%	 2.19%
Diff. due to Actual vs Forecast	\$ (4.0)		
Diff. due to change in CC	5.2		
True-up	1.2		
Interest	0.1		
<b>Total Annual True-up Increase (Decrease) in Revenue requirements</b>	<b>\$ 1.3</b>		

2008 Forecast	Project Name	RSP Proj. ID	Sch. 12C Approval	Total Estimated PTF Capital Costs	Forecast PTF Revenue Requirement	\$/kw-yr.
	L-190 Extension to W Kingston	C02526	May 23 2007	\$15,251,292	\$2,633,898	\$0.1226
	I-135 Reconductoring	C10004	No	\$6,778,421	\$1,170,633	\$0.0545
	Tower Hill Substation	C08004	No	\$4,773,715	\$824,421	\$0.0384
	Melrose Supply Reconfiguration	C12509	No	\$4,457,856	\$769,872	\$0.0358
	W Kingston Inst 115 kV Breakers	C02419	May 23 2007	\$4,430,750	\$765,191	\$0.0356
	Tewksbury 115 kV Breaker Replacements	C04417	NR	\$3,185,022	\$550,053	\$0.0256
	Auburn St Substation Work	C13845	October 18 2006	\$3,172,162	\$547,832	\$0.0255
	L190 Reconductor KC-DT	C02527	May 23 2007	\$3,075,462	\$531,132	\$0.0247
	Reconductor S-145/T-146 Wakefield	C12506	No	\$2,727,798	\$471,091	\$0.0219
	Reconductor T7 in Rhode Island	C23979	No	\$2,323,851	\$401,329	\$0.0187
	Revere 115 kV Capacitor Bank	C12508	No	\$1,982,689	\$342,410	\$0.0159
	Golden Hills Modifications	C12507	No	\$1,288,747	\$222,567	\$0.0104
	Digital Fault Recorder Program - MA	C04142	NR	\$1,068,989	\$184,614	\$0.0086
	W149 Refurb/Reconductor	C05785	No	\$752,202	\$129,905	\$0.0060
	Webster St 115 kV Upgrades	C22251	December 19 2007	\$248,195	\$42,863	\$0.0020
	Bloomingle to Vernon Hill 115 kV	C03219	No	\$100,556	\$17,366	\$0.0008
	A-127W Reconductor	C22254	No	\$31,250	\$5,397	\$0.0003
	Various Non-RSP Projects	Non RSP		\$42,611,809	\$7,363,112	\$0.3427
<b>Project Totals</b>				<b>\$98,260,766</b>	<b>\$16,973,687</b>	<b>\$0.78999</b>

Participating Transmission Owner	RNS Rev Reqt's 2007 Test Year + 2008 Forecast (As Billed)	RNS Rev Reqt's 2007 Test Year (For True-Up)	Difference (overcollection),und ercollection	Interest on Difference	Annual True Up and Associated Interest	6/1/08 RNS Rate Impact (\$/kW-yr.)
National Grid	\$ 141,378,091	\$ 152,544,251	\$ 11,166,160	\$ 910,671	\$ 12,076,831	\$0.56208

**Notes:**  
**RSP Project** Yes = Is RSP project  
 No = Non RSP project

**Sch. 12 C Approval** Date = TCA approval date  
 No = ISO - NE has not issued a determination or TCA approval is pending  
 NR = Not Required

CMP FORECASTED 2008 PTF ADDITIONS (\$ in Millions)									
PTO	Project Name	RSP Project	RSP ID	Sch 12C Approval	Project In-Service Date	Total Est. PTF Capital Costs	Annual Carrying Charge	Forecasted PTF Rev. Req'ts	\$/kw-yr
CMP	Maguire Road Project	Yes	579, 149, 154, 155, 715, 716, 717	Yes	Dec-08	\$ 38.2	16.63%	\$ 6.3	0.29532
CMP	Rumford-Woodstock-	Yes	910, 625, 626, 624	Kimball	Dec-08	11.2	16.63%	1.9	0.08654
CMP	Y138 Project on CMP	Yes	267	Yes	Dec-08	2.7	16.63%	0.4	0.02091
CMP	Heywood Road Project	Yes	575		Dec-08	0.4	16.63%	0.1	0.00308
CMP	Newcastle Reinforcements	No	--		Dec-08	1.0	16.63%	0.2	0.00768
CMP	Cyber Security	No	--		Dec-08	3.6	16.63%	0.6	0.02815
CMP	115 kv Pole Replacement	No	--		Dec-08	1.7	16.63%	0.3	0.01350
CMP	Detroit S/S Reinforcements	No	--		Dec-08	1.9	16.63%	0.3	0.01473
CMP	Section 386 Fiber Project	No	--		Dec-08	2.6	16.63%	0.4	0.02013
CMP	Other	No	--		Dec-08	3.5	16.63%	0.6	0.02725
Totals						\$ 66.8	16.63%	\$ 11.1	0.51728

<b>CMP ANNUAL TRUE-UP (2006 ACTUAL + 2007 FORECAST VS ACTUAL 2007)</b>				
		2007	2006	Difference
		(\$ in Millions)		
Actual PTF - Total		\$ 179.4	\$ 162.6	\$ 16.8
2007 Forecast		-	16.2	(16.2)
Total		\$ 179.4	\$ 178.8	\$ 0.6
Average Carrying Charge (Pre97 & Post 96)		15.80%	16.3%	-0.45%
	(\$ in Millions)			
Difference due to Actual vs Forecast	0.1			
Difference due to change in Carrying Cost	(0.8)			
True-up	(0.7)			
Interest	(0.1)			
Total Annual True-up	(0.8)			

**NSTAR Electric Company**  
Forecasted 2008 PTF Additions

<u>Project</u>	<u>Description</u>	<u>Amount</u>
4860	345 kV Expansion	\$ 6,300,000
7336	TL 3163 Sta 330-385 - 345 Ph II	14,656,783
7340	Lines 282-520/521 & 329-510/511 High Speed Relays	261,707
6393	Walpole Station 146	3,867,224
7319	Brook St Station and Line 194	9,505,001
8242	Line 389 Upgrade	3,116,050
6334	Breaker Replacements Canal Station	679,439
5361	Mystic Station Transmission Improvements	380,065
8101	Mystic Station 250 - 115kV Breaker Replacements	643,913
8238	Walpole Station 115 kV Breaker Replacements	452,270
7290	Brighton Station 329 Breaker Replacements	55,115
	Total Forecasted 2008 PTF Additions	<u>\$ 39,917,567</u>

**NSTAR Electric**  
**Forecasted NSTAR 2007 PTF Additions**

Line	Description	Forecasted Amount	Actual Amount In-Service
1	345 Project - Phase 1, Line 2	\$ 78,567,000	\$ 63,434,532
2	Mystic Station 250 Breaker Replacements	950,000	667,411
3	SW-STA 146 Walpole Station	707,000	69,137
4	Station 350 Colburn	1,156,000	918,730
5	Upgrade 115 Relays on Line 111 New Bedford	440,000	-
6	Mystic Station 250 Bus Upgrade	625,000	-
7	Brighton Station 329 Breaker Replacements	1,503,000	1,638,453
8	Masspee/Barnstable/Orleans/Falmouth Capacitors	1,244,000	1,085,888
9	Sandwich 115 kV Breaker	313,000	339,992
10	Pump Plant Upgrades (W. Roxbury, Baker Str)	750,000	1,071,158
11	Kingston Station Line 191 Switch	375,000	146,705
12	Harwich/Industrial Park 50 MVAR Cap	1,379,000	2,165,195
13	Riser Cooling Station 514	569,000	668,715
14	Medway STA 446 xfmr 345B U Bushing replacement	637,000	805,824
15	Breaker Replacements Stations Canal	839,000	-
16	Pump Plant Station 329	431,000	438,319
17	Breaker Replacements Stations 446	625,000	1,247,499
18	<b>Total Forecasted 2007 PTF Additions</b>	<b><u>\$ 91,110,000</u></b>	<b><u>\$ 74,697,557</u></b>

Company	Project Name	RSP Project	RSP Proj. ID	TCA Approval	Projected In-Service Date	Total Estimated Project Cost	Estimated PTF %	Annual Carrying Charge	Forecast PTF Revenue Requirement	\$/kw-yr.
The United Illuminating Company	Miscellaneous PTF Projects	N		Not Required	2008	500,045	100%	20.61%	103,060	0.0048
	Hawthorne Automation Project	N		Not Required	2008	338,000	100%	20.61%	69,662	0.0032
	PTF Metering	N		Not Required	2008	1,013,456	100%	20.61%	208,875	0.0097
	Ash Creek Disconnect Switch Replacement	N		Not Required	2008	467,019	100%	20.61%	96,253	0.0045
	Quinnipiac SS 115kV OCB Replacement	Y	845	Not Required	2008	353,674	100%	20.61%	72,893	0.0034
	SCADA Substation Ethernet	N		Not Required	2008	1,074,956	100%	20.61%	221,550	0.0103
	Mix Ave 115kV OCB Replacement	Y	846	Not Required	2008	765,635	100%	20.61%	157,799	0.0073
	Trumbull 115/13.8 kV SS	Y	313	In Progress	2008	12,249,283	72.9%	20.61%	1,840,547	0.0857
						<b>16,762,068</b>		<b>20.61%</b>	<b>2,770,641</b>	<b>0.1290</b>
2007 RTO 12-CP Demand:	21,485,999 kw									

<b>Company</b>	<b>Project Name</b>	<b>RSP Project</b>	<b>RSP Proj. ID</b>	<b>TCA Approval</b>	<b>Projected In-Service Date</b>	<b>Total Estimated PTF Capital Costs</b>	<b>Total Completed PTF Capital Costs</b>	<b>Closed to Plant in 2007?</b>
The United Illuminating Company	Hawthorne Automation Project	N	N/A	N/A	2007	380,558	0	No
	Trumbull Substation	Y	313	Needed	2007	3,000,000	0	No
	Misc Other PTF Projects	N	N/A	N/A	2007	1,239,071	943,647	Yes
	<b>Total</b>					<b>\$4,619,629</b>	<b>\$943,647</b>	

**Forecast Component of FPL-NED's Updated PTF ATRR for  
RNS Rates Effective June 1, 2008**

Company	Project Name	RSEP Project	RSEP Proj. ID	Sch. 12C Approval	Projected In-Service Date	Total Estimated PTF Capital Costs	Estimated % PTF	Annual Carrying Charge	Forecast PTF Revenue Requirement	
									Requirement	\$/kw-yr.
FPL-NED	Microwave System Upgrade	No		NA	2008	\$375,000	100.00%	19.33%	\$72,493	\$0.0034
	New SF6 Gas Cart	No		NA	2008	\$172,000	100.00%	19.33%	\$33,250	\$0.0015
	New Battery Chargers (2)	No		NA	2008	\$114,000	100.00%	19.33%	\$22,038	\$0.0010
Total						\$661,000			\$127,781	\$0.0059

**Prior Yr. Forecast Component of True Up Component of  
FPL-NED's Updated PTF ATRR for RNS Rates Effective  
June 1, 2008**

Company	Forecast 2007 Capital Projects	RSEP Project	RSEP Proj. ID	Sch. 12C Approval	Projected In-Service Date	Total Estimated PTF Capital Costs	Estimated % PTF	Annual Carrying Charge	Forecast PTF Revenue Requirement	
									Requirement	\$/kw-yr.
FPL-NED	Line Relay Upgrade / Replacement	No		NA	2007	\$425,000	100.00%	17.12%	\$72,760	\$0.0035
	Microwave System Upgrade	No		NA	2007	\$90,000	100.00%	17.12%	\$15,408	\$0.0007
	New SF6 Gas Cart	No		NA	2007	\$175,000	100.00%	17.12%	\$29,960	\$0.0014
	New Battery Chargers (2)	No		NA	2007	\$75,000	100.00%	17.12%	\$12,840	\$0.0006

**Actual Change in Plant in Service - 2007**

Accounting Month		PTF Only			Net Change To Plant In Service	Non PTF		Sum of PTF, NPTF \$/kw-yr
		Additions	Retirements	Removal		NPTF	GSU-C	
March	Capital - Tools	3,018			3,018			3,018
April	Ward Hill	(964)			(964)			(964)
May	Timber Swamp	243,906	134,088		109,818			109,818
June	Timber Swamp	53,452			53,452			53,452
July	Timber Swamp	5,886			5,886			5,886
September	Gas Cart	131,867			131,867	5,152	15,197	152,216
November	Gas Cart	1,735			1,735	68	200	2,003
November	Timber Swamp	27,812			27,812			27,812
December	Timber Swamp	2,878			2,878			2,878
Totals	Capital - Tools	3,018			3,018			3,018
	Ward Hill	(964)			(964)			(964)
	Timber Swamp	333,934	134,088	-	199,846			199,846
	Gas Cart	133,602			133,602	5,219	15,397	154,218
	Total For Year	469,590	134,088	-	335,502	5,219	15,397	356,118
								490,206
								134,088
								Total Net Change
								Additions
								Retirements

<b>Company</b>	<b>Project Name</b>	<b>RSP Project</b>	<b>Sch. 12C Approval</b>	<b>Projected In-Service Date</b>	<b>Total Estimated Capital Costs</b>	<b>Estimated % PTF</b>	<b>Annual Carrying Charge</b>	<b>Forecast PTF Revenue Requirement</b>	<b>\$/kw-yr.</b>
Bangor Hydro	Northeast Reliability Interconnect (NRI) - Closeout	Y	Y	na	\$ 300,000	100.0%	15.22%	\$ 45,662	\$0.0021
Bangor Hydro	Replace K396-1 Breaker Orrington	N	na	na	\$ 287,000	100.0%	15.22%	\$ 43,684	\$0.0020
Bangor Hydro	Install Line Disconnects Sections 390 & 396, Orrington	N	na	na	\$ 130,000	100.0%	15.22%	\$ 19,787	\$0.0009
<b>TOTAL</b>					<b>\$ 717,000</b>	<b>100.0%</b>	<b>15.21%</b>	<b>\$109,133</b>	<b>\$0.0051</b>

# June 1 2008 RNS Rates Next Steps / Open Issues

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- Annual Informational Filing submitted to FERC on 7/31/08
- RNS rates for June service reflected in ISO-NE's August invoice

# Questions

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**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon each person designated on the service list compiled by the Secretary in this proceeding either by U.S. Mail or electronic service, as appropriate. Dated at Washington, D.C., this 1st day of August, 2008.

/s/ Harry A. Dupre  
Harry A. Dupre  
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