Appendix B - Corrected Cost Comparison of the MPRP and LaCapra NTAs

Corrected Cost Comparison of the MPRP and LaCapra NTAs

The LaCapra Non-Transmission Alternatives Assessment purports to compare the costs of the MPRP (what LaCapra refers to as the "MPRP Integrated Transmission Solution" or "TS") to the costs of various NTAs LaCapra identified. The problem is that it is difficult to compare the costs of the MPRP, which consists of only transmission components, to the costs of NTAs, which consist of generation components as well as other equipment. The capital costs of the transmission options are lower than the costs of the NTAs; however, the NTAs also generate electricity – which generates revenue and thus offsets those higher costs.

To account for this and to create a meaningful cost comparison between the MPRP and NTAs, LaCapra estimated the total costs incurred by ratepayers (in Maine) under the MPRP and under the NTAs. This total cost is inclusive of the electricity that is used by these ratepayers, either generated by the NTAs or purchased from the market and made available by the MPRP. LaCapra refers to this as the "Net Societal Costs to Maine Load".

The first table shown on Page 3 of 5 of this Exhibit is a reproduction of the table presented in the LaCapra Analysis in its Appendix F at page 79. It shows the Net Societal Costs of Maine Load of $11.871 billion for the MPRP. However, as noted in the comments on the table, the costs included for the MPRP are only the share of the total MPRP costs borne by Maine ratepayers – approximately 8.5% of the total MPRP costs.

The third table shown on Page 5 of 5 of this Exhibit is a reproduction of the table presented in the LaCapra Analysis in its Appendix F at page 81. It shows the Net Societal Costs of Maine Load of $12.039 billion for the NTA with static VAR (v.1). However, as noted in the comments on this table, it includes for 100% of the cost of NTAs. The $12.039 billion is

higher than the $11.871 billion cost of the MPRP, leading LaCapra and CMP to conclude that the MPRP is a more cost-effective option than the best of the NTAs.

The second table shown on Page 4 of 5 of this Exhibit is the same as the first table estimating the cost to ratepayers of the MPRP, except that it has been corrected to show the *total costs* of the MPRP. This increases the Net Societal Costs to Maine Load to $12.713 billion. This is almost $700 million higher than the comparable cost of the NTA. By not including 91.5% of the costs of the MPRP in the cost comparison performed, LaCapra has distorted the comparison in favor of the MPRP. In fact, on a total cost basis, the NTAs are considerably more cost effective than the costs of the MPRP.

Scenario: MPRP Integrated Solution - TS (MPRP Costs Socialized)

cost category	description		NPV ($000) 2008-2034
LSE Costs, net of DSM NTA Savings	energy Costs	$	8,390,561
	FCM Costs	$	2,004,936
	FRM Costs	$	183,765
	AS Costs	$	264,493
	OATT Payments w/o MPRP	$	747,404
	REC Purchases	$	202,586
	risk premia/margin	$	-
new NTA generators	recovery of invested capital	$	6,777
	fixed O&M	$	437
	(FCM/FRM revenues)	$	(1,936)
	(Net energy revenues)	$	(6,281)
new reactive power supply	static	$	-
	dynamic	$	-
TOs/CMP	recovery of MPRP invested capital	$	64,050
	fixed O&M for MPRP	$	14,156
EE		$	-
EE		$	-
EE		$	-
EE		$	-
DR		$	-
NET SOCIETAL COSTS TO MAINE LOAD		$	11,870,948
Existing ME Generators	(net energy revenues)	$	(4,380,200)
NET SOCIETAL COSTS INCLUDING MAINE GENERATION		$	7,490,748

Includes ONLY Maine Ratepayer Share of MPRP Costs

Source: MPRP CPCN, Exhibit I-3, Page 460 of 464
LaCapra Non-Transmission Alternatives Assessment, Appendix F page 79

Scenario: MPRP Integrated Solution - TS (MPRP Costs not Socialized)

cost category	description		NPV ($000) 2008-2034
LSE Costs, net of DSM NTA Savings	energy Costs	$	8,390,561
	FCM Costs	$	2,004,936
	FRM Costs	$	183,765
	AS Costs	$	264,493
	OATT Payments w/o MPRP	$	747,404
	REC Purchases	$	202,586
	risk premia/margin	$	-
new NTA generators	recovery of invested capital	$	6,777
	fixed O&M	$	437
	(FCM/FRM revenues)	$	(1,936)
	(Net energy revenues)	$	(6,281)
new reactive power supply	static	$	-
	dynamic	$	-
TOs/CMP	recovery of MPRP invested capital	$	753,529
	fixed O&M for MPRP	$	166,541
EE		$	-
EE		$	-
EE		$	-
EE		$	-
DR		$	-
NET SOCIETAL COSTS TO MAINE LOAD		$	12,712,813
Existing ME Generators	(net energy revenues)	$	(4,380,200)
NET SOCIETAL COSTS INCLUDING MAINE GENERATION		$	8,332,613

Includes TOTAL MPRP Costs

Source: MPRP CPCN, Exhibit I-3, Page 460 of 464
LaCapra Non-Transmission Alternatives Assessment Appendix F page 79

Scenario: MPRP Integrated Solution - NTA with static VAR

cost category	description		NPV ($000) 2008-2034
LSE Costs, net of DSM NTA Savings	energy Costs	$	8,213,314
	FCM Costs	$	1,781,276
	FRM Costs	$	178,287
	AS Costs	$	256,974
	OATT Payments w/o MPRP	$	669,949
	REC Purchases	$	195,369
	risk premia/margin	$	-
new NTA generators	recovery of invested capital	$	718,223
	fixed O&M	$	86,828
	(FCM/FRM revenues)	$	(290,257)
	(Net energy revenues)	$	(15,127)
new reactive power supply	static	$	11,103
	dynamic	$	-
TOs/CMP	recovery of MPRP invested capital	$	-
	fixed O&M for MPRP	$	-
EE		$	90,586
EE		$	(52,962)
EE		$	76,874
EE		$	(17,052)
DR		$	135,597
NET SOCIETAL COSTS TO MAINE LOAD		$	12,038,982
Existing ME Generators	(net energy revenues)	$	(4,421,481)
NET SOCIETAL COSTS INCLUDING MAINE GENERATION		$	7,617,501

Includes TOTAL NTA Costs

Source: MPRP CPCN, Exhibit I-3, Page 462 of 464
LaCapra Non-Transmission Alternatives Assessment, Appendix F page 81