

## LICAP Update – June 19, 2006

On June 15<sup>th</sup>, the Federal Energy Regulatory Commission (FERC) approved the Settlement Agreement that implements Locational Installed Capability (LICAP) or what it now being referred to as Forward Capacity Markets or FCM. As we have discussed in prior LICAP bulletins, the consequences of this decision by FERC will be to increase electricity prices beginning in December 2006. The amount of this increase will be between \$.0065 and \$.0120 per kWh. We have reproduced the table in our March 8<sup>th</sup> bulletin on LICAP below:

### LICAP Settlement Agreement

		TRANSITION PERIOD			
		12/1/06 - 5/31/07	6/1/07 - 5/31/08	6/1/08 - 5/31/09	6/1/09 - 5/31/10
<b>Charge</b>	\$/kW/mo	\$3.05	\$3.05	\$3.75	\$4.10
<b>Effective Charge</b>	\$/kW/mo	\$3.57	\$3.59	\$4.39	\$4.73
<b>Cost per kWh</b>					
<b>Average for Maine</b>	\$/kWh	\$0.0088	\$0.0088	\$0.0108	\$0.0116
<b>Range (low)</b>	\$/kWh	\$0.0065	\$0.0065	\$0.0085	\$0.0095
<b>Range (high)</b>	\$/kWh	\$0.0120	\$0.0120	\$0.0150	\$0.0170

This is a terrible decision for Maine – one that we have fought every inch of the way. It will do nothing to improve the capacity situation in Maine, but will put more than \$2 billion in the pockets of generators throughout New England – about \$350 million of which will be paid for by Maine ratepayers over the next 4 years.

If you have a fixed price contract that extends beyond this December, there is a good chance that your contract permits your supplier to pass through any costs it incurs as a result of the imposition of the Settlement Agreement to you. (The one exception is for those customers that have contracts with WPS Energy Services that specifically state that the price includes LICAP.)

If you sign a new contract that will extend beyond December 2006, your price may or may not include LICAP. We will advise you of whether or not it does.

In either case, if you receive a bill from your supplier that includes a charge for LICAP in addition to the charge per kWh for energy and you want us to verify the accuracy of the charge, please fax a copy of the bill to us at (207) 772-6320. We will review it to make sure that your supplier is dealing with this issue correctly.

As always, if you have any questions about this, please give us a call at 772-6190.