

**Mr. Kenneth Fletcher, Director**

Governor's Office of Energy Independence and Security  
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Subject: Fox Islands Wind Electric Energy Rates Double in the Last Two Years

Mr. Fletcher,

The Fox Islands Wind turbines have been operating since November 2009, and after two years it is important to take stock of how this has affected electric rates on the island.

The attached chart and table show electric rates on Vinalhaven and North Haven over the 24 months since start-up. The graph shows the rates charged to Fox Islands Electric Co-op ratepayers as compared to CMP's Historical Standard Offer prices<sup>1</sup>.

While there is much information supporting a correlation of dropping natural gas prices and falling electricity prices<sup>2</sup>, the trend is a concern in Maine for projects like Fox Islands Wind whose consumer rates tend to rise as a result.

Vinalhaven's consumer energy rates have doubled from 6¢ to over 13¢/kWh, while many other wholesale market rates have gone down. As a direct comparison, CMP Standard Offer rates have remained consistently low at about 7½ ¢/kWh.

It should be noted that FIEC's energy rates include a special 1¢/kWh surcharge, applied to all bills to recover \$365k in legal and consulting costs spent by FIW in defense of their compliance exceedances with the DEP<sup>3</sup>. The surcharge generally represents less than 4% of a ratepayer's overall bill, including the T&D which has remained roughly the same for several years at about 13¢/kWh. So at just 1¢/kWh, the legal costs are not a major contributor to the doubling of the energy rate.

This chart and data are for your edification and review. If you would like to further discuss any of this information or its sources, I can be reached at the address and phone number below, or by email.

Thank you,



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## References:

- <sup>1</sup> Data has been collected from
    - a) FIEC monthly bills over the last 5 years (online data for FIEC is not available)
    - b) the CMP website showing historical standard-offer prices  
([http://www.maine.gov/mpuc/electricity/standard\\_offer\\_rates/current\\_sorates\\_cmp\\_med.shtml](http://www.maine.gov/mpuc/electricity/standard_offer_rates/current_sorates_cmp_med.shtml))
  - <sup>2</sup> · Average, on-peak, day-ahead electricity prices were lower across most of the United States in 2011, with many markets mirroring the decline in natural gas prices.  
EIA "[2011 Brief: Energy commodity price trends varied widely during 2011](#)" January 9, 2012
  - <sup>3</sup> In their 4/07/2011 billing, FIEC included an Update on the Fox Islands Wind Project. In it they stated...  
*"The average cost of the wind generation to the Fox Islands Electric Cooperative... was 6.15 cents per kWh."*  
*"FIW has to generate the cash flow to pay lawyers and sound consultants - both its own as well as the one retained by the MDEP. [...] the total costs since November of 2009 have added up to \$365,000. [...] it is difficult to absorb these additional costs and continue to keep the price of generation around the anticipated 6 cents per kWh level."*  
*"In order to fund this process, FIW has provided notice to the Coop that it will be necessary to implement a 1 cent per kWh adder to the costs of power generated from the wind project."*
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