

**CENTRAL MAINE POWER COMPANY  
RESPONSE TO COMPETITIVE ENERGY SERVICES' DATA REQUEST NO. 4  
DOCKET No. 2008-255**

March 20, 2009

**CES-04-19**

- Q.** Please provide a description of any state or federal tax incentives available to CMP for the MPRP, and provide an analysis calculating the effect of such tax incentives on the CMP's financial model. Please provide a description of the tax value of the MPRP to any CMP affiliates or corporate parent.
- A.** The only state or federal income tax incentive for the MPRP at present is the existing accelerated MACRS tax depreciation incentive. This incentive allows taxpayers to depreciate investment in transmission assets with a voltage greater than 69 kV on an accelerated method over 15 years and all other transmission investment on an accelerated method over 20 years. CMP provides federal deferred income tax expense for the difference between this accelerated and the straight line tax depreciation, and CMP accumulates this annual amount in accumulated deferred income taxes, which is a rate base reduction. CMP flows through the state income tax impacts. CMP provides the calculation of the benefits from 15 year MACRS compared to 20 year MACRS in Attachment 1.

There are no other tax benefits resulting from the MPRP that will accrue to any CMP affiliate or its corporate parent.

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**Attachment:**

1. Estimated Impact of 15 Year MACRS vs. 20 Year MACRS on MPRP Revenue Requirement

**Estimated Impact of 15 Year MACRS Versus 20 Year MACRS on MPRP Revenue Requirement**

(all values in millions of dollars unless noted)

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Plant in-service (assume Jan 1 in-service)	260	599	639	52																				
Book depreciation (assume 40 years)																								
Year 1 in-service	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7
Year 2 in-service		15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
Year 3 in-service			16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16
Year 4 in-service				1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Total	7	21	37	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39
Net plant	254	831	1,433	1,446	1,407	1,368	1,330	1,291	1,252	1,213	1,175	1,136	1,097	1,058	1,020	981	942	903	865	826	787	748	710	671
<b>15 YEAR MACRS</b>																								
Depreciation rate	5.00%	9.50%	8.55%	7.70%	6.93%	6.23%	5.90%	5.90%	5.91%	5.90%	5.91%	5.90%	5.91%	5.90%	5.91%	2.95%								
Tax depreciation																								
Year 1 in-service	13	25	22	20	18	16	15	15	15	15	15	15	15	15	15	8								
Year 2 in-service		30	57	51	46	42	37	35	35	35	35	35	35	35	35	18								
Year 3 in-service			32	61	55	49	44	40	38	38	38	38	38	38	38	38	19							
Year 4 in-service				3	5	4	4	4	3	3	3	3	3	3	3	3	3	2						
Total	13	55	111	135	124	111	101	94	92	92	92	92	92	92	92	84	59	22	2					
Federal income tax impact																								
Deferred taxes	2	12	26	34	30	25	22	19	18	18	18	18	18	18	18	16	7	(6)	(13)	(14)	(14)	(14)	(14)	(14)
Accumulated deferred taxes	2	14	40	73	103	128	150	169	188	206	225	243	262	280	299	315	322	316	303	289	275	262	248	235
Rate base	251	817	1,393	1,373	1,304	1,240	1,179	1,121	1,064	1,007	950	892	835	778	721	666	621	588	562	537	512	486	461	436
Return on rate base (assume 14%)	35	114	195	192	183	174	165	157	149	141	133	125	117	109	101	93	87	82	79	75	72	68	65	61
State income tax impact																								
Tax shield (grossed up)	2	8	17	20	19	17	15	14	14	14	14	14	14	14	14	13	9	3	0	-	-	-	-	-
<b>20 YEAR MACRS</b>																								
Depreciation rate	3.75%	7.22%	6.68%	6.18%	5.71%	5.28%	4.89%	4.52%	4.46%	4.46%	4.46%	4.46%	4.46%	4.46%	4.46%	4.46%	4.46%	4.47%	4.46%	4.47%	2.23%			
Tax depreciation																								
Year 1 in-service	10	19	17	16	15	14	13	12	12	12	12	12	12	12	12	12	12	12	12	12	12	6		
Year 2 in-service		22	43	40	37	34	32	29	27	27	27	27	27	27	27	27	27	27	27	27	27	27	13	
Year 3 in-service			24	46	43	39	36	34	31	29	28	28	28	28	28	28	28	28	28	28	28	28	29	14
Year 4 in-service				2	4	3	3	3	3	3	2	2	2	2	2	2	2	2	2	2	2	2	2	1
Total	10	41	85	104	98	91	84	78	73	70	69	69	69	69	69	69	69	69	69	69	69	63	44	17
Federal income tax impact																								
Deferred taxes	1	7	16	23	21	18	16	14	12	11	11	11	11	11	11	11	11	11	11	11	11	9	2	(8)
Accumulated deferred taxes	1	8	25	47	68	87	102	116	128	139	149	160	171	181	192	203	213	224	234	245	254	256	248	235
Rate base	252	823	1,408	1,398	1,339	1,282	1,227	1,175	1,124	1,075	1,025	976	926	877	828	778	729	679	630	581	533	493	462	436
Return on rate base (assume 14%)	35	115	197	196	187	179	172	164	157	150	144	137	130	123	116	109	102	95	88	81	75	69	65	61
State income tax impact																								
Tax shield (grossed up)	1	6	13	16	15	14	13	12	11	11	10	10	10	10	10	10	10	10	10	10	10	7	3	0
Revenue require, savings from shorter tax life																								
Federal income tax impact	0	1	2	4	5	6	7	7	8	9	11	12	13	14	15	16	15	13	10	6	3	1	0	-
State income tax impact	0	2	4	5	4	3	3	2	3	3	3	3	3	3	3	2	(2)	(7)	(10)	(10)	(10)	(7)	(3)	(0)
Total	1	3	6	9	9	9	10	13	13	14	15	16	17	18	18	18	18	18	18	18	18	18	18	18

TOTAL REVENUE REQUIREMENT SAVINGS = 177