

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

November 22, 2002

ORDER REGARDING  
STANDARD OFFER PROCESS  
FOR THE LARGE AND MEDIUM  
CLASSES

MAINE PUBLIC UTILITIES COMMISSION  
Standard Offer Bidding Process

Docket No. 2002-709

CENTRAL MAINE POWER COMPANY  
Revision to Terms and Conditions to  
Information Disclosure (43.7) for  
Standard Offer Customers

Docket No. 2002-701

CENTRAL MAINE POWER COMPANY  
Request for Approval of Contract Associated  
with the Standard Offer for Medium and Large  
Commercial and Industrial Classes

Docket No. 2002-702

BANGOR HYDRO-ELECTRIC COMPANY  
Revision to Terms and Conditions Section 19 & 20  
to Provide Updated Cost Information for Services  
Provided to Standard Offer Suppliers and CEPs

Docket No. 2002-717

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

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## **I. SUMMARY**

Through this Order, we approve Requests for Proposals (RFPs), modifications to the standard form contract that include changes to the uncollectible percentages, and changes to utility terms and conditions associated with the upcoming standard offer solicitation for the large and medium non-residential classes in the Central Maine Power Company (CMP) and Bangor Hydro-Electric Company (BHE) service territories. We also delegate to the Director of Technical Analysis the authority to resolve further issues necessary to issue the RFPs pursuant to Chapter 301, section 8 of our Rules, and to decide eligibility and conformance of non-price portions of bid proposals submitted in response to the RFP.

## **II. BACKGROUND**

Pursuant to Maine's Restructuring Act, the Commission administers periodic bid processes to select providers of standard offer service. 35-A M.R.S.A. § 3212(2). The current arrangement with Select Energy, Inc. to provide standard offer service for the

medium and large non-residential classes in the CMP and BHE service territories terminates on February 28, 2003. Accordingly, the Commission soon must solicit bids to provide standard offer service to BHE's and CMP's medium and large classes beginning on March 1, 2003.

By Chapter 301, we must develop and issue a request for standard offer bids for each transmission and distribution (T&D) utility service territory. Chapter 301 contemplates that the Commission will determine many details of the bid procedure in the RFP documents. We opened Docket No. 2002-709 for the purposes of developing and issuing the RFPs and to carry out the bid processes to select providers of standard offer service beginning March 1, 2003 for the medium and large classes in the CMP and BHE service territories.

On November 8, 2002, CMP asked the Commission to approve revisions to its Exhibit A of the Standard Offer Provider Standard Service Agreement.<sup>1</sup> CMP's revisions reflect increases to its uncollectible percentages for the medium and large classes, based on historical experience. CMP provided its workpapers supporting the calculation of the revised percentage. CMP also amended its Exhibit to accommodate the soon to be implemented Standard Market Design (SMD). CMP's November 8 filing was docketed as Docket No. 2002-701.

On November 12, 2002, CMP filed a revised page of its Terms and Conditions. The revision reflects an increase in CMP's charge to a standard offer provider for the production and distribution of Chapter 306 information disclosure labels for the large non-residential class. CMP stated that the revised charge is cost-based and attached the supporting workpapers. CMP's November 12 filing was docketed as Docket No. 2002-702.

On November 18, 2002, BHE filed a letter seeking approval of revisions to its Exhibit A to the standard contract. Like CMP, BHE seeks to revise its Exhibit A to reflect changes to its uncollectible percentages based on recent experience and to include language to account for the implementation of SMD. In the same letter, BHE filed a revised page of its Terms and Conditions to increase the charges for disclosure labels provided to medium and large non-residential standard offer customers. BHE's November 18 filing was docketed as Docket No. 2002-717.

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<sup>1</sup> Exhibit A to the standard contract contains T&D specific provisions. Each investor-owned T&D utility has its own Exhibit A approved by the Commission.

### III. DECISION

#### A. RFPs

We approve the RFPs prepared by staff for CMP's and BHE's medium and large non-residential classes and direct that they be issued as soon as possible. These RFPs establish a process and schedule that follow the general format used in the RFP processes conducted during 2001. This format is that indicative bids are due about 3 weeks from the issuance of the RFP. At the same time, bidders are permitted to propose contingencies and alternatives with respect to non-price aspects, such as provisions within the standard contract, statement of commitment, and security requirements. The Staff will then negotiate the non-price aspects of bidders' proposals with bidders whose indicative bids appear most favorable. After all non-price contingencies and alternatives are either agreed to or withdrawn, the Commission will set a date on which firm prices will be provided by bidders and the Commission will chose the winning bidder on that date.

#### B. Term Lengths

We will seek bids for two alternative terms, one for six months and one for one year. In our January 14, 2002 Order in Docket No. 2001-399 in which we last chose a standard offer provider for these two classes, we accepted a bid for a one-year term even though we also received attractive bids for two and three-year terms. We concluded that a standard offer term of only one year would prevent standard offer prices from deviating from market prices for a lengthy duration and would encourage medium and large class customers that wanted longer-term price stability to obtain multi-year contracts from competitive suppliers.

During our recent work on a standard offer study for the Legislature, we concluded the standard offer prices for these two classes should closely follow market changes. We could achieve such a result by even more frequent price changes, such as quarterly or semi-annually. During our discussions with electricity suppliers as part of conducting the study, suppliers stated the ability and willingness to provide bids for 6-month terms. Suppliers were less certain that bid terms of 3-months would attract their participation. We therefore will seek bids for 6-month terms in addition to 1-year terms. As we have no intent to accept a bid for a term greater than 1 year, we will not seek bids for 2 and 3-year terms.

#### C. Concurrent Wholesale Solicitation

We again will proceed with a concurrent retail and wholesale solicitations, and accordingly, direct CMP and BHE each to proceed with a solicitation of wholesale standard offer suppliers. Although we were successful in obtaining a retail supplier in the two most recent solicitations, continued industry instability and wholesale market

uncertainty causes us to be cautious. It is prudent, therefore, to concurrently solicit wholesale and retail bids so that standard offer providers can be selected in a timely manner. It will be made clear in both solicitations that the Commission prefers a retail arrangement, and that bidders may participate in both the retail and wholesale processes.

D. Uncollectible Percentages

CMP and BHE seek to update the uncollectible percentages that are used in calculating the payments to the standard offer providers.<sup>2</sup> The proposed changes to the uncollectible percentages are based upon recent 12-month, actual uncollectible experience for these two classes. The requests are:

<u>CMP</u>	<u>Current</u>	<u>Proposed</u>
Medium	0.3%	1.1%
Large	1.8%	3.4%
<u>BHE</u>	<u>Current</u>	<u>Proposed</u>
Medium	0.3%	0.52%
Large	1.80%	0.21%

We have reviewed the utilities supporting data and find them to be consistent with section 4(D) of Chapter 301. We, therefore, accept CMP's and BHE's revised percentages.

E. Standard Contract and Exhibit A for CMP and BHE

The scheduled implementation by ISO-NE of NEPOOL's SMD on March 1, 2003 require us to modify the language in Section 6 (Provider's Responsibilities) of the Standard Offer Provider Standard Service Agreement. The changes are to Section 6.8 and 6.9, as noted in legislative format in the attached standard contract. CMP and BHE agree with the proposed changes and accordingly, we adopt these modifications to the standard contract.

In addition to the uncollectible percentages discussed above, CMP and BHE proposed changes to the language in each of their Exhibit A to the standard contract because of the implementation of SMD. We approve CMP's and BHE's

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<sup>2</sup> The uncollectible percentages are stated within Exhibit A to the Standard Offer Provider Standard Service Agreement with T&D utilities, and thereby become part of the calculation of payments to the standard offer provider.

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revisions to their Exhibit A to the standard contract to update the exhibits for the revised uncollectible percentages and SMD.

F. Costs of Information Disclosure Labels

CMP filed a revision to its Terms and Conditions to increase the per label costs charged the standard offer providers of the Large Non-Residential Class for the preparation and distribution of disclosure labels. The increased per label costs recognize the lack of bulk mailing savings and the relatively small number of standard offer customers over which to spread the total costs with respect to the large class. We approve the revised Terms and Conditions (Page 43.10, Third Revision) and make it effective on March 1, 2003.

BHE made a similar request to revise its Terms and Conditions to increase its per label charges to standard offer providers for the medium and large classes. BHE stated that its cost of printing and marketing the labels is now \$0.44 per label, up from \$0.28 per label. After review of BHE's supporting data, we accept the Company's estimates of its per label costs. We approve its revised Terms and Conditions (page 32, section 19-H) and make it effective on March 1, 2003.

G. Delegation

To facilitate the process of soliciting and evaluating standard offer bids, we delegate our authority to decide the following matters to the Director of Technical Analysis, pursuant to 35-A M.R.S.A. § 107(4):

- Content and format of the RFPs
- Utility data to be provided to bidders
- Billing units to be used to compare bids
- Billing units upon which to base the financial capability requirements
- Schedule for the RFP, evaluation and selection processes
- Acceptance of alternative provisions to the standard contract
- Eligibility and conformance of non-price portions of proposal
- Acceptance of deviations from the requirements of the RFPs

Dated at Augusta, Maine, this 22<sup>nd</sup> day of November, 2002.

BY ORDER OF THE COMMISSION

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Dennis L. Keschl  
Administrative Director

COMMISSIONERS VOTING FOR:     Welch  
  Nugent  
  Diamond

“This Document has been designated for publication”

## NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21 days** of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

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