

**Request for Proposals to Provide
Standard Offer Service
To
Electric Customers
Bangor Hydro-Electric Company's
Service Area
Medium and Large Standard Offer
Classes**

**Issued by the
Maine Public Utilities Commission**

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I. INTRODUCTION AND OVERVIEW**1.1. Objective of the Request for Proposals**

The Maine Public Utilities Commission (Commission) is seeking proposals for the provision of retail standard offer service to medium and large non-residential customers in Bangor Hydro-Electric Company's service territory. We are seeking one or more suppliers for one, two or three year terms beginning March 1, 2002. Supplier(s) chosen will provide standard offer service to the medium and large non-residential standard offer classes. The medium class includes general service (e.g., commercial and industrial) customers whose peak demand generally is between 25 kW and 500 kW. The large class includes general service customers whose peak demand is generally greater than 500 kW.

As was done during Maine's recent small class standard offer solicitation, the Commission has asked Bangor Hydro-Electric to concurrently seek proposals for wholesale standard offer supply. The concurrent retail/wholesale solicitations will allow all options to be considered simultaneously and sufficiently in advance of March 1. Bidders may participate in both the retail and wholesale processes.

1.2 Background and Description of Maine's Standard Offer

Maine's electric industry restructuring law (codified at 35-A M.R.S.A. § 3201-3217) allowed retail access to generation services for all Maine customers beginning on March 1, 2000. As required by the law, Bangor Hydro-Electric and Maine's other investor-owned electric utilities have divested their generation assets and must sell by periodic auction any contractual entitlements to capacity and energy they hold, for example, with Qualifying Facilities. The Commission must ensure that standard offer service is available to all customers through at least February 2005. Customers automatically receive standard offer service if they do not otherwise have a retail supplier. Standard offer service is the only type of default service in Maine.

There are several rules related to retail access in Maine. Chapter 301 governs standard offer service. (Provided as Appendix A.) A list and short description of other rules related to retail access is provided as Appendix B. The complete text of these rules is available on the Commission's web site at www.state.me.us/mpuc or can be obtained by calling the Commission at 207-287-3831.

A statement of the standard offer provider's acceptance of its legal rights and obligations with respect to providing standard offer service is set forth in the Statement of Commitment contained in Appendix H. Bidders must

submit a signed Statement of Commitment with their proposals. Alternative language to that contained in Appendix H will be considered.

The nature of the standard offer provider's rights and obligations are described in greater detail in a Commission Advisory Ruling issued during the previous RFP process. The Advisory Ruling is provided in Appendix J.

Bangor Hydro-Electric will provide all billing and collection services on behalf of the standard offer provider. The companies that provide standard offer service will be identified on standard offer service customer bills. The standard contract that governs billing and collection services and various other rights and obligations between the standard offer provider and Bangor Hydro-Electric is provided as Appendix C. Bidders may propose changes to the standard contract and submit them for consideration. The standard contract or an agreed upon alternative must be executed between the provider and Bangor Hydro-Electric within 24 hours after the Commission designates a bidder to be the standard offer provider.

Bangor Hydro-Electric will charge for certain services it provides in accordance with its Commission-approved Terms & Conditions. A schedule of these charges is provided as Appendix D.

Standard offer providers will supply all or a specified percentage of the requirements service for standard offer customers in the medium and/or large class. These classes are further described in section 2(A)(2) of Chapter 301 and Exhibit A of the standard contract. Standard offer service providers are not directly assigned particular customers.

Standard offer service terms can be one, two, or three years in length and must begin on March 1, 2002. Proposals must be for full years, i.e., March through February, of each year included in the term.

Prices charged to customers for standard offer service obtained through this solicitation will be equal to the winning bid prices or, if the Commission decides to include a 5% adder on the medium class standard offer service price, the price for medium class customers will be equal to 105% of the winning bid prices. Because the Commission has not yet decided whether to include the 5% adder, bidders for the medium class may provide two sets of bid prices, one applicable if the Commission does not include an adder and the other applicable if the Commission includes a 5% adder.

If multiple bidders are selected for a class, the price charged to customers will reflect a weighted average of the bidders' winning bid prices. Each standard offer provider will be paid based on its accepted bid price.

1.3 Description of Bangor Hydro-Electric Company

Bangor Hydro-Electric Company currently serves approximately 1,300 medium and 40 large non-residential customers in eastern and east coastal Maine. The service territory covers 5,275 square miles and is within the New England Independent System Operator control area. Bangor Hydro-Electric has sold its power plants and entitlements and now operates as a regulated transmission and distribution utility.

Bangor Hydro-Electric's retail sales to medium non-residential customers in calendar year 2000 were about 410,000 megawatt-hours. The aggregate monthly peak load of these customers ranged from approximately 100 MW to 150 MW. Currently, about 80% of the load of these customers receives standard offer service; the remainder is supplied by CEPs. Bangor Hydro-Electric's retail sales to large non-residential customers in 2000 were about 450,000 megawatt-hours. The aggregate monthly peak load ranged from 75 MW to 110 MW. About 30% of the load of this group of customers currently receives standard offer service.

Appendix E includes a detailed breakdown of the electricity usage during calendar year 2000 for the medium and large non-residential standard offer classes. Data on loads used for settlement purposes is available at www.state.me.us/mpuc.

II. GENERAL RFP PROVISIONS

2.1 Rights of the Commission

The Commission reserves the right to reject all proposals received for a standard offer class in response to this RFP if in its sole determination the bid prices are unreasonably high and acceptance would not be in the public interest. In this situation, the Commission may, at its sole discretion, terminate the RFP and initiate a new selection process.

The Commission reserves the right to reject any proposal that in its sole determination does not meet the requirements and specifications of this RFP, the Commission's rules, Maine law, or generally accepted business practices. The Commission may seek clarifications of bidders' proposals and may, at its sole discretion, allow bidders to conform proposals to the required specifications.

2.2 State Held Harmless

The State of Maine, its officers, agents, and employees, including the Maine Public Utilities Commission, Commissioners and the employees or agents of the Maine Public Utilities Commission shall be held harmless

from any and all claims, costs, expenses, injuries, liabilities, losses and damages of every kind and description resulting from or arising out of this RFP, the designation of standard offer providers or the provision of standard offer service.

2.3 Warranty

The information contained in the RFP and provided subsequently is prepared to assist bidders and does not purport to contain all of the information that may be relevant to bidders. The Commission makes no representation or warranty, expressed or implied, as to the accuracy or completeness of the information. The Commission, its staff and its agents shall not have any liability for any representations expressed or implied in, or any omissions from, the RFP or information obtained by bidders from the Commission, its staff, its agents or any other source.

2.4 Contact Person

Inquiries regarding the RFP should be directed to: Faith Huntington (at 207-287-1373 or faith.huntington@state.me.us) or Mitch Tannenbaum (at 207-287-1391 or mitchell.tannenbaum@state.me.us)

2.5 Commission Web Site

The RFP is available from the Commission's web site at the following address: www.state.me.us/mpuc. Any modifications, corrections or clarifications to the RFP will be posted at the same location.

The Commission's web site will also provide additional usage data, including load profiles, and may provide other information not contained in the RFP.

2.6 Proposal Clarification

The Commission may request bidders to provide additional information to verify or supplement the material contained in their proposal or may seek clarification of the proposal.

2.7 Proprietary Information

A bidder may designate information included in its proposal as proprietary or confidential information. The Commission will take every reasonable step, consistent with law, to protect information that is clearly identified as proprietary or confidential on the page on which it appears. The identity of bidders selected to provide standard offer service and standard offer prices will be public information.

2.8 Proposal Costs

All costs associated with developing or submitting a proposal in response to this RFP, or providing oral or written clarification of its contents, shall be borne by bidder.

III. GENERAL RFP PROCESS, SCHEDULE

3.1 Process

Bidders will first submit one or more proposals containing indicative bid prices and any proposed contingencies and alternatives with respect to non-price aspects, such as provisions of the standard offer contract, the Statement of Commitment or the security requirements. (Section 4 of this RFP describes the form and content for proposals.) Bidders may be asked to update their bid prices after the initial submission. The Commission will negotiate the non-price aspects of bidders' proposals with bidders whose indicative bids appear most favorable. Finally, the Commission will set a date on which firm prices will be provided by bidders. At the request of a winning bidder, public release of its identity and the winning prices may be delayed for a period so as not to disadvantage the bidder in the market.

3.2 Schedule

The schedule for this RFP process is summarized below:

Indicative Bid Package Due (including contingencies and proposed contract/letter of commitment/security changes)	December 4, 2001
Final Bid Prices Due/ Commission Designation of Standard Offer Providers	To be announced
Execution of Standard Offer Contract	Within 24 hours of designation
Submission of Financial Capability Requirement	Within 24 hours of designation
Standard Offer Service term Start Date	March 1, 2002

Any changes or updates to this schedule will be posted on the Commission's web site at www.state.me.us/mpuc.

3.3 Submission of Bids

All proposals must be received at the Maine PUC by 4:00 PM (Eastern Time) on the dates indicated. The address of the Maine PUC is Maine Public Utilities Commission, 242 State Street, 18 State House Station, Augusta, Maine 04333-0018. All proposals and bids submitted should be clearly marked "Standard Offer Service Proposal" and should be sent to the attention of Faith Huntington.

Bidders should provide an original and one copy of all proposals submitted. Proposals may be submitted by fax to the Maine PUC at (207)287-1039 or by electronic mail to faith.huntington@state.me.us.

IV. PROPOSAL REQUIREMENTS: FORM AND CONTENT

4.1 License

Bidder must provide evidence that it has a valid license, or an application pending, sufficient to allow it to provide standard offer service in Maine. Chapter 305 of the Commission's rules governs these requirements. A license application is included in Appendix F or can be obtained from the Commission's web site.

4.2 Security

1) Bidder must provide either: (1) a certified statement from a federal or state licensed financial institution authorized to conduct business in Maine that it will provide a surety bond or irrevocable letter of credit for the bidder that meets the requirements and specifications contained in section 3(A)(2)(a) of Chapter 301 and section 5.1 of this RFP; or (2) if the bidder, an affiliated corporation of the bidder, the bidder's wholesale supplier, or an affiliated corporation of the wholesale supplier satisfies the requirements of section 3(A)(2)(b) of Chapter 301, a certified statement that a corporate guarantee meeting the requirements and specifications contained in section 3(A)(2)(b) of Chapter 301 and section 5.1 of this RFP will be provided.

The amount of the surety bond, irrevocable letter of credit, or corporate guarantee to be provided must be sufficient for the maximum amount of standard offer service that bidder could be awarded, but need not reflect standard offer service from a bidder's proposals, or portions of proposals, that are mutually exclusive. For example, if bidder submits both a one-year proposal and a two-year proposal for a particular standard offer class, the amount of the surety bond, irrevocable letter of credit, or corporate guarantee to be provided would be sufficient for the two-year

proposal and bidder would not also have to provide a separate statement for the one-year proposal.

2) If bidder proposes to provide a corporate guarantee, bidder must provide audited financial statements of the guarantor, e.g., annual report to stockholders, SEC Form 10K, and the guarantor's most recent credit rating from each rating agency that has issued a rating for the guarantor. These materials must demonstrate that the guarantor meets the criteria contained in section 3(A)(2)(b) of Chapter 301.

4.3 Statement of Commitment

Bidder must provide a signed Statement of Commitment stating that, if designated a standard offer provider by the Commission, bidder will accept, abide by and fulfill all obligations and requirements relating to the provision of standard offer service. The Statement of Commitment must be signed by an officer of the Company who is duly authorized to commit the Company as described in the Statement of Commitment. The Commission's preferred Statement of Commitment is provide in Appendix H. Alternative language will be considered.

4.4 EBT

Bidder must demonstrate that it has completed or is enrolled in the mandatory electronic business transaction (EBT) training and testing in Maine. Maine's EBT standards and training schedule are available from the Commission's web site.

4.5 Term

Standard offer proposals must be for a term of no less than one year and no more than three years. The term of standard offer service must begin on March 1, 2002.

4.6 Contingencies

Bidder must specify all contingencies or conditions associated with its proposal at the time indicative bids are first submitted.

Standard offer proposals may be contingent on other proposals, for example, a proposal for the medium class may be contingent on being awarded the large class as well, or a proposal for a Bangor Hydro-Electric standard offer class may be contingent on being awarded a class (or classes) in the service territory of Central Maine Power Company. Standard offer proposals may also be contingent on other factors

proposed by bidders, but such factors must either be: (1) within the control of the Commission; or (2) known at the time bid prices are evaluated.

Standard offer proposals may specify that certain proposals by bidder are withdrawn if other proposals by bidder are accepted.

4.7 Alternative Terms, Language

Bidder must provide all proposed alternatives to the standard contract, the Statement of Commitment, the security requirements or any other proposed departure from the requirements of this RFP or Chapter 301.

4.8 Bid Price Proposals

Bidder may submit more than one price proposal for a standard offer class. Bidder may submit price proposals for all or a portion of a standard offer class requirement. A bid for a portion of the standard offer class must be for a portion that is a multiple of 20% (i.e., 20%, 40%, 60%, 80%, 100%). Any bid that is for a multiple greater than 20% must also include a bid for each 20% multiple up to the highest multiple bid. For example, if bidder submits a bid to serve 60% of the residential/small non-residential standard offer class requirement, bidder must also submit a bid to serve 40% of the class requirement and a bid to serve 20% of the class requirement. Bidder may propose different prices for each 20% multiple.

For the medium standard offer class, proposals must specify prices for the entire bid period; prices may not be defined by a formula or reference to market or economic indices. Bids may include prices per kW and prices per kWh, or prices per kWh only. Prices may vary by season but may not vary by time of day. Prices cannot include any amounts charged on a per-customer or fixed-charge basis.

The Commission is considering whether to impose a 5% adder on medium class retail standard offer prices and wishes to receive bids that provide them with that option. Accordingly, bidders are asked to submit different sets of bid prices for each of the following two retail price alternatives:

- (1) retail standard offer prices are set at 100% of the bid prices; and
- (2) retail standard offer prices are set at 105% of the bid prices.

For the large standard offer class, bid prices may be fixed or defined by an index-based formula. Index-based prices must be prospective, i.e., not applied to usage retroactively. If an index-based formula is proposed, bidder must demonstrate that the index is generally available, that the formula can be readily administered by the Commission and that standard

offer prices can be produced by the 20th day of the month prior to the effective month of the price. Bidder must also provide the resulting standard offer prices its index-based formula would have yielded over the last 12 months, and standard offer prices over the next 12 months, using the most current forecast or forward curve for the index. If less than 12 months of forecast or forward values are available, bidder must provide standard offer prices for the available period. Bidder must also provide a proposed contingency if the index it proposes should cease to exist, become generally unavailable or materially change during the standard offer service term.

Bids for the large standard offer class may include prices per kW and prices per kWh, or prices per kWh only. Prices may vary by month or season, and time of day; the time of day periods must correspond to, or be compatible with, Bangor Hydro-Electric's time of use rate structure. Prices cannot include any amounts charged or per-customer or fixed charge basis.

V. STANDARD OFFER PROVIDER REQUIREMENTS

5.1 Security

Standard offer provider must provide a surety performance bond, irrevocable letter of credit or a corporate guarantee payable to Bangor Hydro-Electric Company which bond, letter of credit or guarantee satisfies all applicable requirements of Chapter 301 and this RFP and otherwise meets all reasonable requirements of the Commission as to form, not inconsistent with Chapter 301 and this RFP. Standard offer provider's performance bond, irrevocable letter of credit, or corporate guarantee must be furnished to Bangor Hydro-Electric Company with a copy to the Commission and must be effective and subject to being drawn upon in the full amount required no later than 3 weeks after the date the Commission designates the bidder as a standard offer provider such that Bangor Hydro-Electric Company, at the direction of the Commission, can access the required amount of the performance bond, irrevocable letter of credit, or corporate guarantee in full as of that date. The surety bond, irrevocable letter of credit or corporate guarantee cannot expire or be cancelled prior to the date two weeks after the end of the applicable term of standard offer service, unless standard offer provider furnishes a replacement bond, letter of credit or corporate guarantee that meets the requirements of Chapter 301 and this RFP, which replacement is accepted by the Commission. A corporate guarantee may be used to satisfy this requirement only if standard offer provider or a corporation affiliated with standard offer provider, the standard offer provider's wholesale supplier, or a corporation affiliated with the wholesale supplier meets the criteria specified in section 3(A)(2)(b) of Chapter 301. The Commission retains

the right to obtain further information regarding any performance bond, irrevocable letter of credit, or corporate guarantee furnished by standard offer provider, and final acceptance of any such performance bond, letter of credit or corporate guarantee shall be at the sole discretion of the Commission.

The performance bond, irrevocable letter of credit, or corporate guarantee furnished by standard offer provider must meet the following specifications:

- 1) The amount of the performance bond, irrevocable letter of credit, or corporate guarantee must equal or exceed \$0.01/kWh multiplied by the annual billing units for the standard offer class as set forth in Appendix E, multiplied by 0.90 for the medium class and 0.65 for the large class, multiplied by the number of years in the term of standard offer service. If a provider is designated as a standard offer provider for less than 100% of a standard offer class, the amount of the performance bond, irrevocable letter of credit, or corporate guarantee shall be the amount described in the previous sentence multiplied by the class share assigned to the provider.
- 2) The form of the financial security must be a surety performance bond issued by a surety company satisfying the requirements of subparagraph (c) below, authorized to do business and in good standing in the State of Maine, an irrevocable letter of credit from a commercial bank satisfying the requirements of subparagraph (d) below, authorized to do business and in good standing in the State of Maine, or a corporate guarantee from standard offer provider or a corporation satisfying the requirements of section 3(A)(2)(b) of Chapter 301.
- 3) A surety performance bond for standard offer service must (i) unconditionally obligate the issuing surety company(ies) to honor claims made under such bond for the purpose of paying the additional costs of replacement standard offer service; (ii) be issued by a surety company(ies) with a financial strength rating of "B+" or better from A.M. Best Company; and (iii) include the following language: "This surety performance bond is continuous and not subject to cancellation throughout the standard offer term of service. This surety performance bond covers payment of the additional costs of replacement standard offer service, as identified by the Maine Public Utilities Commission. Payments under the surety performance bond are due to Bangor Hydro-Electric Company as directed by the Commission within 30 days after notice to the Issuer by the Commission."

If the financial strength rating of a company providing a surety performance bond falls below a "B+" from A.M. Best Company, the standard offer provider shall promptly: (1) notify the Commission in writing; and (2) provide replacement security that satisfies the requirements of Chapter 301 and this RFP.

4) An irrevocable letter of credit provided for standard offer service must (i) unconditionally obligate the issuing commercial bank(s) to honor drafts drawn on such letter(s) for the purpose of paying the additional costs of replacement standard offer service; (ii) be issued by commercial bank(s) with a minimum corporate debt ratings of "BBB+" by Standard & Poor's, Fitch or "Baa1" by Moody's, or an equivalent short term debt rating by one of these agencies; and (iii) include the following language: "This letter of credit binds the insurer to pay one or more drafts drawn by Bangor Hydro-Electric Company at the direction of the Maine Public Utilities Commission as long as the drafts do not exceed the total amount of the letter of credit; and that any draft presented by Bangor Hydro-Electric Company at the direction of the Commission will be honored by the Issuer within 10 business days."

If the corporate debt ratings of an issuing bank drop below the above specified levels, the standard offer provider shall promptly: (1) notify the Commission in writing; and (2) provide replacement security that satisfies the requirements of Chapter 301 and this RFP.

5) A corporate guarantee provided for standard offer service must (i) unconditionally obligate the guarantor to pay all obligations of the standard offer provider for the additional costs of replacement standard offer service; (ii) be executed by a corporation meeting the ratings, asset and common equity requirements of section 3(A)(2)(b) of Chapter 301, and (iii) include the following language: "This guarantee unconditionally obligates the guarantor to pay all obligations of the standard offer provider for the payment of the additional costs of replacement standard offer service, at the direction of the Maine Public Utilities Commission, as long as such obligations do not exceed the total amount of this guarantee. The guarantor waives promptness, diligence and notices with respect to any such obligations and agrees to pay any statement under this guarantee presented by Bangor Hydro-Electric Company at the direction of the Commission, within 10 business days."

6) A surety performance bond, irrevocable letter of credit or corporate guarantee provided for standard offer service must indicate Bangor Hydro-Electric Company as the sole beneficiary

and state the purpose of the surety performance bond or letter of credit or guarantee as follows:

“This bond [or letter of credit or corporate guarantee] is written in accordance with Chapter 301 of the Commission’s rules to ensure compliance with applicable provisions of that Chapter and of Maine Statutes and rules by the principal as a standard offer provider, and to ensure the provision of standard offer service in accordance with Maine Statutes and rules. The terms of this security shall be governed by the laws of the State of Maine. The proceeds of this bond [or letter of credit or corporate guarantee] shall be paid or disbursed to Bangor Hydro-Electric Company only as directed by the Maine Public Utilities Commission.”

5.2 License

Standard offer provider must possess a valid license, pursuant to Chapter 305 of the Commission’s rules, to provide standard offer service. Standard offer provider’s license must be effective no later than three weeks after the date of being designated a standard offer provider.

5.3 Standard Offer Contract

Standard offer provider must have executed a standard offer contract with Bangor Hydro-Electric Company. The standard offer contract must be executed within 24 hours of being designated a standard offer provider. A standard form contract is contained in Appendix C to this RFP. Alternatives to the standard form contract will be considered.

5.4 Standard Offer Obligation

Standard offer provider must provide standard offer service in a manner consistent with Chapter 301 and this RFP at the prices and terms proposed by bidder and accepted by the Commission. Commission acceptance of a proposal and designation of a company as a standard offer provider obligates that company to provide standard offer service at its bid price for the term of service pursuant to Commission rules and Maine law.

5.5 Delivery Point

Standard offer provider must deliver standard offer service to the transmission delivery point(s) specified in the standard contract with

Bangor Hydro-Electric Company. Standard offer provider shall be responsible for all costs associated with delivering standard offer service to the delivery point(s).

5.6 Eligible Resource Portfolio Requirement

Standard offer provider must comply with the eligible resource portfolio requirements pursuant to Chapter 311 of the Commission's Rules unless and until this statutory requirement is repealed and Chapter 311 is amended.

5.7 ISO-NE/NEPOOL Requirements

Standard offer provider must comply with all applicable New England Independent System Operator (ISO-NE) and NEPOOL rules and requirements and shall be the designated load serving entity with a settlement account for its portion of standard offer load. The necessary ISO-NE designations and accounts must be effective no later than three weeks after being designated a standard offer provider.

5.8 Disclosure Requirements

Standard offer provider must comply with the disclosure requirements set forth in Chapter 306 of the Commission's Rules, and in Title 35-A M.R.S.A. § 3203(4-A).

5.9 EBT

Standard offer provider must exchange data with Bangor Hydro-Electric Company using the electronic business transactions (EBT) protocols and procedures contained in Maine's EBT standards. The EBT standards are available from the Commission's web site.

VI. FORM OF SERVICE

6.1 Standard Offer Service

Standard offer service is firm, retail all requirements service for the standard offer class, or portion of the standard offer class, for which a provider has been designated by the Commission to be the standard offer provider. Standard offer service includes all NEPOOL or ISO obligations and charges that would be assessed to the load serving entity for the standard offer service load. Standard offer service includes all energy, capacity, ancillary services and other products and charges for the load, which load includes all line and transformer losses up to the customers' meters, required to meet the electrical requirements of customers

receiving standard offer service at all times during the term of service in a manner that complies with all applicable ISO-NE rules and requirements.

6.2 Delivery Point(s)

Standard offer provider is obligated to provide all supply required, including required ancillary and other services, necessary to provide standard offer service delivered to the transmission delivery point(s) specified in the contract with Bangor Hydro-Electric Company.

Standard offer provider is responsible for any costs and will receive any benefits with respect to its obligation to serve standard offer load that result from any NEPOOL or ISO-NE adopted congestion management system or other alternative market design. The standard offer provider will be responsible for all transmission and associated costs necessary to deliver standard offer service to the delivery point(s); the standard offer provider will not be responsible for any Bangor Hydro-Electric Company local transmission or distribution charges. The standard offer provider will not be responsible for ISO-NE Regional Network Service charges.

6.3 Losses

Standard offer provider is responsible for all transmission and distribution line and transformer losses associated with providing standard offer service from the point of supply to the meters of customers receiving standard offer service. The standard offer provider is responsible for providing sufficient quantities of electric capacity, energy, ancillary and all other required products and services to Bangor Hydro-Electric Company service territory at the delivery point(s) described in the standard form contract to cover all losses occurring up to and after the delivery point(s). The factors that are currently used to determine providers' obligations for line and transformer losses associated with Bangor Hydro-Electric Company's system are contained in Appendix G.

VII. BILLING AND PAYMENT

7.1 Allocation of Uncollectible Accounts

Each standard offer provider will be allocated a share of the uncollectible accounts in the standard offer class or classes the provider serves, in accordance with the standard contract. The standard offer uncollectible percentage for each standard offer class has been established by the Commission to be representative of uncollectible rates of customers in the standard offer class. The percentages are stated in Exhibit A of the standard contract (Appendix C of this RFP contains the standard contract) and will remain fixed for the term of service.

7.2 Payments for Standard Offer Service

Bangor Hydro-Electric Company will issue bills and receive payment for standard offer service from customers in its service territory. Bangor Hydro-Electric Company will transfer funds to the standard offer provider in accordance with the standard offer contract.

Standard offer provider will receive its gross revenues less its uncollectible revenues for each standard offer class it serves. Gross revenues are the product of the provider's accepted bid price times all kilowatt-hours and, if applicable, kilowatts of standard offer service it provides as determined by its designated percentage share of the standard offer class multiplied by the total standard offer requirements of the class. Uncollectible revenues are the product of the predetermined uncollectible percentage for the standard offer class times the provider's gross revenues from the class.

VIII. STANDARD OFFER PROVIDE LEGAL OBLIGATIONS

8.1 Legal Obligations and Responsibilities

The designation by Commission order of a bidder as the standard offer provider for all or a portion of a standard offer class shall legally obligate the bidder to provide standard offer service at the offered and accepted prices and terms in accordance with Maine law and regulations and the provisions of this RFP.

8.2 Failure to Provide Service

Upon a finding, after appropriate process, that a standard offer provider has failed to provide service as required, or has otherwise failed to fulfill its obligations under Maine law and regulations and the provisions of this RFP, the Commission may declare such provider to be in default and may order that the proceeds of the bond, letter of credit or corporate guarantee provided by or on behalf of the standard offer provider be paid to Bangor Hydro-Electric Company to defray any costs of replacing standard offer service that are not adequately covered by the applicable standard offer service rates.

In the event that the proceeds of the bond, letter of credit or corporate guarantee are not sufficient to cover all the incremental costs of replacing standard offer service, the Commission may order the defaulting standard offer provider to pay Bangor Hydro-Electric Company additional amounts such that all of the incremental costs of replacement standard offer service are defrayed. In the event the defaulting standard offer provider fails to make payment as ordered, the Commission or Maine's Attorney General

may bring legal action in Maine courts to fully recover all of the incremental costs of replacing standard offer service.

The incremental costs of replacing standard offer service are all costs that are incurred or will be incurred to acquire replacement standard offer service, including supply and administrative costs, through the remaining standard offer term in excess of the revenue received or to be received by standard offer customers at the standard offer rates as originally established by the terms of the defaulting standard offer provider's proposal.