

**Request for Proposals to Provide
Standard Offer Service
To**

**Central Maine Power Company's
Residential and Small Non-Residential Customers**

Term Beginning March 1, 2005

**Issued by the
Maine Public Utilities Commission**

September 30, 2004

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1. OVERVIEW

1.1. Objective of the Request for Proposals

General

The Maine Public Utilities Commission (Commission) is seeking proposals from suppliers to provide retail standard offer service to residential and small non-residential customers of Central Maine Power Company (CMP) for the term beginning March 1, 2005.

Initial proposals with indicative bid prices are due on October 27, 2004.

Suppliers chosen will provide requirements service for all or a specified share of the load of residential and small non-residential standard offer customers (also referred to as the “small standard offer class” or “small class”). The small class includes all residential, small general service and lighting accounts that receive standard offer service, with small general service customers defined as those with a peak demand that generally has not exceeded 20kW.

Standard Offer Service Proposals

In this solicitation, the Commission wants to consider standard offer service proposals with various term lengths so that, ultimately, supply can be procured periodically, e.g., each year for a portion, e.g., one-third, of this load. Specifically, the Commission requests proposals for the following segmentation strategies and corresponding terms.

- 3-Way Segmentation

Proposals for a one-, two- and three-year term, each for one-third of the class.

- 5-Way Segmentation

Proposals for a one-, two-, three-, four-, and five-year term, each for one-fifth of the class.

- No Segmentation

Proposals for a one-year term for the entire class.

Standard Offer/Entitlement Proposals

Bidders may combine standard offer proposals with proposals for the capacity and energy from CMP’s purchased power contract entitlements. (Sometimes referred to as “linked” proposals.) CMP is soliciting proposals for these

entitlements in a separate RFP also issued today. The RFP is available by contacting Eric Stinneford at:

Tel: (207)621-7870

E-mail: eric.stinneford@cmpco.com.

CMP is offering the entitlements grouped in five categories based on resource attributes. (See *CMP's entitlement RFP for detail on the entitlement categories.*) For combined standard offer/entitlement proposals, bidders are requested to structure their bids as follows:

- **3-Way Segmentation**

<u>Term</u>	<u>Standard Offer</u>	<u>Entitlements</u>
1 year	1/3 of class	Category 1 (Hydro) and Category 4 (Nuclear)
2 year	1/3 of class	Category 2 (Cogeneration) and Category 3 (Waste-to-Energy)
3 year	1/3 of class	Category 5 (Market)

- **5-Way Segmentation**

<u>Term</u>	<u>Standard Offer</u>	<u>Entitlements</u>
1 year	1/5 of class	Category 1 (Hydro)
2 year	1/5 of class	Category 2 (Cogeneration)
3 year	1/5 of class	Category 3 (Waste-to-Energy)
4 year	1/5 of class	Category 4 (Nuclear)
5 year	1/5 of class	Category 5 (Market)

- **No Segmentation**

<u>Term</u>	<u>Standard Offer</u>	<u>Entitlements</u>
1 year	100% of class	Any/All Categories

1.2 General Standard Offer Service Provisions

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.maine.gov/mpuc.

A statement of the standard offer provider's 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 indicating acknowledgement and

acceptance of these rights and obligations. Alternative language to that contained in Appendix H will be considered. (Standard offer provider rights and obligations are further detailed in Appendix J.)

Standard offer providers will supply all or an agreed upon share of the requirements service for customers in the small class. Providers are not assigned particular customers.

Standard offer service is the only type of default service in Maine and is provided directly by standard offer providers to customers at retail. Retail standard offer prices are set equal to the bid prices of providers chosen through this solicitation. If multiple providers are selected, retail prices are the weighted average of the providers' prices. Each provider is paid its accepted bid price less a fixed amount of 1.2% for uncollectible revenue.

CMP will bill and collect from customers on behalf of the standard offer provider. The Standard Service Agreement that governs these billing arrangements and other matters between the provider and CMP is provided as Appendix C. CMP charges for the services it provides in accordance with Commission-approved Terms & Conditions. (See Appendix D.) Bidders may propose changes to the Standard Agreement and submit them for consideration. The Standard Agreement or an agreed upon alternative must be executed by the provider and CMP within 24 hours after the Commission designates a bidder to be a standard offer provider.

1.3 Description of Service Area and Customer Class

CMP's service territory covers 11,000 square miles in central and southern Maine and is within the New England Independent System Operator (ISO-NE) control area.

CMP currently serves about 560,000 residential, small non-residential and lighting accounts. Retail sales to these customers in calendar year 2003 were about 3.9 million megawatt-hours of which more than 99% currently receives standard offer service.

Appendix E includes detailed electricity usage data for calendar year 2003 for the small standard offer class. Additional load data, including load profiles and settlement loads, is available at www.maine.gov/mpuc.

2. GENERAL RFP PROVISIONS

2.1 Contact Persons

Inquiries regarding this RFP should be directed to Faith Huntington (at 207-287-1373 or faith.huntington@maine.gov), Jim Buckley (at 207-287-1387 or

james.buckley@maine.gov) or Mitch Tannenbaum (at 207-287-1391 or mitchell.tannenbaum@maine.gov)

2.2 Commission Web Site

The RFP is available from the Commission's web site at www.maine.gov/mpuc. Any modifications, corrections or clarifications to the RFP will be posted at this same location.

The Commission's web site will also provide additional usage data and other information that may not be contained in the RFP.

2.3 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.

2.4 Proposal Costs

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

2.5 Rights of the Commission

The Commission reserves the right to reject all proposals received 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 ask bidders to clarify or supplement their proposals and may at its sole discretion allow bidders to conform proposals to the required specifications.

2.6 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.

2.7 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.

3. PROCESS AND SCHEDULE

3.1 Key Events and Dates

Initial proposals with indicative prices submitted <i>(Section 4 outlines what should be included in the proposal.)</i>	October 27, 2004 (by noon EPT)
Negotiation of non-price terms <i>(May be with a "short-list" of bidders as determined by indicative prices.)</i>	October 28 – To be determined
Final Bid Prices Due/ Commission Decision	To be determined
Public Release of Standard Offer Prices	Date of Commission Decision
Execution of Standard Offer Service Agreement	Within 24 hours of Commission Decision
Submission of Financial Security	Within 1 week of Commission Decision

Public Release of Standard Offer Provider Identity	May be kept confidential for up to 2 weeks after Commission Decision (at provider's request)
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Standard Offer Service Term Begins	March 1, 2005
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Changes or updates to this schedule will be posted on the Commission's web site at www.maine.gov/mpuc.

3.2 Submission of Proposals

Proposals must be received at the Maine PUC by the times and dates indicated. Proposals may be submitted by electronic mail to faith.huntington@maine.gov, by fax to (207)287-1039 or by mail to the Maine Public Utilities Commission, 242 State Street, 18 State House Station, Augusta, Maine 04333-0018. Proposals should be clearly marked "Standard Offer Service Proposal" and should be sent to the attention of Faith Huntington.

4. PROPOSAL REQUIREMENTS: FORM AND CONTENT

The following items should be included in the October 27 proposals.

4.1 License

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

4.2 Financial Security

1) Bidder should 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 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 in 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. The required security amounts are set forth below:

- **3-Way Segmentation**

1 year term	\$13 million
2 year term	\$26 million
<u>3 year term</u>	<u>\$39 million</u>
Total Required	\$78 million

- **5-Way Segmentation**

1 year term	\$ 7.8 million
2 year term	\$15.6 million
3 year term	\$23.4 million
4 year term	\$31.2 million
<u>5 year term</u>	<u>\$39 million</u>
Total Required	\$117 million

- **No Segmentation**

1 year term	\$39 million
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2) If bidder proposes to provide a corporate guarantee, the October 27 proposal should include 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 should provide a Statement of Commitment signed by an officer of the Company who is duly authorized to commit the Company as described in the Statement. The Commission's preferred Statement of Commitment is provided in Appendix H. Alternative language will be considered.

4.4 EBT

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

4.5 Contingencies

Standard offer proposals may include contingencies as long as the outcome of any such contingency is either: (1) within the control of the Commission; or (2) known at the time final bid prices are evaluated.

For proposals that are contingent on CMP's purchased power contract entitlements, bidders are instructed to price the entitlements as if without any contingency, i.e., at the entitlements' own market value.

Contingencies should be noted in the October 27 proposal.

4.6 Alternative Terms, Language

Bidder should provide in the October 27 proposal its proposed alternatives to the Standard Agreement (in the form of a red-line to the Standard Agreement) the Statement of Commitment, the standard financial security requirements and any other proposed alternative to standard practice as described in this RFP or Chapter 301.

4.7 Pricing

Pricing is requested for each of the following alternatives:

- **3-Way Segmentation**

(If, at bidder's option, standard offer proposal is combined with entitlements)

<u>Term</u>	<u>Standard Offer</u>	<u>Entitlement</u>
1 year	1/3 of class	Category 1 (Hydro) and Category 4 (Nuclear)
2 year	1/3 of class	Category 2 (Cogeneration) and Category 3 (Waste-to-Energy)
3 year	1/3 of class	Category 5 (Market)

- **5-Way Segmentation**

(If, at bidder's option, standard offer proposal is combined with entitlements)

<u>Term</u>	<u>Standard Offer</u>	<u>Entitlements</u>
1 year	1/5 of class	Category 1 (Hydro)
2 year	1/5 of class	Category 2 (Cogeneration)
3 year	1/5 of class	Category 3 (Waste-to-Energy)

4 year	1/5 of class	Category 4 (Nuclear)
5 year	1/5 of class	Category 5 (Market)

- **No Segmentation**

(If at bidder's option, standard offer proposal is combined with entitlements)

<u>Term</u>	<u>Standard Offer</u>	<u>Entitlements</u>
1 year	100% of class	Any/All Categories

Proposals must specify prices for the entire bid period; prices may not be defined by a formula or reference to market or economic indices.

Standard offer prices must be an amount per kWh that does not vary by a customer's usage level, nor by month or time of day. For multi-year terms, standard offer prices may change on March 1 of each year. Prices may not include any amounts charged on a per-kW, per-customer or fixed-charge basis.

5. STANDARD OFFER PROVIDER REQUIREMENTS

5.1 Standard Offer Obligation

Standard offer provider must provide standard offer service in a manner that is consistent with Maine law, Commission rules and this RFP at the prices and terms it proposed and which were accepted by the Commission.

Standard offer provider is responsible for all requirements and costs and will receive any benefits pursuant to wholesale market rules that apply to its standard offer load obligation. Provider is responsible for all costs necessary to supply and deliver standard offer service at the delivery point(s) as defined in the Standard Offer Service Agreement, except that the provider is not responsible for CMP local transmission or distribution charges or Regional Network Service charges for the applicable standard offer service load.

5.2 Form of Service

Standard offer service is retail all requirements service. Standard offer service includes all NEPOOL and ISO obligations and charges (or those of successor entities) that would be assessed to the load serving entity for the applicable load, including all Locational Marginal Pricing (energy, loss and congestion components), all costs and obligations that arise from nodal settlements for load, all capacity, ancillary services and other products and charges for the load, including any new or redefined products or charges, required to supply 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 rules and requirements.

5.3 Losses

Standard offer service includes all transmission and distribution line and transformer losses associated with providing standard offer service from the point of supply to the customers' meters. Standard offer provider must provide sufficient quantities of electric capacity, energy, ancillary and all other required products and services to cover all such losses. The factors that are currently used to determine line and transformer losses on CMP's system are contained in Appendix G.

5.4 Delivery Point

Standard offer provider must deliver standard offer service to the transmission delivery point(s) in CMP's service territory as specified in the Standard Offer Service Agreement and is responsible for all associated costs except as noted in the following Section 5.5. CMP's service territory is in the Maine Load Zone as defined by ISO-NE Standard Market Design (SMD) and standard offer provider is responsible for all obligations for the applicable standard offer load related to this locational definition and any subsequent redefinition, including nodal settlement for load.

5.5 Transmission Charges

CMP local transmission and distribution charges and Regional Network Service charges for standard offer service are paid by customers through their CMP retail rates and are not the responsibility of the standard offer provider.

5.6 Financial Security

Standard offer provider must provide as financial security a surety performance bond, irrevocable letter of credit or a corporate guarantee payable to CMP that satisfies all applicable requirements of Chapter 301 and this RFP and meets all reasonable requirements of the Commission, not inconsistent with Chapter 301 and this RFP. A corporate guarantee may be used as financial security only if the provider, an affiliated corporation of the provider, the provider's wholesale supplier, or an affiliated corporation of the wholesale supplier meets the criteria specified in section 3(A)(2)(b) of Chapter 301. The financial security must be furnished to CMP with a copy to the Commission and must be effective and subject to being drawn upon in the full amount no later than one week after the date the Commission designates the provider such that CMP, at the direction of the Commission, can access the full amount of the financial security on that date. The financial security cannot expire or be cancelled prior to the date two weeks after the end of the applicable term of service unless replacement financial security that meets the requirements of Chapter 301 and this RFP and is accepted by the Commission is provided. The Commission retains the right to obtain further information about any financial security furnished by standard offer provider, and final acceptance shall be at the sole discretion of the Commission.

The financial security must meet the following specifications:

1) The **amount** must equal or exceed the following:

- **3-Way Segmentation**

1 year term	\$13 million
2 year term	\$26 million
<u>3 year term</u>	<u>\$39 million</u>
Total Required	\$78 million

- **5-Way Segmentation**

1 year term	\$ 7.8 million
2 year term	\$15.6 million
3 year term	\$23.4 million
4 year term	\$31.2 million
<u>5 year term</u>	<u>\$39 million</u>
Total Required	\$117 million

- **No Segmentation**

1 year term	\$39 million
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2) The **form** must be either:

- a surety performance bond issued by a surety company satisfying the requirements of subparagraph (3) 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 (4) below, authorized to do business and in good standing in the State of Maine
- or a corporate guarantee from provider or related corporation satisfying the requirements of section 3(A)(2)(b) of Chapter 301.

3) A **surety performance bond** must (i) unconditionally obligate the issuing surety company(ies) to honor claims made under such bond for the purpose of paying the 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 costs of replacement standard offer service, as identified by the Maine Public Utilities Commission.

Payments under the surety performance bond are due to Central Maine Power Company as directed by the Commission within 30 days after notice to the Issuer by the Commission or Central Maine Power Company.”

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** must (i) unconditionally obligate the issuing commercial bank(s) to honor drafts drawn on such letter(s) for the purpose of paying the costs of replacement standard offer service; (ii) be issued by commercial bank(s) with a minimum corporate debt rating of “BBB+” by Standard & Poor’s or 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 Central Maine Power 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 Central Maine Power 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** must (i) unconditionally obligate the guarantor to pay all obligations of the standard offer provider for the 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 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 Central Maine Power Company at the direction of the Commission, within 10 business days.”

6) The financial security must indicate Central Maine Power Company as the sole beneficiary and state its purpose 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 Central Maine Power Company only as directed by the Maine Public Utilities Commission.”

5.7 License

Standard offer provider must at all times during the term of service 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 as of the date it is designated a standard offer provider.

5.8 Standard Offer Service Agreement

Standard offer provider must have an executed Service Agreement with CMP within 24 hours of being designated. (See Appendix C for a Standard Form Service Agreement.)

5.9 Resource Portfolio Requirement

Standard offer provider must comply with the resource portfolio requirements of Chapter 311 of the Commission’s Rules. (Pursuant to recent legislation, electricity sales to qualified Pine Tree Development Zone businesses are exempt from those requirements.)

5.10 Disclosure Requirement

CMP will produce and distribute standard offer service disclosure labels pursuant to Chapter 306 of the Commission’s rules on behalf of standard offer provider. The provider must pay CMP for this service in accordance with Section 43.7 of CMP’s Terms and Conditions (See Appendix D). Provider must supply CMP with the information needed to prepare accurate and timely labels.

5.11 ISO-NE/NEPOOL Requirements

Standard offer provider must comply with all applicable ISO-NE and NEPOOL requirements, (and those of any successor entity or entities), and shall be the designated load serving entity with a settlement account for the applicable

standard offer load. The necessary ISO-NE designations and accounts must be effective at least 30 business days prior to March 1, 2005.

5.12 EBT

Standard offer provider must exchange data with CMP 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.

5.13 Net Billing, Small Generation Aggregation

Standard offer provider must comply with the net billing requirements of Chapter 313 and Chapter 360 of the Commission's Rules. There are currently 68 net billing customers in CMP's small class. Specific information on net billing can be obtained from CMP.

Standard offer provider must comply with the requirements of Chapter 315 of the Commission's Rules. This rule requires standard offer providers to purchase the aggregated output of generators in CMP's service territory with a capacity of 5 MW or less at applicable clearing prices such that the standard offer provider is financially neutral to the transaction.

6. BILLING AND PAYMENT**6.1 Allocation of Uncollectible Accounts**

Standard offer providers are allocated a fixed percentage amount for expected uncollectible standard offer revenue in accordance with the Service Agreement. The uncollectible percentage for the small class is 1.2% and will remain fixed for the provider's term of service.

6.2 Payments for Standard Offer Service

CMP will issue bills and receive payments from customers for standard offer service and will transfer funds to the standard offer provider in accordance with the Service Agreement.

Standard offer provider will receive gross revenues less uncollectible revenues for the applicable standard offer sales. Gross revenues are the product of the provider's accepted bid price times applicable kilowatt-hour sales. Uncollectible revenues are the product of 1.2% times gross revenues.

7. STANDARD OFFER PROVIDER LEGAL OBLIGATIONS

7.1 Legal Obligations and Responsibilities

Designation by Commission Order of a bidder as a standard offer provider legally obligates 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.

7.2 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 standard offer obligations, 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 CMP to defray any excess costs of standard offer service.

Excess costs of standard offer service are all costs for supply and administration that are incurred or will be incurred to acquire replacement standard offer service through the remainder of the defaulting provider's term, net of revenue received or which would be received from customers at the standard offer prices as they were originally established by the terms of the defaulting provider's bid.

In the event that the proceeds of the bond, letter of credit or corporate guarantee are not sufficient to cover these excess costs, or if the issuer of the bond, letter of credit or corporate guarantee does not make the proceeds available in a timely manner, the Commission may order the defaulting standard offer provider to pay CMP additional amounts such that all of the excess costs 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 these costs.

In the event of default by an standard offer provider who is purchasing all or a portion of CMP's purchased power contract entitlements as part of a cross-contingent or "linked" arrangement, the Commission may order the entitlement sale by CMP to the defaulting standard offer provider to terminate.