

**NB Power Generation Corporation Bidder Conditions
Final Bid Proposals (December 8, 2010)**

**Bangor Hydro Small Class Standard Offer Service RFP
Issued September 14, 2010**

NB Power Generation Corporation's (NB Power) Standard Offer Bid contains pricing with the following contingencies:

- a) Stand Alone Bid - Bid Prices for the Stand Alone Bid is valid for 33% of the Small Class for either 12, 24 or 36 months inclusive.
- b) Linked Bid - Bid Prices for the Linked Bid is valid for 33% of the Small Class for either 12, 24 or 36 months inclusive, and is contingent upon NB Power being awarded BHE's Diesel Units for the awarded term of standard offer service.
- c) Bid Proposal Expiration Date – will be close of business on the date final bids.
- d) Increased Costs Associated With Change in Law. If either (1) the applicable Transmission and Distribution (T&D) Utility (Central Maine Power Company, Bangor Hydro-Electric Company, or Maine Public Service Company) changes its current regional participation status [ie. withdraws from New England Independent System Operator (ISO-NE) and joins another regional operator/administrator or operates independently; withdraws from the Northern Maine Independent System Administrator (NMISA) and joins another regional operator/administrator or operates independently] after the date hereof (a "Change in Participation") or (2) the Maine legislature or the Commission enacts, promulgates, adopts, alters, modifies or waives¹ any law, rule or regulation that relates directly to the provision of standard offer service or the provision of competitive electric service in general after the date hereof (a "Change in Law") and such Change in Participation or Change in Law materially increases the Provider's cost to provide standard offer service, Provider shall recover such increased costs in accordance with paragraph (a) or paragraph (b) below, as applicable. Provider shall provide the Commission and, if applicable, the Maine Legislature with a calculation of its increased costs as soon as practicable after becoming aware of a Change in Participation or Change in Law or consideration by the T&D Utility, Commission or the Maine Legislature of a Change in Participation or Change in Law. (a) If the Commission finds that Provider's calculation reasonably reflects its increased costs, the Commission shall increase the price of standard offer service paid by retail standard offer customers at the time a Change in Participation or Change in Law becomes effective so that Provider recovers increased costs in accordance with Provider's calculation. (b) If the Commission does not find that Provider's calculation reasonably reflects its increased costs, the Commission may increase the price of standard offer service

¹ Except for opt-out fee waivers granted by the Commission pursuant to its January 24, 2001 "Order Adopting Rule and Statement of Factual and Policy Basis" (Docket No. 2000-904).

paid by retail customers such that the Provider recovers increased costs in accordance with the Commission's calculation. In this event, Provider may invoke binding arbitration of the increased cost amount by notice to the Commission. Any such arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except as otherwise provided herein. A final arbitration decision shall be rendered no later than ninety (90) days after the date on which Provider provides notice to the Commission that it has invoked arbitration. To the extent the arbitration panel finds that a Change in Participation or Change in Law has increased the Provider's costs and that the Provider is entitled to a corresponding increase in the price of Standard Offer Service, the arbitration panel will have the authority to award the Provider a liquidated amount payable for service already provided at the increased cost and to award the Provider an increase in the price of standard offer service to be provided for the balance of the standard offer term sufficient to permit the Provider to recover such increased cost.

Notwithstanding the foregoing, if upon receipt of reasonable prior direct notification of a proposed Change in Participation or Change in Law, the Provider fails within the longer of the time prescribed in such notice or 90 days to inform the Maine Legislature or the Commission, pursuant to applicable procedures identified in such notice, of the impact that a Change in Participation or Change in Law under consideration would have on Provider's cost to provide standard offer service, Provider shall not be entitled to cause the Commission to undertake action with respect to its increased costs or to engage in arbitration proceedings with respect thereto as provided in clause (a) or (b) above.

- e) Confidentiality of Bidder Identification – The Commission agrees not to reveal the identity of Provider prior to the date which is two (2) weeks after the date of the Order designating Provider as a Standard Offer Service Provider.
- f) Standard Offer provider Standard Service Agreement – The named T&D shall execute, deliver and perform the Standard Offer Provider Standard Service Agreement and Entitlement Agreement, if applicable, between Provider and T&D in the forms, as applicable, delivered to the Commission with the Final Bid Price Proposal (the "SOP Agreement(s)") within twenty-four (24) hours after the Proposal Expiration Date.
- g) Termination by Provider - In the event of a default on the part of the T&D which results in termination of the SOP Agreement, or an unlawful or arbitrary action by the Maine legislature, governmental entity with jurisdiction in Maine or the Commission or other action by the Commission (other than as a result of a Provider Default) as a result of which Provider ceases to receive full compensation for standard offer service at the rate and upon the terms specified herein or Provider is removed as the standard offer provider or ceases to retain the right to provide standard offer service for the entire term specified herein, Provider shall have the right (among other remedies) to terminate its obligation to provide standard offer service, the exercise of which shall terminate all of Provider's SOP Obligations. The parties' payment of termination damages in

the event of such a termination shall be calculated and recovered pursuant to the relevant liquidation provisions of the Comprehensive Credit Support and Final Settlement Calculation Agreement or SOP Agreement, as applicable. For purposes of such calculation, Provider's loss shall not include any consequential or indirect damages.

h) Security – The Commission shall find that the form(s) of financial assurance delivered to the Commission with the SOP Agreements is/are acceptable. The Base Security amount for the Stand Alone Bid is \$2.8 million per year for the awarded term, and as specified in the RFP such Base Security amount shall automatically be reduced pro-rata during the term of service. The Base Security amount for the Linked Bid is \$2.65 million per year for the awarded term, and such Base Security amount shall automatically be reduced pro-rata during the term of service.

i) ~~Linked Bid – Diesels dispatch and settlements.~~
Bangor Hydro-Electric Company (BHE) will provide the necessary Diesel Units' scheduling criteria (offer price, quantity, day ahead/real time, economic/self-schedule dispatch...) to NB Power for submittal into ISO-NE market system. Energy Settlements: Proceeds NB Power receives from ISO-NE related to dispatched energy from the Diesel units will be paid to BHE. Capacity Settlements: NB Power shall pay BHE the bid capacity price specified in the final RFP response times the capacity cleared in the initial ISO-NE Forward Capacity Auction for the applicable month. In the event the diesel units capacity is not available to meet its capacity obligation with ISO-NE and a penalty is incurred from ISO-NE, then NB Power shall reduce its capacity payment to BHE by the amount of the penalty or any non-performance charges incurred by NB Power. In the event the penalty is greater than the capacity payment NB Power receives from ISO-NE, then BHE shall pay NB Power the difference (penalty minus capacity payment). Forward Reserve Settlements: NB Power shall pay BHE any Forward Reserve revenues received from ISO-NE, minus any Forward Reserve related charges/penalties incurred by NB Power. In the event the charges/penalties are greater than the forward reserve revenues NB Power receives from ISO-NE, then BHE shall pay NB Power the difference (charges/penalties minus forward reserve payment).