

**SUBJECT TO CONFIDENTIAL TREATMENT UNTIL
January 1, 2014**

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2013-00467

December 18, 2013

MAINE PUBLIC UTILITIES COMMISSION
Standard Offer Bidding Procedure for
MPS-All Customer Classes

ORDER DESIGNATING
STANDARD OFFER
PROVIDER

WELCH, Chairman; LITTELL AND VANNOY, Commissioners

I. SUMMARY

Through this Order, we designate New Brunswick Energy Marketing Corporation (NB Marketing) as the standard offer provider for the residential and small non-residential, and the medium non-residential customer classes in the Maine Public Service Company (MPS) service territory for a thirty-two month period beginning March 1, 2014. We also designate Algonquin Energy Services (Algonquin) as the standard offer provider for the large non-residential class in the MPS service territory for a thirty-seven month period beginning March 1, 2014. The resulting price for the residential and small non-residential and the medium non-residential customer classes will be \$0.08493/kWh for the entire thirty-two month period. The resulting prices for the large non-residential class will be; 1) \$0.11120/kWh for the thirteen month period from March 1, 2014 through March 31, 2015; 2) \$0.08830/kWh for the twelve month period from April 1, 2015 through March 31, 2016; and \$0.08617 for the twelve month period from April 1, 2016 through March 31, 2017.

II. BACKGROUND

Pursuant to Maine's Restructuring Act, the Commission periodically administers a competitive bid process to select providers of standard offer service. 35-A M.R.S.A. § 3212(2). The arrangement with the current standard offer providers for all customer classes in the MPS service territory terminate on February 28, 2014. Accordingly, on September 30, 2013, the Director of Electric and Gas Industries initiated the process to solicit bids for the provision of standard offer service to the three MPS classes for the period beginning March 1, 2014. The Commission request for proposals (RFPs) set out the procedure to be followed in soliciting bids and selecting standard offer providers. The RFP allowed for bids for term lengths of 13, 25 and 37 months.¹ Pursuant to the RFP, indicative pricing was due on November 13, 2013. Upon the conclusion of

¹ The establishment of terms that end on March 31 is to better align the standard offer term with the NMISA's capability periods.

discussions on non-price items, bidders were requested to present final, binding bids on December 18, 2013.

III. DECISION

As mentioned above, the RFP allowed for bids for various term. We decide to select bids for a thirty-two month period for the residential and small non-residential, and the medium non-residential customer classes and a thirty-seven month period for the large non-residential class. These terms balance the need to minimize prices and provide for some level of rate stability.

Upon review of the bids and the selection criteria in Chapter 301, we conclude that NB Marketing provided the lowest bids for service to the residential and small non-residential class, and the medium non-residential class, and that Algonquin provided the lowest bid for service to the large non-residential class. We, accordingly, designate NB Marketing as the standard offer provider for the residential and small non-residential class and the medium non-residential class in the MPS serviced territory, and Algonquin as the standard offer provider for the large non-residential class in the MPS service territory. Based on decision today, the resulting price for the residential and small non-residential and the medium non-residential customer classes will be \$0.08493/kWh for the entire thirty-two month period. The resulting prices for the large non-residential class will be; 1) \$0.11120/kWh for the thirteen month period from March 1, 2014 through March 31, 2015; 2) \$0.08830/kWh for the twelve month period from April 1, 2015 through March 31, 2016; and \$0.08617 for the twelve month period from April 1, 2016 through March 31, 2017.

In designating NB Marketing and Algonquin as standard offer providers, we accept their statements of commitment and bidder conditions. These documents are attached to and incorporated into this Order. We find that these documents provide useful clarifications as to precise nature of the standard offer providers' obligations, as well as reasonable protections for the providers with respect to actions of the Maine Legislature, this Commission or the utility. We understand all conditions of the winning bidders are satisfied or will be shortly after the issuance of this Order. We are informed that the modified Standard Offer Provider Service Agreements that were attached to winning bids are acceptable to MPS and we concur that the changes from the standard form are reasonable.

Our RFP and the standard contract incorporate a "margin" approach to financial security in which the amount of security to be posted by the supplier varies with market conditions and the amount of expected standard offer load. MPS has agreed to perform the margining function. We recognize that Chapter 301 does not require utilities to perform margining functions with respect to standard offer service and that such a margining function imposes additional risk on T&D utilities. We explicitly find that MPS shareholders shall not be subject to any prudency risk or financial liability with respect to its margining activities related to standard offer service for any actions it takes and decisions that it makes in the ordinary course of business of managing the

margin requirements, as long as it takes reasonable steps to inform the Commission of its activities in this regard.² To the extent that any other person or entities seek to impose any such prudency risk or liability on MPS in contravention to the previous sentence, any resulting direct or indirect costs, obligations, expenses or damages incurred by MPS shall be fully recovered, with carrying costs, from customers either through utility rates or standard offer prices.

Similarly, we also recognize that the bidder conditions approved in this Order may create certain risks and obligations for MPS. Risks imposed by the bidder conditions are properly borne by customers and not shareholders. Therefore, we explicitly find that any direct or indirect costs, obligations, expenses or damages reasonably incurred by MPS in fulfilling its contractual obligations or exercising its contractual rights under the standard agreement, or in satisfying the bidder conditions we have accepted, shall be fully recovered, with carrying costs, from customers either through utility rates or standard offer prices.

This Order will be treated as designated confidential information pursuant to the Protective Order issued in this proceeding for a two-week period. After that, the confidential treatment of this Order will be removed.

Dated at Hallowell, Maine, this 18th day of December, 2013.

BY ORDER OF THE COMMISSION

/s/ Harry Lanphear

Harry Lanphear
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Littell
 Vannoy

² The reasonable steps will include, but not be limited to, weekly e-mail communications from the MPS to Commission Staff reporting current market prices and MPS's calculation of Excess Market Exposure.

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S. § 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 11(D) 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. Any petition not granted within **20** days from the date of filing is denied.
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. § 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. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.