STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2000-808

October 26, 2000

MAINE PUBLIC UTILITIES COMMISSION
Standard Offer Bidding Process
(Delegation Order)

ORDER REGARDING
STANDARD FORM
CONTRACTS

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

Through this Order, we decline to adopt Central Maine Power Company's (CMP) proposed modification to the standard offer standard form contract that would allow for changes in the uncollectible percentages after the first year of service. We will, however, accept CMP's proposal to allow charges for billing and for distributing disclosure labels to change after one year of service.

II. BACKGROUND

On October 11, 2000, CMP filed proposed revisions to the standard offer standard form contract and its exhibits to the contract. The proposed changes would update the documents, delete provisions that are no longer relevant or necessary, improve the organization of the documents, and accommodate multi-year bids. CMP's proposed revisions are primarily ministerial. The only substantive revisions involve the treatment of the uncollectible percentages, and utility charges for billing and for distributing disclosure labels for standard offer terms of more than one year.

Last year, the Commission required that all standard offer bids be for a 1-year term. The standard form standard offer contract specified that the uncollectible percentages and the utility charges for billing and for distributing disclosure labels would remain fixed for the term. For the upcoming standard offer period, however, the Commission has modified the process to allow for multi-year standard offer terms. As a result, CMP states that it is necessary to allow for a mechanism to adjust the uncollectible percentages and utility charges in the event that there are significant changes during a multi-year agreement. CMP suggests that any such changes be accompanied by an adjustment in standard offer prices so that prices reflect underlying costs and standard offer providers are not financially harmed.

III. DECISION

We conclude that the uncollectible percentages should not change throughout the term of the agreement, but that utility charges for billing for distributing disclosure labels may be altered after the first year of the agreement.[1]

There are two arguments supporting CMP's proposal. First, there is a concern over fair competition if standard offer providers and competitive providers are not exposed to the same general cost trends. Second, if costs rise and are not recovered through the standard offer provider, the utility may unfairly suffer a financial loss.

With respect to uncollectibles, we note that competitive providers, unlike standard offer providers, can choose their customers and therefore act to minimize their unpaid bills. Thus, competitive providers have an advantage in this area that reduces the concern regarding fair competition if the cost of uncollectibles generally rise in the economy. To the extent CMP suffers significant financial harm as a result of rising uncollectibles, it could seek recovery under the mandated cost provision in its recently approved alternative rate plan. If there is serious harm that cannot be addressed through its rate plan, CMP can petition us for relief.

While there may be arguments for a mechanism that would allow uncollectibles to be adjusted in a multi-year standard offer term, we believe it would be inadvisable to change the approach on uncollectibles (i.e. fixed percentages throughout the standard offer term) this late in our standard offer bid process. Such a change could cause confusion that might deter participation in our process or result in unnecessary risk premiums being added to bid prices.

In contrast, changes in charges for billing and label distribution are likely to have a less significant impact on providers. We therefore accept CMP's proposed change that would allow these charges to change after the first year of the agreement with a provider. Because changes, if they occur at all, are expected to be small, we do not accept CMP's suggestion that standard offer prices be altered to reflect such changes in costs.

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[1] As noted above, CMP proposed other modifications to its standard form contract that are ministerial in nature. Approval of such modifications to the standard offer standard form contract has been delegated to the Director of Technical Analysis, *see Order Adopting Request for Bids to Provide Standard Offer Service,* Docket No. 99-111 (July 29, 1999), and are not addressed in this Order.

Dated at Augusta, Maine, this 26th day of October, 2000.

BY ORDER OF THE COMMISSION

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Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
Nugent
Diamond

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 30 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 Civil Procedure, Rule 73, et seq.

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).

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.