STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Re: Investigation of Bangor Hydro-Electric Company=s Stranded Cost Revenue Requirement and Rate Design

AMENDED STIPULATION

Docket No. 2001-239

Bangor Hydro-Electric Company ("BHE"), the Office of the Public Advocate ("OPA"), and Industrial Energy Consumers Group ("IECG") hereby agree and stipulate as follows:

I. PURPOSE

The purpose of this Stipulation is to settle all issues in this proceeding, to avoid a hearing on those issues raised in this case and to expedite the Public Utilities Commission=s consideration and resolution of the proceeding. The provisions agreed to herein have been reached as a result of information gathered through discovery and discussions among the parties in this case.

II. PROCEDURAL BACKGROUND

1. On May 8, 2001, the Commission issued a Notice of Investigation to review BHE's adjustable stranded costs and to set stranded cost rates for Bangor Hydro-Electric Company for the period commencing March 1, 2002.

2. On May 29, 2001, the Hearing Examiner granted the petitions to intervene of the IECG, the OPA, and the Independent Energy Producers of Maine.

3. On August 16, 2001, the Commission Staff issued their interim Bench Analysis to identify issues in the case. A more complete Bench Analysis was issued on November 15, 2001.

4. Pre-filed testimony of the Company was filed on the following dates: (1) Phase I testimony, dated July 16, 2002, and later updated on July 18, 2002, (2) Phase I Rebuttal and Phase II testimony, dated October 3, 2001, and (3) Phase II Rebuttal testimony, dated December 7, 2001.

5. Intervener testimony in this proceeding was filed on the following dates: (1) an outline of issues filed by IECG and the OPA, dated August 16, 2001, and (2) Prefiled testimony of IECG and OPA, dated November 13, 2001.

6. On October 25, the Bench issued a Motion in Limine limiting the issues to be addressed in this proceeding.

7. Technical conferences were held in this case on the following dates: (1) July 24, 2001, (2) September 5, 2001, (3) November 1, 2001, (4) November 29, 2001, and (5) a Deposition of Richard Silkman dated December 10, 2001.

8. On December 12, 2001, the parties held a conference of counsel to discuss the proposed stipulation of the parties and to discuss a schedule and process for submission of this stipulation to the Commission for review.

III. APPROVALS AND FINDINGS BY COMMISSION

Based upon the record in this case, the parties to this Stipulation agree and recommend that the Commission conclude this proceeding by issuing an order which approves, accepts and adopts this Stipulation, including the following provisions:

1. Revenue Requirement. The Company's stranded cost revenue requirement is shown

for each of the three years beginning March 1, 2002 The calculation of the revenue requirement is shown in Exhibits SC-1 through SC-27 prepared by Messrs. Black and Dawes, attached hereto. Unadjusted test year stranded cost rate base and net operating expenses upon which the stranded cost revenue requirement was calculated are set forth in Exhibits CS-1 and CS-11.

Year 1	$ 44,234,493
Year 2	$ 39,994,185
Year 3	$ 49,394,425

a. Treatment of HoltraChem Deferral. Included within the revenue requirement is the recognition of a regulatory asset related to the shutdown of the manufacturing facility in Orrington of HoltraChem Manufacturing Company in September of 2000. This asset is comprised of two components: (1) $925,148, reflecting a portion of the lost revenues ($132,164 per month) during the time period March 1, 2000 through September 30, 2000, and (2) $1,489,000, reflecting lost revenues ($297,885 per month) during the time period October 1, 2001 through February 28, 2002. This asset will be recovered over four years with carrying costs.

b. Treatment of NEIL Refund. Also included within the revenue requirement is a regulatory liability of $1,147,822 reflecting a one time refund of insurance premiums related to Maine Yankee. This liability will be flowed back over two years with carrying costs.

c. Entitlement Sales Revenues. The foregoing revenue requirement includes an estimate of revenues from the Company's power sales entitlements that were

auctioned off by the Commission in September of 2001. Pursuant to the Procedural Order dated September 28, 2001, the stranded cost revenue requirement in this Stipulation was calculated using a proxy energy price determined by the Commission Staff, which calculation will be updated on January 4th to reflect the actual sales price related to these entitlements.

d. Calculation of 8 mil mitigation. In the spring of 2001, the Commission ordered the Company to provide an 8 mil/kWh discount to certain customers to conclude on February 28, 2002. The discount was funded through a reduction in the Company's Asset Sale Gain Account, and was intended to offset temporary increases in the generation service costs of these customers. In calculating the reduction to the ASGA, the Company used an average of the actual billing determinants for these customers, and the billing determinants used to set rates in Docket No. 97-596 (the "Mega Case").

e. Return on Rate Base. The return on rate base items, other than the Ultrapower adjustment or Maine Yankee, will be computed using a pre-tax weighted average cost of capital of 12.37% as determined in Docket No. 97-596.

f. Standard Offer. The Company's stranded cost revenue requirement assumes a regulatory liability associated with Company serving as the default standard offer provider through February 28, 2002. This liability, which is detailed in Exhibit SC-14 (attached), reflects a residual balance in BHE's deferred standard offer cost account through February 28, 2002 in the amount of $6,921,322. This

balance is calculated based upon actual net standard offer revenues through November 30, 2001 of $3,781,112, and estimated net revenues from December 1, 2001 through February 28, 2002 of $3,140,210. The Company is permitted to defer for future recovery any differences between such estimated net revenues and actual net revenues, once they become known.

2. Revenue Requirement Levelizer. The annual revenue requirements listed in paragraph 1 have been "levelized" to reflect an average annual revenue requirement over a four year period equal to approximately $45,145,000. Using the Company's weighted average cost of capital approved in Docket No. 97-596 (the "WACC") the carrying costs associated with this levelizer by the conclusion of year four would total approximately ($653,000). This results in a regulatory liability to be flowed back to ratepayers. The calculation of the levelizer and associated carrying costs are shown in attached Exhibits SC-28 and SC-29 prepared by Messrs. Black and Dawes. The calculation does not reflect changes in sales over three years, which is treated in the rate levelizer in Paragraph 8.

3. Sales Forecast. Rates shall be based upon the projected sales for Bangor Hydro during years one through three of the rate effective period as determined in testimony provided by Mr. Roger Cooper in this proceeding. A summary of Mr. Cooper's estimate of annual core sales is provided in Table 1, and a summary of Mr. Cooper's estimate of monthly non-core sales is provided in Table 2, which tables are attached hereto.

4. Non-core revenue contribution. Based upon the foregoing sales forecast for the Company's non-core customers, and the stranded cost revenue requirement per kWh of each customer, the Company projects annual stranded cost contributions from such customers as noted

below. Such annual projections, and revenue per customer, are calculated in greater detail in attached Exhibit 5 prepared by Mr. Mark Colca.

Year 1 $ 3,563,881
Year 2 $ 3,584,130
Year 3 $ 3,604,495

5. Rate Design. Based upon the levelized revenue requirements and non-core revenue contributions noted above, a summary of the average annual stranded cost revenue requirement per kWh for each customer class is set forth in greater detail in Exhibit 2 (core customers), Exhibit 3 (heating customers), and Exhibit 5 (non-core customers) prepared by Mr. Colca, attached hereto. The portion of the overall stranded cost revenue requirement allocated to core customer classes is shown in Exhibit PC-10A prepared by Mr. Colca (attached). A more detailed calculation of the allocation the average of the three (3) rate years commencing March 1, 2002 is shown in Exhibit PC-8A prepared by Mr. Colca (attached). The foregoing calculations assume the termination of the 8 mil and 4 mil rate mitigation to commercial and industrial customers ordered by the Commission in Docket No. 97-596. In addition, the allocation among the classes of the stranded cost revenue requirement was based upon the method used in Central Maine Power Co.'s Mega Case in Docket No. 97-580 whereby 75% of the revenue requirement was allocated based upon class energy consumption, and 25% was allocated based on class demand. Class energy consumption was derived from Mega Case billing determinants.

6. Bill Impacts. The percentage change in bundled rates per customer class as a result of the increase in average annual stranded cost revenues per kWh in this case is set forth in Exhibits Bill-Impact Page 1 of 3, Page 2 of 3, and Page 3 of 3 for the average of the three (3) rate years

commencing March 1, 2002. The base line from which the increase is calculated assumes a bundled rate comprised of T&D rates from Docket 97-596 and current standard offer prices.

7. Additional Rate Mitigation. Core and non-core D-3 and D-4 customers are entitled to a discount off their total transmission and distribution rate equal to 4 mils per kWh during year one of the rate effective period (the "rate mitigation year"), but in no event shall such discount reduce below $0.02/kWh the customer's average annual total T&D rate. To qualify for the discount for any particular billing cycle during the rate mitigation year, the customer must demonstrate that its average annual generation service price for the rate mitigation year is equal to $0.06/kWh or more.

Discounts under this program shall be available to customers with respect to any billing cycle just concluded during the rate mitigation year. The customer's average annual generation service price shall be determined using each of the following components: (1) the customer's actual generation service price and consumption for each preceding billing cycle during the rate mitigation year, and (2) a prospective estimate of the customer's generation service price and consumption during the remaining billing cycles in the rate mitigation year. For purposes of making prospective estimates of a customer's generation service price, the Company may rely on the price and term information provided by the customer seeking the discounts. For customers who do not have a contracted generation service price for the entire term of the rate mitigation year, the Company will assume that the price for the period not under contract will equal the customer's applicable standard offer rate; provided, however, that if such customer later enters into a generation service contract for some or all of the remaining period at a price that would qualify the customer for the discount, the customer would be entitled to any discounts as provided above, and would also be entitled to receive the value of the discount for any prior billing

period during the rate mitigation year to which the customer becomes qualified on a retroactive basis. Prospective estimates of a customer's consumption shall be based upon sales to the customer during the most recent 12-month period for which information is available to BHE, unless the Company receives clear evidence otherwise. Any retroactive calculations required under this paragraph shall be based on any actual sales information available at the time of the calculation.

If at any point during the rate mitigation year a customer's generation service price changes, such change must be brought to BHE's attention by the customer. A customer who fails to disclose any price change that is material to calculation of its annual average generation service price is not eligible to participate in the program, and shall remit any discounts under the program improperly received.

Discounts provided under this paragraph shall be calculated as reductions to the Company's Asset Sale Gain Account. Such calculation shall be based upon the actual billing determinants of qualifying customers, and carrying costs shall be computed using the Company's WACC.

8. Rate Levelizer. Because the Company's sales differ for each of the first three years of the rate effective period, a levelized annual stranded cost revenue requirement per kWh for each customer class (the "stranded cost rate") was computed. These stranded cost rates, which are shown in Exhibit 2 prepared by Mr. Colca, will continue in effect for each customer class during each year of the rate effective period until changed by order of the Commission. As a result of such levelization, the Company will annually defer for future recovery on a level monthly basis for each rate year of the three year period the revenues shown in Exhibit 9, including carrying costs computed using the Company's WACC.

9. Subsequent changes in sales forecasts or adjustable stranded costs. The parties are

permitted to file a request with the Commission requesting a prospective adjustment of the Company's stranded cost rates based wholly or in part upon changes in its forecast of sales or any other change in adjustable stranded costs. No party may make such a filing within 90 days of the date of the prior Commission order adjusting stranded cost rates. The parties agree that the Commission will complete the processing and issue a final order of such a proceeding within 120 days of the date of filing.

10. Mitigation of stranded costs. To ensure that BHE has an adequate incentive to restructure QF contracts, the following sharing mechanism is approved. Customers will receive 80% of the savings accruing from any QF contract restructuring and BHE will retain the remaining 20% over the life of the restructured contract. Each time stranded costs are reset the savings for that stranded cost period will be subtracted from total costs that would have been incurred had no restructuring taken place.

When stranded costs are established, stranded costs rates will include BHE's 20% share of the savings for that stranded cost period. When a contract is restructured and until stranded costs are reset, 80% of the net savings calculated above will be deferred for future return to customers. The parties to this Stipulation agree that the Company is not automatically entitled to share in a portion of the savings associated with either the securitization of some or all of the Company's stranded costs, or the receipt of government financing or guarantees. However, the Commission may consider granting the Company specific incentives in connection with a future proposal. The parties reserve the right to support or oppose any future securitization proposal, as well as any proposal for the receipt of any government financing or guarantees. The parties also reserve the right to support or oppose any specific incentive proposal related to securitization or government financing or guarantees.

11. Targeted rate contracts and schedules. The Company is not entitled to an automatic

deferral of any lost stranded cost revenues as a result of entering into any new targeted rate contracts or schedules in the future. Any review of future targeted rate contracts or schedules will take place in accordance with the pricing flexibility program under Docket No. 2001-194. In connection with any targeted rate contract or schedule, the Company may request a specific accounting order to defer for future recovery the revenue delta resulting from such targeted rates.

12. Effect of December 7 Filing. Unless otherwise provided in this Stipulation or the attached exhibits, the Company's pre-filed testimony of December 7, 2001 is hereby incorporated within the terms of this Stipulation.

IV. PROCEDURAL STIPULATIONS

1. The parties to the Stipulation hereby waive any rights that they have under 5 M.R.S.A. ' 9062(4) and Section 742 of the Commission Rules of Practice and Procedure to the extent necessary to permit the Advisory Staff to discuss this Stipulation and the resolution of this case with the Commissioners at the Commission=s scheduled deliberations, without providing to the parties an Examiners Report or the opportunity to file Exceptions.

2. The record on which the parties enter into this Stipulation and on which the Commission may base its determination whether to accept and approve this Stipulation shall consist of all prefiled testimony and all documents and information provided in responses to written and oral data requests and any formal Bench Analysis and the record of the hearing of December 21 before the Commission.

3. This Stipulation shall not be considered legal precedent, nor shall it preclude a party from raising any issues in any future proceeding or investigation on similar matters subsequent to this proceeding.

4. This Stipulation represents the full agreement between the parties to the Stipulation and rejection of any part of this Stipulation constitutes a rejection of the whole.

5. If not accepted by the Commission in accordance with the provisions hereof, this Stipulation shall not prejudice the positions taken by any party before the Commission in this proceeding and shall not be admissible evidence therein or in any other proceeding before the Commission.

Respectfully submitted this 13th day of February, 2002.

BANGOR HYDRO-ELECTRIC COMPANY

By: _____

OFFICE OF THE PUBLIC ADVOCATE

By: _____

INDUSTRIAL ENERGY CONSUMERS GROUP

By: _____

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