Remove from Confidential Treatment – July, 22 2003

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2003-381

July 8, 2003

MAINE PUBLIC UTILITIES COMMISSION
Standard Offer Bidding Process

ORDER DESIGNATING STANDARD OFFER PROVIDERS

WELCH, Chairman; DIAMOND and REISHUS, Commissioners

I. SUMMARY

Through this Order, we designate FPL Energy Power Marketing, Inc. (FPL) as the standard offer provider for the medium non-residential classes in the Central Maine Power Company (CMP) and Bangor Hydro-Electric Company (BHE) service territories for a six-month period beginning September 1, 2003. The average price for standard offer service for this period will be 5.57 cents per kWh in CMP's territory and 5.62 cents per kWh for BHE's territory. At this time, we also designate Select Energy, Inc. (Select) as the standard offer provider for the large non-residential classes in the CMP and BHE service territories for a six-month period beginning September 1, 2003. The average price for standard offer service for this period will be 5.74 cents per kWh in CMP's territory and 5.43 cents per kWh in BHE's territory.

II. BACKGROUND

Maine's Restructuring Act directs the Commission to administer periodic bid processes to select providers of standard offer service. 35-A M.R.S.A. § 3212(2). The arrangement with the current standard offer providers for service to customers in the medium and large standard offer classes in the CMP and BHE service territories terminates on August 31, 2003.[1] Accordingly, on June 3, 2003, the Commission initiated the process to solicit bids for the provision of standard offer service to these classes for the period beginning September 1, 2003. *Order Regarding Standard Offer Service for the Large and Medium Classes of Central*

---

[1] By Order issued September 18, 2001, the Commission designated a standard offer provider for residential and small commercial customers in the CMP and BHE service territories for a 3-year period beginning March 1, 2002. *Order Designating Standard offer Provider and Directing Utilities to Enter Entitlements Agreements,* Docket No. 2001-399 (Sept. 18, 2001). For this reason, the Commission did not solicit bids for the small classes.

Maine Power Company and Bangor Hydro-Electric Company, Docket No. 2003-381 (Jun 3, 2002). In our Order initiating the solicitation process, we decided to seek bids for two alternative terms, one for six months and one for a year. *Id.* at 2. We explained that in our last solicitation, we accepted bids for the CMP and BHE medium and large classes for a six-month period to minimize the time for which standard offer prices may deviate from prevailing market prices and noted that we confirmed this basic approach in our recent standard offer inquiry. *Report on Standard Offer Service Issues,* Docket No. 2003-127 at 4-7 (May 28, 2003). However, we decided to also ask for one-year terms to protect against the possibility that six-month bids may be inadequate.

Pursuant to Commission-approved Request for Proposals (RFP), indicative bids were received June 17, 2003.[2] Since that time, our Staff has been discussing various non-price terms with bidders. Upon the conclusion of discussions on non-price terms with a sufficient number of bidders, we asked for final, binding bids to be presented on July 8, 2003.

III. DISCUSSION

At the outset, we note that, as in our more recent standard offer solicitations, the current process was very competitive and thus standard offer prices will continue to be established by a competitive electricity market as contemplated by the Restructuring Act. Upon review of all the bids received today, and applying the selection criteria specified in section 8(C) of Chapter 301, we designate FPL as the standard offer provider for the CMP and BHE medium non-residential classes and Select as the standard offer provider for the CMP and BHE large non-residential classes, both for the six-month terms beginning September 1, 2003. The FPL and Select bids were the lowest bids in the respective classes. The average prices are as follows:

	CMP	BHE
Medium Class	5.57 cents/kWh	5.62 cents/kWh
Large Class	5.74 cents/kWh	5.43 cents/kWh

The actual prices for both the medium and large classes vary by month, while the large classes prices also vary by time-of-day and contain demand as well energy charges. The actual prices, which represent a modest decrease from the last six-month average prices, are contained in an appendix to this Order.

[2] At the same time, pursuant to our direction, CMP and BHE received wholesale bids for the provision of standard offer supply. Because of the statutory preference for retail bids and the Commission's receipt of adequate retail indicative bids, we directed the utilities to forego further processing of wholesale bids while the Commission processed the retailed bids.

Our review of the FPL and Select bids indicate that they comply with all requirements of Chapter 301 and the RFP (including the security requirements). Additionally, both FPL and Select included bidder conditions with their bids. By designating FPL and Select as standard offer providers, we hereby accept their bidder conditions and incorporate them into this Order. As required by Select's bidder conditions, we affirm and state that our advice given in the Advisory Opinion Regarding Rights and Obligations of Standard Offer Providers issued by the Commission on November 28, 2000 In Docket No. 2000-808 applies to the current solicitation. The bidder conditions, as well as the statements of commitment, are attached as appendices to this Order.

Section 8(C)(2) of Chapter 301 establishes the lowest price as the primary selection criteria in considering standard offer bids. However, section 8(C)(4) requires the Commission to select three standard offer providers within a utility service territory if this can be accomplished without increasing standard offer prices within any standard offer class by more than 1.5%. The acceptance of the lowest bids in this solicitation results in three different suppliers for both the CMP and BHE service territories. Thus, there is no need for us to consider other bids to satisfy the "three provider" requirement.

As in our last solicitation, we have chosen six-month terms for both the medium and large classes to minimize the amount of time standard offer prices for either class may deviate from prevailing market prices. This action is consistent with the recommendations that we made in our December 2002 standard offer report to the Legislature. In that report, we concluded that standard offer service for the medium and large classes should not be just another supply service and that it should be designed to encourage migration to the competitive market. We stated that, in designing standard offer service to be more of a last resort default service, prices should more closely follow market changes; one approach to accomplish this would be for standard offer to have shorter terms. Our decision to accept six-month bids will have desired impact of ensuring that standard offer prices do not deviate from market prices for any substantial period of time.

Finally, we recognize that the bidder conditions approved in this Order create certain risks for CMP and BHE that should be properly borne by customers. Therefore, we explicitly find that any direct or indirect costs, obligations, expenses or damages reasonably incurred by CMP or BHE, including administrative and security costs, in fulfilling its contractual obligations or exercising it contractual rights under the Standard Offer Provider Service Agreements it will enter with FPL and Select shall be fully recovered, with carrying costs, from customers either through transmission and distribution rates or standard offer rates.

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

Dated at Augusta, Maine, this 8th day of July, 2003.

BY ORDER OF THE COMMISSION

____
Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
Reishus
Diamond