

**Request for Proposals to Provide
Standard Offer Service
In Maine**

**Maine Public Service Company's
Service Territory**

Term Beginning January 1, 2007

**Issued by the
Maine Public Utilities Commission**

September 12th, 2006

Table of Contents

1. OVERVIEW3

2. PROCESS AND SCHEDULE6

3. PROPOSAL REQUIREMENTS7

4. STANDARD OFFER PROVIDER REQUIREMENTS8

5. BILLING AND PAYMENT14

6. STANDARD OFFER PROVIDER LEGAL OBLIGATIONS15

7. OTHER RFP PROVISIONS16

APPENDICES

- A. Chapter 301 of the Maine PUC Rules (Standard Offer Rule)
- B. Description of Other Relevant Rules and Standards
- C. Standard Form Contract
- D. Applicable Fees
- E. Standard Offer Class Usage Data
- F. License Application for Competitive Electricity Providers
- G. System Losses
- H. Statement of Commitment
- I. Standard Offer Class Definitions
- J. Advisory Ruling
- K. Standard Form Guaranty

1. OVERVIEW

1.1 Request for Proposals

The Maine Public Utilities Commission (Commission) is seeking proposals from suppliers to provide retail standard offer service to customers of Maine Public Service Company (MPS) for the term beginning January 1, 2007. Bids are requested for the following:

<u>Class</u>	<u>Term Length</u>	<u>% of Load</u>
Residential / small non-residential	26 months <i>(Jan 2007 – Feb 2009)</i>	50% and 100%
Residential / small non-residential	50 months <i>(Jan 2007 – Feb 2011)</i>	50% and 100%
Medium C&I	14 months <i>(Jan 2007-Feb 2008)</i>	100%
Large C&I	14 months <i>(Jan 2007-Feb 2008)</i>	100%

Suppliers chosen will provide requirements service for standard offer customers in the applicable class. (For class definitions, please see section 2(A)(2) of Chapter 301 (Appendix A to this RFP) and Exhibit A of the standard offer agreement (Appendix C to this RFP)).

Initial proposals with indicative bid prices are due on October 5th, 2006.

In a separate solicitation issued today, MPS is requesting wholesale supply proposals for these same loads. Information regarding MPS's solicitation can be found at <http://www.mainepublicservice.com/supplier/default.asp> or by contacting Tim Brown (at tbrown@mainepublicservice.com or (207) 760-2444) or Laurie Flagg (at lflagg@mainepublicservice.com or (207) 760-2528). Bidders may participate in both the retail and wholesale solicitations.

Concurrent with these solicitations, Van Buren Light and Power District, a consumer-owned electric utility adjacent to MPS, is also seeking standard offer service proposals. Information regarding Van Buren's request for proposals can be found on the Commission's website at

http://www.maine.gov/mpuc/industries/electricity/new_standard_offer/vanburen_jan2007/rfp_packages_vanburen_107.htm
or by contacting Skip Dumais (at vblight@verizon.net or 207-868-3321).

1.2 Contact Information

Inquiries regarding this RFP should be directed to Faith Huntington (at 207-287-1373 or faith.huntington@maine.gov), Jim Buckley (at 207-287-1387 or james.buckley@maine.gov) or Mitch Tannenbaum (at 207-287-1391 or mitchell.tannenbaum@maine.gov)

The RFP, related information and load data are available from the Commission's web site at http://www.maine.gov/mpuc/industries/electricity/new_standard_offer/MPS_jan2007/rfp_packages_mps_107.htm

Any modifications, corrections or clarifications to the RFP will be posted at this same location.

1.3 Description of Service Area and Customer Classes

MPS is a regulated transmission and distribution utility serving more than 37,000 customers in northern Maine. The MPS service territory covers 3,600 square miles. MPS's total retail sales in 2005 were about 554 million kWh and its system peak demand was 101 megawatts.

Appendix E includes a detailed breakdown of the electricity usage during calendar year 2005 for the small, medium and large standard offer classes. Additional load data, including loads used for settlement purposes, is available at

http://www.maine.gov/mpuc/industries/electricity/new_standard_offer/MPS_jan2007/rfp_packages_mps_107.htm

The MPS service territory is within the Canadian Maritimes control area and is connected to the New England Independent System Operator control area by transmission through New Brunswick. The Northern Maine Independent System Administrator (NMISA) administers the bulk power and transmission systems for the region, which, in addition to MPS, includes the service territories of three consumer-owned utilities: Houlton Water Company, Van Buren Light & Power District, and Eastern Maine Electric Cooperative. The NMISA tariffs, bylaws, market rules and other relevant documents are accessible from the NMISA's web site at www.nmisa.com.

1.2 General Standard Offer Service Provisions

Chapter 301 of the Maine PUC rules governs standard offer service and is provided as Appendix A. A list and short description of other rules related to retail electricity supply is provided as Appendix B. The complete text of these rules is available on the Commission's web site at www.maine.gov/mpuc

The standard offer provider's legal rights and obligations with respect to providing standard offer service are set forth in the Statement of Commitment (Appendix H) and further described in Appendix J. Bidders must submit a signed Statement of Commitment with their proposals acknowledging and accepting these rights and obligations. Alternative language to that contained in Appendix H will be considered.

Standard offer service is the only type of default service in Maine and is provided directly by standard offer providers to customers at retail. Standard offer providers supply requirements service for their load share and are not assigned particular customers.

Retail standard offer prices are set equal to the bid prices of winning bidders. If there are multiple providers, retail prices are the weighted average of the providers' prices.

The standard offer provider is paid its accepted bid price less the applicable fixed percentage amount for uncollectible revenue as specified in Exhibit A to Standard Offer Provider Agreement (Appendix C).

MPS will bill and collect from customers on behalf of the standard offer provider. The Standard Service Agreement that governs these billing arrangements and other matters between the provider and MPS is provided as Appendix C. MPS charges for the services it provides in accordance with Commission-approved Terms & Conditions. (See Appendix D.) Bidders may propose changes to the Standard Agreement and submit them for consideration.

2. PROCESS AND SCHEDULE

2.1 Key Events and Timing

Initial proposals with indicative prices submitted	October 5 th , 2006 (by 4:00 p.m. EPT)
Negotiation of non-price terms <i>(May be with a "short-list" of bidders as determined by indicative prices.)</i>	October 6 th – Completion
Final Bid Prices Due/ Commission Decision	To be determined
Public Release of Standard Offer Prices	Date of Commission Decision
Execution of Standard Offer Service Agreement	Within 24 hours of Commission Decision
Submission of Financial Security	Within 3 business days of Commission Decision
Public Release of Standard Offer Provider Identity	May be kept confidential for up to 2 weeks after Commission Decision (at provider's request)
Standard Offer Service Term Begins	January 1, 2007

Changes or updates to this schedule will be posted on the Commission's web site or otherwise communicated to bidders.

2.1 Submission of Proposals

Proposals must be received at the Maine PUC by the times and dates indicated. Proposals may be submitted by electronic mail to faith.huntington@maine.gov, by fax to (207)287-1039 or by mail to the Maine Public Utilities Commission, 242 State Street, 18 State House Station, Augusta, Maine 04333-0018. Proposals should be clearly marked "Standard Offer Service Proposal" and should be sent to the attention of Faith Huntington.

3. PROPOSAL REQUIREMENTS

The following items should be included in the Initial proposals.

3.1 License

Bidder should provide evidence that it has a valid license or an application pending to provide standard offer service in Maine. (Chapter 305 of the Commission’s rules governs licensing requirements.) A license application is included in Appendix F or can be obtained from the Commission’s web site.

3.2 Financial Security

1) Bidder should provide certified statement(s) regarding its proposed financial security, including certified statement(s) by guarantors and/or financial institutions that would provide any security. The statements must: (1) describe the amount and form of security to provided; and (2) represent that the security and the entity providing it meet the applicable requirements and specifications of Chapter 301 and this RFP.

The initial proposal should include audited financial statements of any guarantor, e.g., annual report to stockholders, SEC Form 10K, and the guarantor’s most recent credit rating from each rating agency that has issued a rating for the guarantor.

3.3 Statement of Commitment

Bidder should provide a Statement of Commitment signed by an officer of the Company who is duly authorized to commit the Company as described in the Statement. The Commission’s preferred Statement of Commitment is provided in Appendix H. Alternative language will be considered.

3.4 EBT

Bidder should demonstrate that it has completed or is enrolled in Maine’s electronic business transaction (EBT) training and testing programs. Maine’s EBT standards and training schedules are available from the Commission’s web site or from MPS.

3.5 Contingencies

Bidder should note all conditions and contingencies. Please note that any condition or contingency must be: (1) within the control of the Commission; or (2) known at the time final bid prices are evaluated.

3.6 Alternative Terms, Language

Bidder should provide any proposed alternative language to the Standard Agreement (in the form of a red-line to the Standard Agreement), the Statement of Commitment, or the standard form corporate guaranty.

3.7 Pricing

Bidders may bid on any or all classes separately, or may provide prices for a combined class load. Bidder may submit price proposals for all or a portion of the service requirement. A bid for a portion of the service must be as a multiple of 20% (i.e., 20%, 40%, 60%, 80%).

Proposals must specify prices for the entire bid period; prices may not be defined by a formula or reference to market or economic indices.

For the **small** standard offer class, bids may include prices per kWh only. Prices may not vary by month or time of day and cannot include any amounts charged on a per-kW, per-customer or fixed-charge basis. For multi-year terms, prices may change once per year after the first year, preferably effective on March 1.

For the **medium** standard offer class, bids may include prices per kW and prices per kWh, or prices per kWh only. Any prices per kW will be billed on the same basis (i.e., billing units) as MPS uses to bill for distribution service. Prices may not vary by time of day and cannot include any amounts charged on a per-customer or fixed-charge basis.

For the **large** standard offer class, bids may include prices per kW and prices per kWh, or prices per kWh only. Any prices per kW will be billed on the same basis (i.e., billing units), as MPS uses to bill for distribution service. Bids for the large standard offer class may also vary by time of day; the time of day periods must correspond to, or be compatible with, MPS's time-of-use rate structure. Prices cannot include any amounts charged on a per-customer or fixed charge basis.

4. STANDARD OFFER PROVIDER REQUIREMENTS

4.1 Standard Offer Obligation

Standard offer provider must provide standard offer service in a manner that complies with Maine law, Commission rules and this RFP at the prices and terms it proposed and which were accepted by the Commission. Standard offer provider is responsible for all costs necessary to fulfill this obligation.

Standard offer provider is responsible for all requirements and costs (and will receive any benefits) pursuant to wholesale market rules that apply to its standard offer load obligation.

4.2 Form of Service

Standard offer service is retail all requirements service. Standard offer service includes all obligations and charges that would be assessed to the load serving entity for the applicable load, including for all energy, capacity, ancillary services and other products and charges for the load, including any new or redefined products or charges, required to supply the electrical requirements of customers receiving standard offer service at all times during the term of service in a manner that complies with all applicable rules and requirements.

4.3 Losses

Standard offer service includes all transmission and distribution line and transformer losses associated with providing standard offer service from the point of supply to the customers' meters. Standard offer provider must provide sufficient quantities of electric energy, capacity, ancillary and all other required products and services to cover all such losses. The factors that are currently used to determine line and transformer losses on MPS's system are contained in Appendix G.

4.4 Market Environment/Applicable Rules

MPS's service territory is within the system administered by the Northern Maine Independent System Administrator (www.nmisa.com). Standard offer providers must comply with all applicable NMISA tariffs, rules and requirements and are responsible for the associated costs.

4.5 Transmission Charges

MPS local transmission and distribution charges for the standard offer load are paid by customers through their MPS retail rates and are not the responsibility of the standard offer provider.

4.6 Financial Security

Standard offer provider must provide financial security in accordance with this section and the related provisions in the Standard Agreement.

1) Amount:

- Base Security

- Small Class
 - 50% segment, 26 mnth term \$ 3.0 million
 - 50% segment, 50 mnth term \$ 5.7 million
- Medium Class \$ 900,000
- Large Class \$ 300,000

These amounts may decline, pro rata, during the term of service. If a provider is designated for less than 100% of the load, the amount shall be adjusted to reflect the provider's % share.

- Excess Market Exposure Security

- The incremental replacement cost of the standard offer supply during the remaining term of service in excess of the Base Security for the class, as determined from time to time using commercially reasonable practices,

The Base Security must be furnished to MPS with a copy to the Commission no later than three business days after the date the Commission designates the provider such that MPS can access the full amount of the financial security on that date. Any Excess Market Exposure Security required during the term of the obligation must be furnished to MPS no later than three business days after MPS provides notification. The Base Security and, if applicable, Excess Market Exposure Security cannot expire or be cancelled prior to the date 30 days after the end of the applicable term of service unless replacement financial security that meets the requirements of Chapter 301 and this RFP and is accepted by the Commission is provided. The expiration or termination of the financial security shall not affect obligations incurred while the financial security was in effect. The Commission retains the right to obtain further information about any financial security furnished by standard offer provider, and final acceptance shall be at the sole discretion of the Commission.

2) Instrument:

A **corporate guarantee** must (i) unconditionally obligate the guarantor to pay all obligations of the standard offer provider for the costs of replacement standard offer service, up to the applicable cap; (ii) be

executed by a corporation meeting the applicable credit rating and net worth criteria set forth in the table below; and (iii) conform with the Standard Form Guaranty provided in Appendix K or an accepted alternative.

The amount of any corporate guarantee may not exceed the following Guarantee Caps:

Maximum Corporate Guarantee Amount (CAP)

Set as the lesser of the amount in Table (1) or Table (2)

		Table 1	Table 2 (millions)			
Rating ^{1,2}		% of Tangible	Small	Small	Medium	Large
S&P/Fitch	Moody's	Net Worth	50%,26mnt	50%,50mnt	100%	100%
AAA	Aaa	5.0%	5.9	11.5	1.8	0.6
AA+	Aa1	5.0%	5.9	11.5	1.8	0.6
AA	Aa2	4.0%	5.9	11.5	1.8	0.6
AA-	Aa3	4.0%	5.9	11.5	1.8	0.6
A+	A1	3.0%	5.9	11.5	1.8	0.6
A	A2	2.5%	5.9	11.5	1.8	0.6
A-	A3	2.0%	5.9	11.5	1.8	0.6
BBB+	Baa1	1.8%	5.9	11.5	1.8	0.6
BBB	Baa2	1.5%	4.4	8.6	1.4	0.4
BBB-	Baa3	1.0%	3.0	5.7	0.9	0.3
Below	Below	0.0%	0.0	0.0	0.0	0.0

Security requirements in excess of the Guarantee Cap must be provided by: (1) an **irrevocable letter of credit** from a federal or state licensed financial institution satisfying the requirements of section 3 of Chapter 301

¹ Rating is the corporate credit rating of Guarantor. If Guarantor does not have a corporate credit rating, then Rating is the rating of Guarantor's senior unsecured debt. If Guarantor has neither a corporate credit rating nor rated senior unsecured debt, then Rating is the rating of Guarantor's senior secured debt.

² If Guarantor is rated by all three of the agencies, two of the three must equal or exceed amounts shown. If Guarantor is rated by two of the agencies, the lower rating will apply.

and subparagraph (3) below; or (2) **cash** accompanied by proper documentation so as to perfect a security interest.

Any irrevocable letter of credit provided must (i) unconditionally obligate the issuing commercial bank(s) to honor drafts drawn on such letter(s) for the purpose of paying the costs of replacement standard offer service; (ii) be issued by commercial bank(s) with a minimum corporate debt rating of “BBB+” by Standard & Poor’s or Fitch or “Baa1” by Moody’s, or an equivalent short term debt rating by one of these agencies; and (iii) include the following language: “This letter of credit binds the insurer to pay one or more drafts drawn by Maine Public Service Company as long as the drafts do not exceed the total amount of the letter of credit; and that any draft presented by Maine Public Service Company will be honored by the issuer upon presentation.”

If the corporate debt ratings of an issuing bank drop below the above specified levels, the standard offer provider shall promptly: (1) notify the Commission’s Director of Technical Analysis and MPS in writing; and (2) provide replacement security that satisfies the requirements of Chapter 301 and this RFP.

4.7 License

Standard offer provider must at all times during the term of service possess a valid license, pursuant to Chapter 305 of the Commission’s rules, to provide standard offer service. Standard offer provider’s license must be effective as of the date it is designated a standard offer provider.

4.8 Standard Offer Service Agreement

Standard offer provider must have an executed Service Agreement with MPS within 24 hours of being designated. (See Appendix C for a Standard Form Service Agreement.)

4.9 Resource Portfolio Requirement

Standard offer provider must comply with the resource portfolio requirements of Chapter 311 of the Commission’s Rules.

4.10 Market Rules and Requirements

Standard offer provider must comply with all applicable market rules and requirements at all times during the term of service.

4.11 EBT

Standard offer provider must exchange data with MPS using the electronic business transactions (EBT) protocols and procedures contained in Maine's EBT standards. The EBT standards are available from the Commission's web site.

4.12 Net Billing

Standard offer provider must comply with the net billing requirements of Chapter 313 and Chapter 360 of the Commission's Rules. Specific information on net billing can be obtained from MPS.

5. BILLING AND PAYMENT

5.1 Allocation of Uncollectible Accounts

Standard offer providers are allocated a fixed percentage amount for expected uncollectible standard offer revenue in accordance with the Service Agreement. The uncollectible percentages for the medium and for the large classes are specified in Exhibit A to the Standard Offer Provider Agreement (Appendix C). These amounts will remain fixed for the provider's term of service.

5.2 Payments for Standard Offer Service

MPS will issue bills and receive payments from customers for standard offer service and will transfer funds to the standard offer provider in accordance with the Service Agreement.

Standard offer provider will receive gross revenues less uncollectible revenues for the applicable standard offer sales. Gross revenues are the product of the provider's accepted bid price times the applicable kilowatt and/or kilowatt-hour sales. Uncollectible revenues are the product of the applicable uncollectible percent times gross revenues.

6. STANDARD OFFER PROVIDER LEGAL OBLIGATIONS

6.1 Legal Obligations and Responsibilities

Designation by Commission Order of a bidder as a standard offer provider legally obligates the bidder to provide standard offer service at the offered and accepted prices and terms in accordance with Maine law and regulations and the provisions of this RFP.

6.2 Standard Offer Provider Default

Upon a determination that a standard offer provider has failed to provide service as required or has otherwise failed to fulfill its standard offer obligations, the Commission may declare such provider to be in default. If the Commission declares a standard offer provider to be in default, the Commission will take one or more actions specified in section 9 of Chapter 301.

The defaulting standard offer provider shall be responsible for and obligated to pay the additional costs of replacement standard offer service. As described in section 3 of Chapter 301, additional costs of replacement standard offer service are all costs that are incurred or will be incurred to acquire replacement standard offer service, including supply, administrative and enforcement costs, through the remaining standard offer term that exceed the amounts paid or to be paid by standard offer customers at the standard offer rates in effect at the time of the Commission's declaration of a standard offer provider's default. The Commission shall determine the amount of the additional costs of replacement standard offer service and order the defaulting standard offer provider to pay that amount.

If the Commission declares a standard offer provider to be in default and there are additional costs of replacement standard offer service, it may direct MPS to (1) withhold any payments due to the defaulting standard offer provider and use those amounts to cover additional costs of replacement standard offer service; and (2) use amounts from the financial security provided by or on behalf of the defaulting standard offer provider to cover the additional costs of replacement standard offer service.

In the event that the defaulting standard offer provider fails to pay the additional costs of replacement standard offer service as ordered by the Commission and the amounts obtained by MPS from the financial security are not sufficient to cover the additional costs of replacement standard offer service, the Commission or Maine's Attorney General may bring legal action in Maine courts to fully recover these amounts.

7. OTHER RFP PROVISIONS

7.1 Proprietary Information

A bidder may designate information included in its proposal as proprietary or confidential information. The Commission will take every reasonable step, consistent with law, to protect information that is clearly identified as proprietary or confidential on the page on which it appears. The identity of bidders selected to provide standard offer service, winning bid prices and standard offer prices will be public information.

7.2 Proposal Costs

All costs associated with developing or submitting a proposal in response to this RFP and providing oral or written clarification of its contents are borne by bidder.

7.3 Rights of the Commission

The Commission reserves the right to reject all proposals received in response to this RFP if in its sole determination the bid prices are unreasonably high and acceptance would not be in the public interest. In this situation, the Commission may at its sole discretion terminate the RFP and initiate a new selection process.

The Commission reserves the right to reject any proposal that in its sole determination does not meet the requirements and specifications of this RFP, the Commission's rules, Maine law, or generally accepted business practices. The Commission may ask bidders to clarify or supplement their proposals and may at its sole discretion allow bidders to conform proposals to the required specifications.

7.4 State Held Harmless

The State of Maine, its officers, agents, and employees, including the Maine Public Utilities Commission, Commissioners and the employees or agents of the Maine Public Utilities Commission shall be held harmless from any and all claims, costs, expenses, injuries, liabilities, losses and damages of every kind and description resulting from or arising out of this RFP, the designation of standard offer providers or the provision of standard offer service.

7.5. Warranty

The information contained in the RFP and provided subsequently is prepared to assist bidders and does not purport to contain all of the

information that may be relevant to bidders. The Commission makes no representation or warranty, expressed or implied, as to the accuracy or completeness of the information. The Commission, its staff and its agents shall not have any liability for any representations expressed or implied in, or any omissions from, the RFP or information obtained by bidders from the Commission, its staff, its agents or any other source.