

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

November 3, 2003

ORDER DESIGNATING
STANDARD OFFER
PROVIDER IN MAINE
PUBLIC SERVICE
COMPANY TERRITORY
AND DIRECTING MPS
TO ENTER
ENTITLEMENT
AGREEMENT

MAINE PUBLIC UTILITIES COMMISSION
Standard Offer Bidding Procedure

Docket No. 2003-670

MAINE PUBLIC SERVICE COMPANY
Divestiture of Generation Assets (Request
For Approval of RFP and Contract Entitlement
Sale Pursuant to Ch. 307)

Docket No. 2003-677

WELCH, Chairman; DIAMOND and REISHUS, Commissioners

I. SUMMARY

Through this Order, we designate WPS Energy Services, Inc. (WPS) as the standard offer provider for all three customer classes in the Maine Public Service Company (MPS) service territory for a 34-month period beginning March 1, 2004. The price for standard offer service for this period will be 5.459¢/kWh for the residential and small non-residential customers, 5.81¢/kWh for medium non-residential customers and 6.4¢/kWh for large non-residential customers. We also direct MPS to enter an agreement to sell its entitlement to capacity and energy associated with its non-divested power purchase agreement to WPS for the same 34-month period.

II. BACKGROUND

Pursuant to Maine's Restructuring Act, the Commission administers periodic bid processes to select providers of standard offer service. 35-A M.R.S.A. § 3212(2). The Commission is also required by the Act to oversee the sale by utilities of the rights to their non-divested entitlements to energy and capacity. 35-A M.R.S.A. § 3204(4).

The current arrangement with WPS Energy Service, Inc. (WPS) to provide standard offer service for all customer classes in the MPS service territory terminates on

February 29, 2004. MPS's current agreement to sell its capacity and energy entitlements to WPS from its Qualifying Facility (QF) contract, with the Wheelabrator-Sherman Energy Company (MPS's only non-divested entitlement contract), also terminates on February 29, 2004. The underlying QF contract between MPS and Wheelabrator-Sherman terminates on December 31, 2006.

On September 16, 2003, the Commission decided to proceed with a standard offer solicitation for all three classes of customers in the MPS service territory. *Order Regarding Standard Offer Process for Maine Public Service Company*, Docket No. 2003-670 (September 16, 2003). In its September 16 Order, the Commission also directed MPS to solicit wholesale bids so that standard offer power supply could be obtained if no acceptable retail bids were received. The retail and wholesale RFPs solicited bids for two different terms, one year and thirty-four months (to coincide with the termination of the QF contract). The Sept. 16 Order also stated that the Commission would allow standard offer bids that are contingent on the purchase of utility entitlements at specified prices. Simultaneously, with the retail standard offer RFP issued by the Commission and the wholesale standard offer RFP issued by MPS, MPS also issued an RFP pursuant to Chapter 307 of our Rules to sell the Wheelabrator-Sherman entitlements on a stand-alone basis.

Pursuant to Commission's RFP, indicative bids were received on October 15, 2003.¹ Since that time, our Staff has been discussing various non-price terms with bidders. Upon conclusion of discussions on non-price terms with a sufficient number of bidders, we asked for final, binding bids to be presented on November 3, 2003.

III. DISCUSSION

Upon review of all the bids, we conclude that the WPS contingent bid for a 34-month term, described below, provides the greatest overall benefit to ratepayers. We, therefore, designate WPS as the standard offer provider for 100% of the three MPS standard offer classes for the 34-month period beginning March 1, 2004. The resulting standard offer prices are shown below:

March 1, 2004 through December 31, 2006

CLASS	PRICE
Residential/Small Non-Residential	\$0.05459
Medium Non-Residential	\$0.05810
Large Non-Residential	\$0.06400

¹ At the same time, MPS 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 bids, we directed MPS to forego further processing of wholesale bids while we processed the retail bids.

The WPS standard offer bid that we accept is contingent on WPS's obtaining the QF entitlement over the same term at WPS's average bid price of \$0.03475/kWh. We direct MPS to enter into an entitlement agreement consistent with WPS's bid and in the form agreed to by our Staff, MPS and WPS during the non-price discussions.

We again choose a longer than one year standard offer term for the MPS service territory, as we did in the prior standard offer bid process (the 34 month term coincides with the remaining term on the MPS/Wheelabrator-Sherman QF contract). See *Order Designating Standard Offer Provider in Maine Public Service Company Territory*, Docket No. 2000-808 (Dec. 19, 2000). The 34-month term will provide longer term stability for standard offer prices and protect customers from the impact of substantial energy price increases during this period. We consider the benefits of longer term stability through standard offer prices to be important in the MPS service territory because of the unique problems created by Northern Maine's lack of a direct interconnection with the rest of the New England retail electricity market.

Our decision to accept WPS's contingent bid for MPS's entitlement in the Chapter 307 auction is consistent with our statutory obligation to minimize stranded costs. The WPS bid is equal to the highest bid that MPS received in its Chapter 307 auction for the QF entitlement over the 34-month period on a stand-alone basis.

As we accept WPS's bid to provide standard offer service that is contingent on MPS's acceptance of the WPS Chapter 307 bid, we condition our designation of WPS as the standard offer provider on WPS remaining the purchaser of MPS's QF entitlement for the entire 34-month term. If the Entitlement Agreement between MPS and WPS is terminated by a breach of that Agreement by WPS, then the Commission retains the option of terminating its designation of WPS as the standard offer provider.

After choosing the longer term, 34-month period for standard offer service and the added value presented by standard offer bids contingent on Chapter 307 entitlements, we considered pricing options for the individual customer classes consistent with the Chapter 301 criteria of obtaining the lowest price for standard offer service for each class and the lowest cost of standard offer service overall and of achieving stable standard offer prices. The bid we chose today satisfies the Chapter 301 criteria in that it minimizes overall costs and promotes stable prices.

WPS and MPS are directed to execute the Standard Offer Provider Standard Service Agreement and WPS is directed to furnish the financial security agreement, both on the timetable described in the Commission's RFP. WPS and MPS shall also execute the draft Entitlement Agreement in the form found acceptable by the Staff, MPS and WPS during the non-price term discussions.

Dated at Augusta, Maine, this 3rd day of November, 2003.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Diamond
 Reishus

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 **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.A. § 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.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.