

June 19, 2001

MAINE PUBLIC UTILITIES COMMISSION  
Standard Offer Bidding Procedure

SUMMARY OF STANDARD  
OFFER BIDS FOR CENTRAL  
MAINE POWER COMPANY,  
BANGOR HYDRO-ELECTRIC  
COMPANY AND MAINE PUBLIC  
SERVICE COMPANY

---

## I. BACKGROUND

During its 1997 session, the Maine Legislature enacted comprehensive legislation to restructure the State's electric utility industry. P.L. 1997, ch. 316 (codified at 35-A M.R.S.A. §§ 3201-3217). The legislation allows all consumers in Maine to acquire their electricity supply directly from a retail supplier in the marketplace. The legislation also requires standard offer service to be available as a default source of supply for any consumer that does not otherwise have a retail supplier. 35-A M.R.S.A. § 3212. The Commission must conduct a competitive bid process to procure standard offer supply. The Commission may reject all the bids received if it determines that the bids are inadequate or unacceptable and, if necessary, direct the utilities to provide standard offer service with supply purchased in the wholesale market.

Chapter 301 of the Commission's rules governs standard offer service and the selection process for suppliers. Consistent with 35-A M.R.S.A. and Chapter 301, the Commission issued its second set of Requests for Bids (RFBs) for standard offer service on October 2, 2000.<sup>1</sup> Through the RFBs we sought bids from potential suppliers for the term beginning March 1, 2001 and for the following customer classes: Central Maine Power Company (CMP) medium and large non-residential; Bangor Hydro-Electric Company (BHE) medium and large non-residential and residential/small non-residential; and Maine Public Service Company (MPS) medium and large non-residential and residential/small non-residential.<sup>2</sup>

The October 2000 RFB established a 2-phase bid process. In Phase 1, bidders would provide all non-price portions of their proposals and the Commission would review these proposals and determine whether all applicable requirements were

---

<sup>1</sup> The first set of RFBs was issued in August of 1999. A summary of that process and its outcome was issued on February 1, 2000 in Docket No. 99-111.

<sup>2</sup> CMP's residential/small non-residential class was already being supplied for a 2-year period ending February 2002 by Energy Atlantic.

satisfied. In Phase 2, eligible bidders could provide prices at which they proposed to supply standard offer service.

On November 1, 2000, we received Phase 1 proposals from 11 bidders. After review of the Phase 1 material, nine bidders were found to be eligible and were invited to submit Phase 2 bid price proposals. Phase 2 began on December 7, 2000 and extended through December 21, 2000. During Phase 2, we received bid price proposals from eight of the eligible bidders. To avoid the substantial premiums that may have been incurred if bid prices were held open for the entire Phase 2 period, we allowed bidders to update bids periodically to reflect changing market conditions. Most bidders did so, some submitting bids on nearly a daily basis throughout Phase 2.

On December 19, 2000, the Commission issued an Order in this docket designating a standard offer provider for the three standard offer classes in the MPS service territory. On December 22, 2000, the Commission issued an Order terminating the initial standard offer bid process for the CMP and BHE territories and opening a new, 2-part solicitation process.

In the following portions of this document, we provide further information about bids received during our initial bid process. To protect bidder confidentiality, we do not identify any bidder not chosen.

## II. MPS SERVICE TERRITORY

### A. Residential/Small Non-Residential Standard Offer Class

We received Phase I proposals for the MPS residential/small non-residential standard offer class from six bidders, five of which met the eligibility requirements to submit Phase 2 price proposals. Two bidders submitted Phase 2 proposals. After reviewing these, the Commission designated WPS-Energy Services, Inc. (WPS) as the standard offer provider for this class. The Commission accepted a 3-year WPS proposal at the following standard offer service prices:

March 1, 2001 – February 28, 2002:	\$0.05577/kWh
March 1, 2002– February 28, 2003:	\$0.05689/kWh
March 1, 2003 – February 28, 2004:	\$0.05802/kWh

The bid prices submitted by WPS were the lowest we received for this class. As described more fully in the Commission's Order designating WPS as the standard offer provider, the 3-year proposal provides customers with price stability, predictability and protection from energy price increases and volatility.

### B. Medium and Large Non-Residential Standard Offer Classes

We received Phase 1 proposals for the MPS medium and large non-residential classes from three bidders, one of which was ineligible to participate in

Phase 2. Only one bidder, WPS, submitted bid prices in Phase 2. The Commission designated WPS as the standard offer provider for these two classes for a 3-year term at the following standard offer service prices:

	Medium Non-Residential <u>Class</u>	Large Non-Residential <u>Class</u>
March 1, 2001 – February 28, 2002:	\$0.0562	\$0.0601
March 1, 2002 – February 28, 2003:	\$0.05732	\$0.0613
March 1, 2003 – February 28, 2004:	\$0.05847	\$0.06253

### III. BHE SERVICE TERRITORY

#### A. Residential/Small Non-Residential Standard Offer Class

Eleven bidders submitted Phase 1 proposals for the BHE residential/small non-residential standard offer class. Nine of the eleven met the eligibility criteria to participate in Phase 2, and six bidders submitted price proposals during the 2-week Phase 2 period.

In a deliberative session on December 11, 2000, the Commission accepted a standard offer bid for this class priced at approximately 8¢/kWh. The price, however, had been proposed subject to certain contingencies specified by the bidder. These contingencies could not be met within the time the bid was held open, nor before Phase 2 closed on December 21, 2000.

While we were working to resolve these contingencies with the bidder whose proposal had been accepted, we also continued to receive and evaluate price proposals from the other five bidders. One of these five was unable to provide adequate financial security to allow its bid to be considered a viable option. Among the other four bidders, the lowest price proposed was in excess of 9.5¢/kWh and was contingent upon certain conditions that had not yet been met. All other Phase 2 bids for this class exceeded 10¢/kWh.

As explained in the Commission's December 22, 2000 Order terminating the standard offer bid process, these bids appeared to be inflated due to recent, substantial run-ups and volatility in natural gas prices as well as the market's response to a December Federal Energy Regulatory Commission (FERC) decision that set a deficiency charge for installed capacity (ICAP) significantly higher than had been expected. Because we believed both of these conditions to be transient, we concluded that accepting standard offer proposals at this particular point in time would not be in the public interest.

Following the subsequent solicitation processes, the Commission directed BHE to enter wholesale power supply arrangements to serve this class and set the price for standard offer service effective March 1, 2001 to be 7.3¢/kWh.<sup>3</sup>

B. BHE Medium Non-Residential Standard Offer Class

Nine bidders submitted Phase I proposals for the BHE medium non-residential standard offer class. Seven of the nine met the eligibility criteria to participate in Phase 2, and five bidders submitted price proposals for this class during the 2-week Phase 2 period.

As with the BHE residential/small non-residential class, on December 11, 2000, the Commission accepted a standard offer bid for this class. This bid price was slightly less than 9¢/kWh and was also subject to bidder-imposed contingencies that could not be resolved during the time the bid was held open, nor before Phase 2 closed on December 21.

Throughout Phase 2 we also continued to receive and evaluate bid price proposals for this class from the other four bidders. The lowest bids received were in excess of 9.5¢/kWh and were not accepted for the reasons noted above and in the December 22, 2000 Order in this docket.

BHE is now providing standard offer service to this class with the power supply arrangements that also serve the residential/small non-residential class. The Commission set seasonally-differentiated standard offer prices for this class: 8.498¢/kWh during the June-August summer period and 6.889¢/kWh in all other months. These prices are equivalent to 7.3¢/kWh on an annual average basis.

C. Large Non-Residential Standard Offer Class

Seven bidders submitted Phase 1 proposals for the BHE large non-residential standard offer class. Five of these met the eligibility criteria to submit bid price proposals in Phase 2. Only one bidder actually provided price proposals for this class. The lowest exceeded 8.5¢/kWh, and all of the proposals were subject to bidder-imposed contingencies that could not be met within the Phase 2 period.

The Commission ultimately directed BHE to enter a wholesale power supply contract to serve this class and set time-differentiated standard offer prices as follows: 9.292¢/kWh on-peak; 7.565¢/kWh shoulder; 6.964¢/kWh off-peak.<sup>4</sup> These prices are equivalent to 7.744¢/kWh on an annual average basis.

---

<sup>3</sup> These arrangements are described more fully in the Commission's February 2, 2001 and February 15, 2001 Orders in this docket.

<sup>4</sup> The Commission's February 20, 2001 Order in this docket provides further detail.

#### IV. CMP SERVICE TERRITORY

##### A. CMP Medium Non-Residential Standard Offer Class

Eight bidders submitted Phase I proposals for the CMP medium non-residential standard offer class. Six met the eligibility criteria to submit price proposals in Phase 2, and three bidders did so.

On December 11, 2000, the Commission accepted a standard offer bid for this class. The price proposed was in the range of 8.5¢/kWh. The bid was subject to contingencies, however, that could not be met within the time the bid was held open, nor before Phase 2 closed.

The other Phase 2 bidders for this class continued to submit prices. The lowest among these were in the range of 9.5¢/kWh and were considered unacceptably high because of the transient market conditions discussed previously.

Following the subsequent bid processes, the Commission directed CMP to enter a wholesale power supply contract for this class and set the standard offer price effective March 1, 2001 to be 8.52¢/kWh.<sup>5</sup>

##### B. CMP Large Non-Residential Standard Offer Class

Four bidders submitted Phase I proposals for the CMP large non-residential standard offer class, two of which were eligible for Phase 2. Only one bidder provided prices during Phase 2, and these were offered only for a portion of the class. The lowest prices provided were in excess of 8¢/kWh and were subject to contingencies that were unlikely to be satisfied.

As for the medium class, ultimately, the Commission directed CMP to serve this class through wholesale supply arrangements and set the following standard offer prices:

	<u>June-August</u>	<u>All Other Months</u>
On-Peak	14.576¢/kWh	8.971¢/kWh
Off-Peak	6.543¢/kWh	5.596¢/kWh

These prices are equivalent to 7.946¢/kWh on an annual average basis.

---

<sup>5</sup> The Commission's February 13, 2001 Order in this docket provides further detail.

## V. CONCLUSION

By Order dated December 22, 2000, the Commission terminated Phase 2 and initiated simultaneous retail/wholesale standard offer procurement processes. As noted throughout this summary, following those procurement processes, the Commission ordered CMP and BHE to execute various wholesale supply contracts to provide standard offer service to customers in their service territories. The CMP residential/small non-residential class continues to receive standard offer service from Energy Atlantic pursuant to the 2-year arrangement that began in March 2000.