

**SUBJECT TO CONFIDENTIAL TREATMENT UNTIL
December 14, 2016**

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

November 30, 2016

ORDER DESIGNATING
STANDARD OFFER
PROVIDERS
AND DIRECTING UTILITY TO
ENTER ENTITLEMENTS
AGREEMENT

COMMISSION INITIATED STANDARD OFFER
BIDDING PROCEDURE FOR CMP AND
EMERA MAINE-BHD SMALL, MEDIUM AND
LARGE NON-RESIDENTIAL PERTAINING TO
CENTRAL MAINE POWER COMPANY AND
EMERA MAINE

Docket No. 2016-00200

REQUEST FOR APPROVAL OF REQUEST
FOR BIDS AND ASSOCIATED WAIVERS
FOR SALE OF ELECTRIC CAPACITY AND
ENERGY PERTAINING TO CENTRAL
MAINE POWER COMPANY.

Docket No. 2016-00153

VANNOY, Chairman; McLEAN and WILLIAMSON, Commissioners

I. SUMMARY

Through this Order, we designate TransCanada Power Marketing Ltd. (TC) as the standard offer provider to serve 2/3 of the residential and small non-residential class in the Central Maine Power Company (CMP) service territory for the 12-month term beginning January 1, 2017. We designate NextEra Energy Power Marketing, LLC (NextEra) to serve the remaining 1/3 of the residential and small non-residential class. The NextEra bid is linked to its bid for CMP's power purchase entitlements. For the medium non-residential class, we designate as standard offer providers for the 12-month term beginning January 1, 2017: TC for 80% of the requirements and Constellation Energy Commodities Group Maine, LLC (Constellation) for the remaining 20% of the requirements. Finally, we designate NextEra as the standard offer provider for all of the large non-residential class.

For residential and small non-residential customers, the standard offer price will be \$0.06691/kWh. On an annual average basis, this new price reflects a 3.5% increase from the 2016 price. The weighted average price for medium class standard offer

service for 2017 will be \$0.06834/kWh, which is 1.3% lower than prices during 2016. The standard offer prices for CMP's large non-residential class will be indexed to wholesale market prices and will be set in advance of each month in accordance with this Order.

II. BACKGROUND

Pursuant to Maine's Restructuring Act, the Commission periodically administers a competitive bid process to select providers of standard offer service. 35-A M.R.S. § 212(2). The Commission is also required by the Act to oversee the sale by utilities of the rights to energy and capacity from their non-divested entitlements and other non-divested generation-related assets. 35-A M.R.S. § 3204(4).

On September 7, 2016, the Commission issued its request for proposals for standard offer service for all classes for the term January 1, 2017 through December 31, 2017. The Commission requested proposals for 1/3, 2/3, and 100% of the load of residential and small non-residential standard offer service, requested proposals for 20%, 40%, 60%, 80% and/or 100% of the medium standard offer service, and 100% of the load for large standard offer service.

The Commission's practice has been to allow bids for the residential and small non-residential standard offer load to be linked to obtaining the output of utility non-divested entitlement contracts. To permit such linked bids, bids were sought for CMP's entitlements at the same time as bids were sought for standard offer service. *Order Approving RFB and Granting Waivers*, Docket No. 2016-00153 (Sept. 2, 2016). Specifically, CMP sought bids for the entitlements associated with energy, capacity and renewable energy certificates from its Kennebago Hydro Power PPA, energy from its community-based contracts with Goose River Hydro, Inc. (Goose River) and Athens Energy LLC (Athens Energy), and energy from its LTC with Evergreen Wind Power III, LLC (Rollins Wind). CMP sought bids on all of its entitlements for the period from January 1, 2017 through December 31, 2017. Bidders were permitted to submit bids for the standard offer load and the entitlements that were linked or not linked to each other

III. DISCUSSION

We note at the outset that both the standard offer and entitlement bid processes were very competitive. As a result, the standard offer prices and the sale prices for the entitlements have been established by a competitive market as contemplated by the Restructuring Act.

A. Residential and Small Non-Residential Class

Upon review of all the bids and the selection criteria in Chapter 301, we conclude that a combination of TC's bid for 2/3 and NextEra's linked bid for 1/3 of the residential

and small non-residential class provides the greatest value for ratepayers. Accordingly, we designate TC as the standard offer provider to serve 67% of the residential and small non-residential class and NextEra to serve 33% of the residential and small non-residential class. We also direct CMP to enter into entitlement agreements pursuant to NextEra's linked bid.

Based on our decision today, the standard offer price for this class will be \$0.06691/kWh. As stated above, on an annual average basis, the standard offer price in 2017 will increase 3.5% from the 2016 prices.

B. Medium Commercial and Industrial Class

We designate as the standard offer providers for the 12-month term beginning January 1, 2017: TC for 80% of the requirements and Constellation for 20% of the requirements.

The monthly standard offer prices for the CMP medium class for 2017 are shown below:

Month	SO Price
Jan-17	\$0.08775
Feb-17	\$0.08943
Mar-17	\$0.06370
Apr-17	\$0.05301
May-17	\$0.04783
Jun-17	\$0.06263
Jul-17	\$0.06638
Aug-17	\$0.06578
Sep-17	\$0.06326
Oct-17	\$0.06483
Nov-17	\$0.07040
Dec-17	\$0.08535

As noted above, on an annual load-weighted average basis, standard offer prices for the medium class during 2017 will be 1.3% lower than prices during 2016.

C. Large Commercial and Industrial Class

We designate NextEra as the standard offer provider for the large non-residential class in the CMP service territory for the 12-month period beginning January 1, 2017. The large class price is structured on an indexed basis, which includes an energy component based on the ISO-NE settlement quantities for the load asset, the applicable hourly Maine locational marginal price (LMP), a fixed “adder” in \$ per kWh and a capacity component in \$ per kW. Retail prices charged to large class standard offer customers will be set by the Commission in advance of each month based on the fixed adder and capacity components of the winning bid and a retail energy component that reflects then-current market prices.

The winning bid for the CMP large class is as follows:

	Fixed Adder	Capacity Charge
	\$/kWh	\$/kW-mo
Jan-16	\$0.00777	\$2.91
Feb-16	\$0.00771	\$2.92
Mar-16	\$0.00676	\$2.92
Apr-16	\$0.00691	\$2.92
May-16	\$0.00687	\$2.92
Jun-16	\$0.00729	\$7.36
Jul-16	\$0.00727	\$7.36
Aug-16	\$0.00711	\$7.36
Sep-16	\$0.00733	\$7.63
Oct-16	\$0.00686	\$7.63
Nov-16	\$0.00702	\$7.63
Dec-16	\$0.00807	\$7.63

D. Three Supplier Test

Section 8(C)(2) of Chapter 301 establishes the lowest price as the primary selection criteria in considering standard offer bids, although section 8(C)(4) does require 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%. Given the nature of the CMP bids, the Commission must evaluate the bids under section 8(C)(4).

If the Commission were simply to accept the lowest price bids for CMP’s residential and small non-residential class, medium non-residential class, and large non-residential class, the three supplier test would not be satisfied. Therefore, the Commission must seek to satisfy the test by looking to other bids. A combination of

TC's 80% bid and Constellation's 20% bid for the medium class produces the next lowest price for the medium class, at a weighted average price that is less than 1.5% higher than the lowest bid. In addition, this combination satisfies the three supplier test in a manner that minimizes the total cost of standard offer service in CMP's service territory, as required by Chapter 301. Accordingly, we approve, pursuant to section 8(C)(4), this combination of bids for the medium class in the CMP service territory.

E. Entitlements

As stated above, the Commission directs CMP to award its entitlements associated with Kennebago Hydro Power PPA, energy from its community-based contracts with Goose River Hydro, Inc. (Goose River) and Athens Energy LLC (Athens Energy), and energy from its LTC with Evergreen Wind Power III, LLC (Rollins Wind) to NextEra as part of its linked standard offer bid.

F. Other Matters

In designating the above standard offer provider(s), we accept each of their statements of commitment and bidder conditions. These documents are attached to and incorporated into this Order. We find that these documents provide useful clarifications as to the precise nature of the standard offer providers' obligations, as well as reasonable protections for the providers with respect to actions of the Maine Legislature, this Commission or the utility. We understand all conditions of the winning bidder are satisfied, or will be satisfied shortly after the issuance of this Order. The modified Standard Offer Provider Service Agreements that associated with the winning bids are acceptable to CMP and we find that the changes from the standard form contracts are reasonable.

Finally, we recognize that the standard offer and entitlement arrangements approved in this Order create certain obligations and risks for CMP that should be properly borne by customers rather than shareholders. We are informed by our Staff that CMP agrees to accept the obligations and risks as long as it is compensated for the financial consequences of satisfying those obligations. Therefore, we explicitly find that any direct or indirect costs, obligations, expenses or damages reasonably incurred by CMP, including administrative and security costs, in fulfilling its obligations or exercising its rights under the various contracts and arrangements authorized by this Order, shall be deferred on the utility's books of account as regulatory assets and shall be fully recovered, with carrying costs, from customers either through transmission and distribution rates or standard offer rates. These risks include, but are not limited to:

- The costs of any performance assurance that CMP may be required to provide to a counterparty under the arrangements;
- Any provision that allows for a decrease or offset to the entitlement sale price, such that CMP collects from the buyer any amount less than the entitlement

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. Any petition not granted within **20** days from the date of filing is denied.
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.