

**SUBJECT TO CONFIDENTIAL TREATMENT UNTIL
January 27, 2015**

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

January 13, 2015

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

MAINE PUBLIC UTILITIES COMMISSION
Standard Offer Bidding Procedure for all CMP
and EMERA- BHE Customer Classes and CMP
Time of Use Service

Docket No. 2014-00306

CENTRAL MAINE POWER COMPANY
Request for Approval of Request for Bids
Pursuant to Chapter 307 for Sale of Energy
and Capacity and Associated Waivers

Docket No. 2014-00283

VANNOY, Chairman; LITTELL, Commissioner

I. SUMMARY

Through this Order, we designate Constellation Energy Commodities Group Maine, LLC (Constellation) as the standard offer provider to serve two-thirds of a 66% load tranche of the residential and small non-residential class in the Central Maine Power Company (CMP) service territory for the term beginning March 1, 2015. The Constellation bid is linked to their Entitlement bid for CMP's System Contracts. We designate TransCanada Power Marketing Ltd (TransCanada) as the standard offer provider to serve one-third of a 66% load tranche of the residential and small non-residential class in the CMP service territory for the term beginning March 1, 2015.¹ We also designate TransCanada as the standard offer provider for 100% of the medium commercial and industrial class. We designate NextEra Energy Power Marketing, LLC (NextEra) as the standard offer provider for 100% of the large commercial and industrial class. Finally, the Commission does not designate any Time of Use (TOU) Offer Service provider for TOU Offer customers within CMP's service territory. All designations are for a ten-month term, beginning March 1, 2015.

¹ Constellation will serve two-thirds of the load for this tranche (or 44% of the tranche) at a price of \$0.064260/kWh. TransCanada will serve the remaining one-third (22% of the tranche) at a price of \$0.064050/kWh.

For residential and small non-residential customers, when blended with a supply tranche procured in a prior RFP, the resulting new standard offer service price will be 6.5441 cents/kWh, which is a 13.4% decrease from the current standard offer price.

The weighted average price for medium class standard offer service for this period will be 6.435 cents/kWh over the term. The new prices are 17% lower than prices during the March-December period last year. The standard offer prices for CMP's large non-residential class are indexed to wholesale market prices and will be set in advance of each month in accordance with this Order.

Finally, the Commission considered bids received by CMP for the sale of energy pursuant to the CMP's November 4, 2014 request for bids to re-sell its rights to energy from two undivested system contracts and three small undivested hydroelectric assets.² *Order Approving RFB and Granting Waivers*, Docket No. 2014-00283 (November 4, 2014). Based on the bids, the Commission directs CMP to enter into a contract for the sale of the System entitlements with Constellation. The Commission declines, however, to award a contract for the sale of the hydroelectric entitlements, and, thus, we direct CMP to retain the hydroelectric entitlements and file a plan with the Commission to sell the entitlements into the ISO-NE wholesale market.

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).

For the past several years, the Commission has segmented the standard offer load for CMP's residential and small non-residential classes as a means to reduce the potential for large price swings. The Commission had been following a procurement schedule in which a supply for a third of the load was obtained each year pursuant to three-year arrangements. However, because of the development of retail competition for residential and small commercial customers, last year the Commission began the process of phasing out the use of staggered terms. Thus, in this RFP, the Commission requested bids for 66% of the load to replace one three-year tranche procured in 2012 and one one-year tranche procured last year. *Inquiry Into Residential and Small Commercial Customer Standard Offer Service and Customer Protections*, Docket No. 2013-00200 (Nov. 13, 2013). *Order Approving Request for Standard Offer Bids*, Docket No. 2014-00306 (November 5, 2014).

² The five entitlements included are CINCAP V and CL Eight (jointly referred to as System Entitlements) and, Kennebago Hydro, Hackett Mills Hydro, and Goose River Hydro (jointly referred to as Hydro Entitlements) (Collectively referred to as Entitlements).

In addition, the RFP requested bids for small class time of use service, as well as for the medium and large commercial and industrial (C&I) classes. For the large C&I class, the RFP sought bids on either a fixed or indexed basis.

The Commission's practice has been to allow bids for 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. 2014-00283 (November 4, 2014). Bidders were permitted to submit bids for the standard offer load and the Entitlements that were linked or not linked to each other. In addition, Entitlement bids could be submitted for an individual asset or for the entirety of the Entitlement offering.

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 System Entitlements have been established by a competitive market as contemplated by the Restructuring Act.

A. Standard Offer Term

In the past, the Commission has solicited bids in the winter with a spring start because New England has been a summer peaking region. Current market conditions in New England display prices that tend to peak during the months of January and February. The Commission believes that more favorable prices for consumers may result from a standard offer term that is on a calendar year basis, rather than the current "March-February" year basis. In theory, this will allow standard offer prices to be set at a point in time that is much closer to the peak months of January and February, which, all else equal, should reduce the risk premiums associated with those peak month prices. For this RFP, then, prices will be set for a ten-month term (March – December) which will allow the term in subsequent RFPs to be aligned with the calendar year. Next fall the Commission will solicit bids for the calendar year January 2016 through December 2016.

B. Small Residential and Commercial and Time of Use Classes

Upon review of all the bids and the selection criteria in Chapter 301, we conclude that a combination of the Constellation linked bid for two-thirds of the tranche and TransCanada's unlinked bid for the remaining one-third of the tranche provides the greatest value for ratepayers. We, accordingly, designate Constellation for two-thirds and TransCanada for one-third as the standard offer providers for 66% of the CMP residential and small non-residential class for a 10-month period beginning March 1, 2015.

We do not designate a new TOU Offer service provider for CMP's residential and small non-residential customers. The Commission finds that there were no acceptable bids for TOU Offer service. We note that CMP's systems are now able to accommodate TOU products from retail competitive suppliers, which may result in the availability of TOU pricing from the market.

Based on our decision today, the overall standard offer price for the CMP residential and small non-residential class for the period beginning March 1, 2015 will be 6.544 cents/kWh. As noted above, this represents a blended price of this year's winning bids for 66% of the load and the winning bid for the other 34% of the load from a prior bid.³

C. Medium Commercial and Industrial Class

We designate TransCanada as the provider for 100% of the medium commercial and industrial class in the CMP service territory. Bids for the medium class must be in the form of fixed prices generally as a kWh charge per month for each month of the term. Bidders can bid for a portion of this class in one-fifth shares i.e. 20%, 40%, 60%, 80% or 100%. Here TransCanada provided the most competitive price in its bid for 100% of the class. For CMP medium business customers the weighted average of the monthly charges equate to about 6.435cents/kWh on average over the term, or about 17% lower than prices during the same period last year.

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

Month	\$/kWh
Mar-15	\$0.07640
Apr-15	\$0.05805
May-15	\$0.05205
Jun-15	\$0.06460
Jul-15	\$0.06170
Aug-15	\$0.06145
Sep-15	\$0.05535
Oct-15	\$0.05515
Nov-15	\$0.06540
Dec-15	\$0.09495

D. Large Commercial and Industrial Class

³ The one existing tranche outstanding for CMP residential and small commercial classes equals approximately 34% of load at \$0.06526 and will expire on February 29, 2016.

We designate NextEra for the large non-residential class in the CMP service territory. This bid represents 100% of the load for a ten-month term beginning March 1, 2015. The bid is structured as an indexed bid where the bid 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 adder and capacity portion of the winning bid and a retail energy component that reflects then-current market prices.

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

	Fixed Adder	Capacity Charge
	\$/kWh	\$/kW-mo
Mar-15	\$0.00806	\$4.05279
Apr-15	\$0.00804	\$4.05279
May-15	\$0.00794	\$4.05279
Jun-15	\$0.00843	\$5.03469
Jul-15	\$0.00860	\$5.03469
Aug-15	\$0.00815	\$5.03469
Sep-15	\$0.00865	\$5.03469
Oct-15	\$0.00873	\$5.03469
Nov-15	\$0.01014	\$5.03469
Dec-15	\$0.01189	\$5.03469

E. Three Supplier Test

As required by Chapter 301, section 8(C)(4) of the Commission’s rules, today’s selection of Constellation, TransCanada and NextEra will satisfy the three-supplier test for the upcoming term.

F. Entitlements

The Commission awards the rights to the sale of energy from the two System entitlements, CINCAP V and CL Eight, offered under the November 04, 2014 RFB to Constellation, linked to their small class standard offer bid.

The Commission declines, however, to award a contract for the sale of the hydroelectric entitlements pursuant to the CMP’s November 4, 2014 request for bids. The Commission finds that there were no acceptable bids for these entitlements. We direct CMP to file a plan with the Commission for selling the Hydro entitlements into the wholesale market.

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 Agreement that were attached to 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 sales price approved in this Order, including such decreases or offsets arising from actual or alleged changes in law or regulation;
- Any additional costs or losses that CMP may incur as a result of tolling any termination rights under any agreement pending the outcome of an arbitration proceeding;
- Any costs caused by contractually fixing any fees applicable to the standard offer provider for any time period, where such fees are otherwise subject to change;
- Any incremental costs attributable to the execution of the unlinked standard offer arrangements, including those related to the solicitation, evaluation, and negotiation of those arrangements; and
- Any costs or losses that CMP incurs as a result of a default by the standard offer provider(s) on any of their contractual or other obligations and the

consequential termination of any contract or obligation associated with the unlinked standard offer and unlinked entitlement arrangements authorized in this Order for which CMP is not compensated by associated security.

- Any prudently incurred costs associated with selling the hydro entitlements into the ISO-NE market.

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

Dated at Hallowell, Maine, this 13th day of January 2015.

BY ORDER OF THE COMMISSION

/s/ Harry Lanphear

Harry Lanphear
Administrative Director

COMMISSIONERS VOTING FOR: Vannoy
Littell

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.