

**SUBJECT TO CONFIDENTIAL TREATMENT UNTIL
January 28, 2015**

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

January 14, 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

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

Docket No. 2014-00342

VANNOY, Chairman; LITTELL, Commissioner

I. SUMMARY

Through this Order, we designate TransCanada Power Marketing Ltd (TransCanada) as the standard offer provider to serve two-thirds of a 66% load tranche of the residential and small non-residential class in the Emera Maine- Bangor Hydro District (EME-BHE) service territory for the term beginning March 1, 2015. We designate New Brunswick Power Marketing Corporation (NBPM) as the standard offer provider to serve one-third of a 66% load tranche of the residential and small non-residential class in the EME-BHE service territory for the term beginning March 1, 2015.¹ The NBPM bid is linked to their Entitlement bid. We designate TransCanada as the standard offer provider for 80% of the medium commercial and industrial class and NextEra Energy Power Marketing, LLC (NextEra) for the remaining 20% of that class. All designations are for a ten-month term, beginning March 1, 2015. Finally, the Commission did not receive any acceptable bids for the large class in the EME-BHE territory. As a result, the Commission directs Emera Maine to submit a plan to the

¹ TransCanada will serve two-thirds of the load for this tranche at a price of \$0.064850/kWh. NBPM will serve the remaining one-third at a price of \$0.065090/kWh. The blended price for this tranche is \$0.064930/kWh.

Commission addressing the provision of service to the large standard offer class by January 27, 2015 for Commission approval.

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 beginning March 1, 2015 will be \$0.0650422 /kWh, which is a 14% decrease from the current standard offer price.

The weighted average price for medium class standard offer service for this period will be \$0.066610/kWh over the term. The new prices are 17.4 % lower than prices during the March-December period last year.

Finally, the Commission considered bids received by EME-BHE for the sale of energy pursuant to the EME-BHE's November 26, 2014 request for bids to re-sell its rights from a portfolio of three power purchase agreements (PPAs).² *Order Approving RFB and Granting Waivers*, Docket No. 2014-00342 (November 26, 2014). Based on the bids, the Commission directs EME-BHE to enter into a contract for the rights to these PPAs with NBPM based on linked to NBPM's linked entitlement bid.

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 EME-BHE'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 three entitlements included are a PPA for energy and capacity with the PERC generator in Orrington and energy only PPAs with Rollins Wind in Lincoln and the Exeter Agri-Energy project in Exeter (collectively referred to as Entitlements).

In addition, the RFP requested bids 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 EME-BHE's Entitlements at the same time as bids were sought for standard offer service. *Order Approving RFB and Granting Waivers*, Docket No. 2014-00342 (November 26, 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 Classes

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

Based on our decision today, the overall standard offer price for the EME-BHE residential and small non-residential class for the period beginning March 1, 2015 will be \$0.0650422/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 80% of the medium commercial and industrial class in the EME-BHE service territory and NextEra as the provider for the remaining 20%. 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, a combination of TransCanada and NextEra provided the most advantageous price for consumers while meeting the requirements of the three supplier rule, further discussed below. For EME-BHE medium business customers the weighted average of the monthly charges equate to about \$0.066610/kWh on average over the term, or about 17.4% lower than prices during the same period last year.

The winning bid for the EME-BHE medium class is as follows:

Emera-BHD Medium Class			
March 2015 through December 2015			
	TransCanada	NextEra	Blended Rate
	80%	20%	
Month	\$/kWh	\$/kWh	\$/kWh
Mar-15	\$ 0.077100	\$ 0.077730	\$ 0.077226
Apr-15	\$ 0.058150	\$ 0.058680	\$ 0.058256
May-15	\$ 0.051750	\$ 0.051310	\$ 0.051662
Jun-15	\$ 0.066250	\$ 0.065700	\$ 0.066140
Jul-15	\$ 0.063700	\$ 0.073030	\$ 0.065566
Aug-15	\$ 0.064850	\$ 0.066910	\$ 0.065262
Sep-15	\$ 0.056950	\$ 0.057280	\$ 0.057016
Oct-15	\$ 0.057750	\$ 0.060400	\$ 0.058280
Nov-15	\$ 0.067550	\$ 0.072110	\$ 0.068462
Dec-15	\$ 0.094300	\$ 0.103050	\$ 0.096050

D. Large Commercial and Industrial Class

³ The one existing tranche outstanding for EME-BHE residential and small commercial classes equals approximately 34% of load at \$0.065260/kWh and will expire on February 29, 2016.

The Commission did not receive any acceptable bids for the large class in the EME-BHE territory. As a result, the Commission directs Emera Maine to submit a plan to the Commission addressing the provision of service to the large standard offer class by January 27, 2015 for Commission approval. The plan should mirror as much as possible the current structure for establishing customer prices and supplier payments.⁴

E. Three Supplier Test

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

F. Entitlements

The Commission awards the rights to the Entitlements, offered under the November 26, 2014 RFB to NBPM, based on NBPM's linked entitlement bid.

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 Emera Maine 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 Emera Maine that should be properly borne by customers rather than shareholders. We are informed by our Staff that Emera Maine 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 Emera Maine, 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:

⁴ We delegate to the Director of Electricity & Gas Utility Industries the authority to approve the BHE plan and to establish standard offer prices under that plan.

- The costs of any performance assurance that Emera Maine 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 Emera Maine 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 Emera Maine 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 Emera Maine 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 Emera Maine is not compensated by associated security.
- Any costs or losses incurred as result of providing standard offer service to the EME-BHE large commercial class.

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 14th 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.