

**SUBJECT TO CONFIDENTIAL TREATMENT UNTIL
February 5, 2013**

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

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

Docket No. 2013-00500

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. 2013-00391

January 21, 2014

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

WELCH, Chairman; LITTELL and VANNOY, Commissioners

I. SUMMARY

Through this Order, we designate NextEra Energy Power Marketing LLC (NextEra) as a standard offer provider for 33% of the load of residential and small non-residential class in the Central Maine Power Company (CMP) service. We also designate NextEra as the standard offer provider for 100% of the load for the medium commercial and industrial classes and for 100% of the load for the large commercial and industrial class on an indexed basis. Additionally, the Commission accepts NextEra's bid and designates NextEra to provide Time of Use (TOU) Offer Service to TOU Offer customers within CMP's service territory for a one-year period beginning March 1, 2014. All accepted bids are for a one-year period beginning March 1, 2014

For residential and small commercial customers, the resulting overall price for standard offer service for the one-year period beginning March 1, 2014 will be 7.56 cents/kWh, which is a 10.8% increase over the price for the previous one-year period beginning March 1, 2013. For the medium class, the weighted average price for standard offer service for this period will be 8.84 cents/kWh, or about 30% higher than prices during the prior year. The standard offer prices for CMP's large non-residential class is indexed to wholesale market prices and will be set in advance of each month in accordance with this Order.

Finally, the Commission declines to award a contract for the sale of energy pursuant to CMP's November 12, 2013 request for bids to re-sell its rights to energy

from two undivested system contracts (Entitlements). *Order Approving RFB and Granting Waivers*, Docket No. 2013-391 (November 12, 2013). The Commission finds that all of the bids received for the Entitlements are significantly below the current applicable forward market prices and, thus, we direct CMP to retain these rights and re-sell the energy directly 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).

Since the standard offer service term beginning March 1, 2005, 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 initially adopted a procurement schedule in which a supply for a third of the load is obtained each year pursuant to three-year arrangements. However, because of developing retail competition for residential and small commercial customers, the Commission has decided to phase-out the use of staggered terms and thus requested bids for 33% of the load for a one-year period. *Inquiry Into Residential and Small Commercial Customer Standard Offer Service and Customer Protections*, Docket No.2013-200 (Nov. 13, 2013),

The Commission 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 standard offer bids. *Order Approving RFB and Granting Waivers*, Docket No. 2013-391 (November 12, 2013). Bidders were also permitted to submit bids for the standard offer load and the entitlements that were not linked to each other.

As one 33% segment to serve residential and small commercial standard offer load expires on February 28, 2014, the Commission issued a Request for Proposal (RFP) for 33% of CMP's small classes standard offer load on November 11, 2013. *Order Approving Request for Standard Offer Bids*, Docket No. 2013-500 (November 12, 2013). In addition, the RFP requested bids for the medium commercial and large industrial class as well as the large class on a fixed or indexed basis. The RFP also requested one-year bids to provide time-of-use (TOU) offer service for a one-year period in accordance with CMP's optional TOU Program and the Commission's Standard Form TOU Offer Provider Standard Service Agreement. Contemporaneously, the Commission approved and CMP issued a Request for Bids (RFB) to re-sell its rights to energy from two undivested system contracts. *Order Approving RFB and Granting Waivers*, Docket No. 2013-391 (November 12, 2013).

III. DISCUSSION

We note at the outset that the standard offer bid process was very competitive. As a result, the standard offer prices are established by a competitive market as contemplated by the Restructuring Act.

A. Small Residential and Commercial and Time of Use Classes

Upon review of the bids and the selection criteria in Chapter 301, we conclude that the NextEra unlinked bid provides the greatest value for ratepayers. Additionally, the selection of NextEra satisfies the three-supplier test set forth in Chapter 301, section 8(C)(4) of the Commission's rules because there are already two other different suppliers serving the residential and small commercial standard offer load in CMP's service territory. We, accordingly, designate NextEra as the standard offer provider for 33% of the CMP residential and small non-residential class for a one-year period beginning March 1, 2014 at a price of \$0.090930. We also designate NextEra as the TOU Offer service provider for a one-year period beginning March 1, 2014 for CMP's residential and small non-residential customers who are enrolled in CMP's TOU program. NextEra's TOU Prices are attached to this Order.

Based on our decision today, the overall standard offer price for the CMP small class for the one-year period beginning March 1, 2014 will be 7.56 cents/kWh. This represents a blended price of this year's winning bid for 33% of the load and the winning bids for the other 67% of the load from prior bids.¹

B. Medium Commercial and Industrial Class

We designate NextEra 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 multiples of 20% (20%, 40%, 60%, 80% or 100%). Here NextEra provided the most competitive price in its bid for a 100% of the class. For CMP medium business customers, the weighted average of the monthly charges equate to about 8.84 cents/kWh on average over the term, or about 30% higher than prices during the prior year. The NextEra bid reflects current market conditions with winter prices significantly impacting Maine ratepayers.

¹ The two existing tranches outstanding for CMP residential and small commercial classes, equaling approximately 67% of load, are \$0.06949 and \$0.06666 respectively.

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

Month	\$/kWh
March- 14	0.09476
April-14	0.07209
May-14	0.06182
June-14	0.07360
July-14	0.07490
Aug.-14	0.07109
Sept.-14	0.06136
Oct.-14	0.06216
Nov.-14	0.08673
Dec.-14	0.11989
Jan.-15	0.14956
Feb.-15	0.14438

C. Large Commercial and Industrial Class

We also designate NextEra for the large non-residential class in the CMP service territory for 100% of the load for a one-year term beginning March 1, 2014. CMP's large class is comprised of customers with peak demands generally greater than 400kW. 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 and the applicable hourly Maine LMP, a fixed "adder" in \$ per kWh and a capacity component in \$ per kW-mo. 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.² The adder and capacity components received from NextEra are consistent with bids received in previous years. A table containing the monthly prices for the selected bid is contained on the following page.

² Pursuant to Title 35-A, section 107(4), we delegate the authority to set prices in advance of each month to the Director of Electric and Gas Industries. Please see Attachment B for more detail on the Alternative Price Structure.

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

	Fixed Adder	Capacity Charge
	\$/kWh	\$/kW-mo
Mar- 14	\$0.00446	4.1656
April-14	\$0.00470	4.1656
May-14	\$0.00457	4.1656
June-14	\$0.00417	4.1748
July-14	\$0.00426	4.1748
Aug.-14	\$0.00420	4.1748
Sept.-14	\$0.00465	4.1748
Oct.-14	\$0.00525	4.1748
Nov.-14	\$0.00538	4.1748
Dec.-14	\$0.00751	4.1748
Jan.-15	\$0.00799	4.1748
Feb.-15	\$0.00796	4.1748

D. Entitlements

The Commission declines to award the Entitlements offered under the November 12, 2013 RFB. The Commission finds that prices offered by the bidders are below the applicable forward market prices such that they do not provide an acceptable option. We instruct CMP to re-sell the energy from the Entitlements into the ISO-NE wholesale market.

In designating NextEra as a standard offer provider, we accept its 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 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 shortly after the issuance of this Order. We are informed that the modified Standard Offer Provider Service Agreement were attached to winning bids are acceptable to CMP and we concur that the changes from the standard form contracts are reasonable.

Finally, we recognize that the standard offer arrangements approved through this Order and direction that CMP sell the Entitlements into the wholesale market creates 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 a counterparty under the arrangements;
- 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 period time, where such fees are otherwise subject to change;
- Any costs or losses that CMP incurs as a result of a default by NextEra on any of their contractual or other obligations and the consequential termination of any contract or obligation authorized in this Order for which CMP is not compensated by associated security.
- Any costs associated with selling the entitlements into the ISO-NE wholesale market, including but not limited to marginal losses, transactional costs and other market related charges associated with these transactions.

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 Order will be removed.

Dated at Hallowell, Maine, this 22nd day of January 2014.

BY ORDER OF THE COMMISSION

/s/ Harry Lanphear

Harry Lanphear
Administrative Director

COMMISSIONERS VOTING FOR: Welch
Littell
Vannoy

Attachment A
NextEra TOU Prices

Month	Peak \$/kWh	Off-Peak \$/kWh
Mar-14	0.10192	0.08639
Apr-14	0.07691	0.0634
May-14	0.06562	0.05677
Jun-14	0.0813	0.06604
Jul-14	0.08494	0.0639
Aug-14	0.07984	0.06249
Sep-14	0.06606	0.05732
Oct-14	0.0658	0.0573
Nov-14	0.09459	0.07917
Dec-14	0.12952	0.11087
Jan-15	0.16513	0.13607
Feb-15	0.15767	0.13279

Attachment BCMP Large Commercial and Industrial Customer Standard Offer Service
Outline of Alternative Price Structure

The applicable terms of the Commission's November 13, 2013 Request for Proposals (RFP) to Provide Standard Offer Service to Central Maine Power Company to Medium and Large Commercial & Industrial Customers SOP Standard Service Agreement will apply, except that the retail price structure and basis upon which the SOP is paid will be as follows. The retail price and payment basis will include four components: (1) energy; (2) capacity; (3) fixed adder; and (4) uncollectible adder.

1. The Energy Component Billed to Retail Customers will be established by the Commission prior to each service month using the load-weighted average ISO New England Internal Hub Peak and Off-Peak LMP Swap Futures, as settled through CME Group³ on the 15th day⁴ of each month prior to the effective date of the standard offer service price. The load-weighting will reflect representative usage of the class for the service month. The Energy Component Paid to the Standard Offer Provider, however, will be the real-time or day-ahead Maine Zonal Locational Market Price (LMP) as applicable for the load asset, as assessed by ISO-NE through the market settlement system. (Bidders shall select either the real-time or day-ahead market in their bid.)⁵
2. The Capacity Component paid by retail customers and to the SO provider will be set by the bid price per kW of the SO provider. The Capacity Component will be charged to customers on a per-kW basis, with each large standard offer customer's kW set in a manner consistent with the large standard offer class Load Asset Coincident Peak Contribution (CPC) established pursuant to ISO-NE Market Rules, i.e., the "Cap Tag". Capacity Component bids may differ by month.
3. The Fixed Adder Component paid by retail customers and to the SO provider will be a fixed \$ per billed kWh intended to cover the SO provider's other costs and risks to serve the large SO class. The Fixed Adder Component will be set by the SO provider's bid. Fixed Adder Component bids may differ by month.

³ CME Group represents the merger of the Chicago Mercantile Exchange (CME), the Chicago Board of Trade (CBOT), the New York Mercantile Exchange (NYMEX) and its commodity exchange division, Commodity Exchange, Inc. (COMEX). The formation of CME Group did not, however, result in any change to trading privileges for CME, CBOT and NYMEX/COMEX members.

⁴ If the 15th day of the month occurs on a weekend or holiday such that prices are not published, then prices for the next available date will be used.

4. The Uncollectible Adder Component will be reflected in retail prices and SO provider payments in the same manner as for the medium standard offer class. The Uncollectible percentage for this alternative price structure for this standard offer term is 3%.

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S. § 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 11(D) 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. § 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. § 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.