

**SUBJECT TO CONFIDENTIAL TREATMENT UNTIL
December 2, 2015**

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

November 18, 2015

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

MAINE PUBLIC UTILITIES COMMISSION
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. 2015-00266

EMERA MAINE
Request for Approval of Bids
Pursuant to Chapter 307 - Sale of Capacity
& Energy Un-Divested Generation Assets &
Generation Pertaining to Emera Maine

Docket No. 2015-00240

VANNOY, Chairman; McLEAN and WILLIAMSON, Commissioners

I. SUMMARY

Through this Order, we designate TransCanada Power Marketing Ltd. (TransCanada) as the standard offer provider to serve two-thirds and **New Brunswick Energy Marketing Corporation (NBEM)** to serve one-third of the residential and small non-residential class in the Emera Maine-Bangor Hydro District (EME-BHD) service territory for the 12-month term beginning January 1, 2016. The **NBEM** bid is linked to its bid for the EME-BHD power entitlements. We also designate TransCanada as the standard offer provider for all of the medium non-residential class for the 12-month term beginning January 1, 2016. Finally, the Commission did not receive any acceptable bids for the large class in the EME-BHD territory. As a result, the Commission directs EME to submit a plan to the Commission addressing the provision of service to the large standard offer class by December 4, 2015.

For residential and small non-residential customers, when blended with a supply tranche procured in a prior RFP, the standard offer price for January and February will be 6.594 cents/kWh and for March through December will be 6.63 cents/kWh. On

annual average basis, these new prices reflect a 0.9% decrease from the annual average price during 2015. The weighted average price for the medium non-residential standard offer class for 2016 will be 6.744 cents/kWh. The new prices for the medium class are 17.4% lower than prices during 2015.

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. § 3212(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-BHD'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, the Commission began the process of phasing out the use of staggered terms. *Inquiry Into Residential and Small Commercial Customer Standard Offer Service and Customer Protections*, Docket No.2013-00200 (Nov. 13, 2013). Thus, in last year's 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 in 2014. *Order Approving Request for Standard Offer Bids*, Docket No. 2014-00306 (November 5, 2014).

As stated in last year's Order Designating Standard Offer Providers, Docket No. 2014-00306, the Commission's previous practice had been to solicit bids in the winter with a spring start because New England had been a summer peaking region. However, the Commission noted that current market conditions in New England display prices that tend to peak during the months of January and February. Therefore, the Commission determined that more favorable prices for consumers may result from a standard offer term that is on a calendar year basis, rather than the previously-used "March-February" year basis, because standard offer prices would 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. Accordingly, in the last RFP, the Commission accepted prices for ten-month term (March – December) so as to allow subsequent RFPs to be aligned with the calendar year.

On September 9, 2015, the Commission issued its request for proposals for standard offer service for all classes for the term January 1, 2016 through December 31, 2016. To complete the phase-out of the staggered approach for the residential and small non-residential standard offer service, the Commission requested proposals for 66% of the load of this class from January 1, 2016 to February 29, 2016, and 100% of the load of this class from March 1, 2016 through December 31, 2016.

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-BHD's entitlements at the same time as bids were sought for standard offer service. *Order Approving RFB and Granting Waivers*, Docket No. 2015-00240 (November 9, 2015). Specifically, EME sought bids associated with a portfolio of several power purchase agreements in two groups: (1) entitlements to the 23 MW Penobscot Energy Recovery Center, the 60 MW Rollins Wind Project and the 0.98 MW Exeter Agri-Energy biogas generator; and (2) a package of three small hydroelectric assets and EME's 2 MW diesel unit in Eastport, Maine. 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 AND DECISION

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. 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 and the **NBEM** linked bid for one-third of the small class load 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-BHD residential and small non-residential class for the months of January and February of 2016 and TransCanada for two-thirds and **NBEM** for one-third of the entire load for the remainder of 2016.

Based on our decision today, the standard offer price for this class will be 6.594 cents/kWh for January and February of 2016 and, for March through December of 2016, will be 6.630 cents/kWh. As stated above, on an annual average basis, the standard offer price in 2016 will be 0.9% less than the 2015 prices.

B. Medium Commercial and Industrial Class

We designate TransCanada as the provider for all of the medium non-residential standard offer class in the EME-BHD service territory.

The monthly standard offer prices for the EME-BHD medium class for 2016 are shown below:

Trans Canada		
Jan-16	\$	0.09010
Feb-16	\$	0.09408
Mar-16	\$	0.07553
Apr-16	\$	0.06615
May-16	\$	0.05442
Jun-16	\$	0.05717
Jul-16	\$	0.06054
Aug-16	\$	0.05984
Sep-16	\$	0.05269
Oct-16	\$	0.05887
Nov-16	\$	0.06262
Dec-16	\$	0.08061

As noted above, on an annual load-weighted average basis, standard offer prices for the medium class during 2016 will be 17.4% lower than prices during 2015.

C. Large Commercial and Industrial Class

The Commission did not receive any acceptable bids for the large class in the EME-BHD territory. As a result, the Commission directs EME to submit a plan addressing the provision of service to the large standard offer class by December 4, 2015 for Commission approval. The plan should mirror as closely as possible the structure of the indexed price option for the large class as described in the Commission's current RFP, both for establishing customer prices and supplier payments. We delegate to the Director of Electricity and Gas Utility Industries the authority to approve the EME Plan and to establish standard offer prices under that plan.

D. Three Supplier Test

As required by Chapter 301, section 8(C)(4) of the Commission's rules, today's selection of TransCanada and **NBEM**, with the direction for EME to provide a plan to serve the large class will satisfy the three-supplier criteria for the upcoming term.

E. Entitlements

As stated above, the Commission directs EME to award its entitlements associated with (1) the 23 MW Penobscot Energy Recovery Center, the 60 MW Rollins Wind Project and the 0.98 MW Exeter Agri-Energy biogas generator; and (2) the

package of three small hydroelectric assets and EME's 2 MW diesel unit to **NBEM** consistent with its linked standard offer bid.

F. Other Matters

In designating the above standard offer provider(s), the Commission accepts each of their statements of commitment and bidder conditions. These documents are attached to and incorporated into this Order. The Commission finds 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 were attached to winning bids are acceptable to EME and we find that the changes from the standard form contracts are reasonable.

Finally, the Commission recognizes that the standard offer and entitlement arrangements approved in this Order create certain obligations and risks for EME that should be properly borne by customers rather than shareholders. We are informed by our Staff that EME 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 EME, 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 EME 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 EME 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 EME 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 standard offer arrangements, including those related to the solicitation, evaluation, and negotiation of those arrangements;
- Any costs or losses that EME 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 EME is not compensated by associated security; and
- Any costs or losses incurred as result of providing standard offer service to the EME-BHD 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 18th day of November 2015.

BY ORDER OF THE COMMISSION

/s/ Harry Lanphear

Harry Lanphear
Administrative Director

COMMISSIONERS VOTING FOR: Vannoy
McLean
Williamson

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.