

**SUBJECT TO CONFIDENTIAL TREATMENT UNTIL  
February 6, 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

BANGOR HYDRO ELECTRIC COMPANY  
Request for Approval of Request for Bids  
Pursuant to Chapter 307 for Sale of Energy  
and Capacity and Associated Waivers

Docket No. 2013-00502

January 23, 2014

ORDER DESIGNATING  
STANDARD OFFER PROVIDER  
AND DIRECTING UTILITY TO  
DISPOSE OF ENTITLEMENTS

WELCH, Chairman; LITTELL and VANNOY, Commissioners

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**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 Emera Maine's (EME) Bangor Hydro Service Area (BHSA). We also designate NextEra as the standard offer provider for 100% of the load for the medium commercial and industrial class. The Commission designates Algonquin Energy Service Inc. (Algonquin) to provide 100% of the load for the large commercial and industrial class on an indexed basis. 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 7.576 cents/kWh, which is a 13.2% 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 9.286 cents/kWh, or about 31% higher than prices during the prior year. The standard offer prices for the BHSA'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 declines to award a contract for the sale of energy pursuant to EME's November 13, 2013 request for bids to sell certain rights to energy associated with its undivested diesel units (Entitlements). *Order Approving RFB and Granting Waivers*, Docket No. 2013-502 (November 13, 2013). The Commission finds

that the acceptance of any of the bids received for the Entitlements would not be in the public interest. As a result, the Commission directs EME to submit a plan to the Commission addressing the resale of the Entitlements by January 29, 2014 for Commission approval.

## 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 the BHSA'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),

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 BHSA's small class 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 (C&I) class as well as the large C&I class on 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 entitlements. To permit such linked bids, bids were sought for EME's Entitlements at the same time as bids were sought for standard offer service. *Order Approving RFB and Granting Waivers*, Docket No. 2013-502 (November 13, 2013). Bidders were permitted to submit bids for the standard offer load and the Entitlements that were linked to each other or on a stand-alone basis.

## 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 Class

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. We, accordingly, designate NextEra as the standard offer provider for 33% of the BHSA residential and small non-residential class for a one-year period beginning March 1, 2014. NextEra's accepted bid price is 9.653 cents/kWh which, when combined with bids accepted in prior years for the remaining 67% of the class, results in an overall standard offer price for the BHSA small class for the one-year period beginning March 1, 2014 of 7.5760 cents/kWh, a 13.2 % increase over the previous one-year period.<sup>1</sup>

B. Medium Commercial and Industrial Class

We also designate NextEra as the provider for 100% of the medium commercial and industrial class in the EME 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's bid for 100% of this class resulted in the lowest price for the class. The weighted average of the monthly prices accepted (shown below) is 9.286 cents/kWh over the term, or about 31% higher than prices during the prior year.

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

Month	\$/kWh
March- 14	\$0.10245
April-14	\$0.07495
May-14	\$0.06462
June-14	\$0.07603
July-14	\$0.07730
Aug.-14	\$0.07299
Sept.-14	\$0.06234
Oct.-14	\$0.06291
Nov.-14	\$0.08863
Dec.-14	\$0.12416
Jan.-15	\$0.16046
Feb.-15	\$0.15492

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<sup>1</sup> The overall number 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. The two existing tranches outstanding for BHSA residential and small commercial classes, equaling approximately 67% of load, are 6.693 cents/kWh and \$6.417 cents/kWh respectively.

C. Large Commercial and Industrial Class

Finally, we designate Algonquin as the standard offer supplier for the large non-residential class in the BHSA for 100% of the load for a one-year term beginning March 1, 2014. With the designation of Algonquin, the three-supplier test set forth in Chapter 301, section 8(C)(4) of the Commission's rules will be satisfied, because two different suppliers (NextEra and NB Power) will be providing standard offer service for the other classes. The accepted Algonquin bid is structured as an index with 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.<sup>2</sup>

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

	<b>Fixed Adder</b>	<b>Capacity Charge</b>
	\$/kWh	\$/kW-mo
Mar- 14	\$0.008144	\$4.8350
April-14	\$0.005956	\$4.8590
May-14	\$0.006890	\$4.8590
June-14	\$0.006850	\$5.2410
July-14	\$0.009706	\$5.2110
Aug.-14	\$0.006351	\$5.2130
Sept.-14	\$0.006553	\$5.2130
Oct.-14	\$0.006702	\$5.2390
Nov.-14	\$0.007214	\$5.2380
Dec.-14	\$0.009657	\$5.2410
Jan.-15	\$0.017334	\$5.2110
Feb.-15	\$0.019342	\$5.2130

D. Entitlements

The Commission declines to award the Entitlements offered under the November 12, 2013 EME RFB. The Commission finds that the acceptance of such bids would not be in the public interest pursuant to Chapter 301, section 8(D). We instruct EME to develop a plan for the disposition of the capacity and energy from its diesel units and submit the plan to the Commission for approval January 29, 2014.

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<sup>2</sup> 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.

In designating NextEra and Algonquin as standard offer providers, we accept 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 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 Agreements associated with the winning bids are acceptable to EME 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 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 a counterparty under the arrangements;
- 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 period time, where such fees are otherwise subject to change;
- Any costs or losses that EME incurs as a result of a default by NextEra or Algonquin on any of their contractual or other obligations and the consequential termination of any contract or obligation authorized in this Order for which EME is not compensated by associated security.

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.



Attachment AEME BHSA 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 Bangor Hydro Electric 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 Group<sup>3</sup> on the 15th day<sup>4</sup> 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.)<sup>5</sup>
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.

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<sup>3</sup> 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.

<sup>4</sup> 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.