

**SUBJECT TO CONFIDENTIAL TREATMENT UNTIL
December 1, 2015**

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

November 17, 2015

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

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

CENTRAL MAINE POWER COMPANY
Request for Approval of Request for Bids
and Associated Waivers For Sale of Electric
Capacity and Energy Pertaining to Central
Maine Power Company

Docket No. 2015-00182

VANNOY, Chairman; McLEAN and WILLIAMSON, Commissioners

I. SUMMARY

Through this Order, we designate NextEra Energy Power Marketing, LLC. (NextEra) as the standard offer provider to serve all of the residential and small non-residential class in the Central Maine Power Company (CMP) service territory for the 12-month term beginning January 1, 2016. The NextEra bid is linked to its bid for CMP's power purchase entitlements. For the medium non-residential class, we designate as standard offer providers for the 12-month term beginning January 1, 2016: NextEra for 60% of the requirements; Constellation Energy Commodities Group Maine, LLC. (Constellation) for 20% of the requirements; and New Brunswick Energy Marketing Corporation (NBEM) for 20% of the requirements. Finally, we designate NextEra as the standard offer provider for all of the large non-residential class.

For residential and small non-residential customers, when blended with the remaining supply tranche procured in a prior RFP, the standard offer for January and February will be 6.560 cents/kWh and for March through December will be 6.443 cent/kWh. On an annual average basis, these new prices reflect a 3.7% decrease from

the annual average 2015 price. The weighted average price for medium class standard offer service for 2016 will be 6.923 cents/kWh. The new prices for the medium class are 11% lower than prices during 2015. The standard offer prices for CMP's large non-residential class will be indexed to wholesale market prices and will be set in advance of each month in accordance with this Order.

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, 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 CMP's entitlements at the same time as bids were sought for standard offer service. *Order Approving RFB and Granting Waivers*, Docket No. 2015-00182 (Sept. 8, 2015). Specifically, CMP sought bids associated with (1) its two remaining system contract power purchase agreements, (2) its one remaining hydroelectric purchase power agreement, and (3) its community based contracts with Goose River and Athens Energy, and (4) its long-term contract with Rollins Wind. 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

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. Residential and Small Non-Residential Class

Upon review of all the bids and the selection criteria in Chapter 301, we conclude that NextEra's linked bid for 100% of the residential and small non-residential class provides the greatest value for ratepayers. Accordingly, we designate NextEra as the standard offer provider to serve 66% of the residential and small non-residential class for the months of January and February of 2016, and 100% of the residential and small non-residential class for the remainder of 2016. We also direct CMP to enter into entitlement agreements pursuant to NextEra's linked bid.

Based on our decision today, the standard offer price for this class will be 6.56 cents/kWh for January and February of 2016 and, for March through December of 2016, will be 6.443 cent/kWh. As stated above, on an annual average basis, the standard offer price in 2016 will be 3.7% less than the 2015 prices.

B. Medium Commercial and Industrial Class

We designate as the standard offer providers for the 12-month term beginning January 1, 2016: NextEra for 60% of the requirements; Constellation for 20% of the requirements; and NBEM for 20% of the requirements.

The monthly standard offer prices for the CMP medium class for 2016 are shown below:

Blended Rate		NextEra	Constellation	New Brunswick
2016		60%	20%	20%
Jan	\$ 0.091576	\$0.09019	\$0.0903	\$0.09701
Feb	\$ 0.096222	\$0.09504	\$0.0955	\$0.10049
Mar	\$ 0.079286	\$0.07758	\$0.0792	\$0.08449
Apr	\$ 0.063600	\$0.06244	\$0.0636	\$0.06708
May	\$ 0.055260	\$0.05404	\$0.0554	\$0.05878
Jun	\$ 0.059432	\$0.05849	\$0.0605	\$0.06119
Jul	\$ 0.062946	\$0.06247	\$0.0648	\$0.06252
Aug	\$ 0.060726	\$0.05980	\$0.0606	\$0.06363
Sep	\$ 0.055960	\$0.05582	\$0.0566	\$0.05574
Oct	\$ 0.060270	\$0.05986	\$0.0609	\$0.06087
Nov	\$ 0.068492	\$0.06876	\$0.0684	\$0.06778
Dec	\$ 0.081534	\$0.08111	\$0.0822	\$0.08214

As noted above, on an annual load-weighted average basis, standard offer prices for the medium class during 2016 will be 11% lower than prices during 2015.

C. Large Commercial and Industrial Class

We designate NextEra as the standard offer provider for the large non-residential class in the CMP service territory for the 12-month period beginning January 1, 2016. The large class price is structured on an indexed basis, which 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 fixed adder and capacity components 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
Jan-16	\$0.00908	\$ 4.84
Feb-16	\$0.00902	\$ 4.84
Mar-16	\$0.00702	\$ 4.84
Apr-16	\$0.00701	\$ 4.84
May-16	\$0.00703	\$ 4.84
Jun-16	\$0.00726	\$ 4.95
Jul-16	\$0.00767	\$ 4.95
Aug-16	\$0.00736	\$ 4.95
Sep-16	\$0.00792	\$ 4.95
Oct-16	\$0.00790	\$ 4.95
Nov-16	\$0.00858	\$ 4.95
Dec-16	\$0.00939	\$ 4.95

D. Three Supplier Test

Section 8(C)(2) of Chapter 301 establishes the lowest price as the primary selection criteria in considering standard offer bids, although section 8(C)(4) does require the Commission to select three standard offer providers within a utility service territory if this can be accomplished without increasing standard offer prices within any standard offer class by more than 1.5%. Given the nature of the CMP bids, the Commission must evaluate the bids under section 8(C)(4).

If the Commission were simply to accept the lowest price bids for CMP's residential and small non-residential class, medium non-residential class, and large non-residential class, the three supplier test would not be satisfied. Therefore, the Commission must seek to satisfy the test by looking to other bids. A combination of NextEra's 60% bid, Constellation's 20% bid, and NBEM's 20% bid for the medium class produces the next lowest price for the medium class, at a weighted average price that is less than 1.5% higher than the lowest bid. In addition, this combination satisfies the three supplier test in a manner that minimizes the total cost of standard offer service in CMP's service territory, as required by Chapter 301. Accordingly, we approve, pursuant to section 8(C)(4), this combination of bids for the medium class in the CMP service territory.

E. Entitlements

As stated above, the Commission directs CMP to award its entitlements associated with (1) its two remaining system contract power purchase agreements, (2)

its one remaining hydroelectric purchase power agreement, and (3) its community based contracts with Goose River and Athens Energy, and (4) its long-term contract with Rollins Wind to NextEra as part of its linked standard offer bid.

F. Other Matters

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 Agreements that associated with the 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;

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.