

**SUBJECT TO CONFIDENTIAL TREATMENT UNTIL
November 21, 2017**

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

November 7, 2017

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

COMMISSION INITIATED 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. 2017-00184

EMERA MAINE REQUEST FOR APPROVAL
OF REQUEST FOR BIDS PURSUANT TO
CHAPTER 307 SALE OF CAPACITY AND
ENERGY FROM UN-DIVESTED GENERATION
ASSETS AND GENERATION-RELATED
BUSINESS ACTIVITIES.

Docket No. 2017-00240

VANNOY, Chairman; and WILLIAMSON, Commissioner

I. SUMMARY

Through this Order, we designate NextEra Energy Marketing, LLC (NextEra) as the standard offer provider to serve 100% of the residential and small non-residential (commercial) load in the Emera Maine-Bangor Hydro District (EME-BHD) service territory for the one-year term beginning January 1, 2018. The NextEra bid is not linked to its bid for the EME-BHD generation entitlements, and therefore the Commission directs EME-BHD to sell its entitlements into the market. We also designate Constellation Energy Commodities Group Maine, LLC (Constellation) as the standard offer provider for 100% of the medium commercial/industrial class for the one-year term beginning January 1, 2018. Finally, we also designate Maine Power, LLC (Maine Power) as the standard offer provider for all the large commercial/industrial class for the one-year term starting January 1, 2018.

For residential and small non-residential customers, the standard offer price will be \$0.07225 /kWh. The new price reflects a 14.3% increase from the current price. The weighted average price for the medium non-residential standard offer class for 2018 will be \$0.08103/kWh. The new price for the medium class is on average 21% higher than prices during 2017. The standard offer prices for EME-BHD'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. § 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).

On September 6, 2017, the Commission issued its request for proposals for standard offer service for all classes for the term January 1, 2018 through December 31, 2018. The Commission requested proposals for 100% of the load of the residential and small non-residential class, indicating that bids may be submitted for one-third, two-thirds or all of the class. The Commission requested proposals for 20%, 40%, 60%, 80% and/or 100% of the medium non-residential class and for 100% of the large non-residential class.

The Commission's practice has been to allow bids for the residential and small non-residential standard offer class to be linked to obtaining the output of utility non-divested entitlement contracts and assets. 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. *Emera Maine Request for Approval of Request for Bids Pursuant to Chapter 307 Sale of Capacity and Energy from Un-Divested Generation Assets and Generation-related Business Activities*, Docket No. 2017-00240, Order Approving Revised RFB and Request for Waivers (September 18, 2017). Specifically, EME-BHD sought bids associated with four power purchase agreements with PERC, West Enfield Hydro, BHE Small Hydro Composite of Green Lake Hydro, and Sebec Lake Hydro; four long-term contracts with Rollins Wind, Exeter—Phase 1, Exeter—Phase 2, and Pisgah Mountain; and one diesel asset owned by Emera. Bidders were permitted to submit bids for the residential and small non-residential standard offer class and the entitlements that were linked or not linked to each other.

III. DISCUSSION AND DECISION

We note at the outset that the bidding process was very competitive. As a result, standard offer prices 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 the NextEra unlinked bid for 100% of the residential and small non-residential class load provides the greatest value for ratepayers. We, accordingly, designate NextEra as the standard offer provider for 100% of the BHD residential and small non-residential class for the months of January 1, 2018 through December 31, 2018.

Based on our decision today, the standard offer price for this class will be \$0.07225 /kWh for calendar year 2018. As stated above, the new standard offer price in 2018 is 14.3% higher than the current price.

B. Medium Commercial and Industrial Class

We designate Constellation as the provider for 100% 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 2018 are shown below:

Constellation	
Jan-18	\$ 0.11124
Feb-18	\$ 0.11261
Mar-18	\$ 0.08434
Apr-18	\$ 0.06906
May-18	\$ 0.06405
Jun-18	\$ 0.07100
Jul-18	\$ 0.07356
Aug-18	\$ 0.07381
Sep-18	\$ 0.07104
Oct-18	\$ 0.07219
Nov-18	\$ 0.07748
Dec-18	\$ 0.09482

As noted above, on an annual load-weighted average basis, the standard offer price for the medium class during 2018 will be 21% higher than prices during 2017.

C. Large Commercial and Industrial Class

We designate Maine Power as the provider for all of the large non-residential standard offer class in the EME-BHD service territory. The large class price is structured on an indexed basis, which includes an energy component based on the ISO-NE settlement quantities and locational marginal prices for the load asset, and a fixed “adder” in \$ per kWh. The bid structure also includes a capacity component which will be set in advance of each month. The capacity payment to Maine Power will be based on the ISO-NE capacity settlement quantities for the load asset on a pass-through basis. 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 expected capacity prices and a retail energy component that reflects then-current market prices.

The fixed adder for the EME-BHD large class is as follows:

Maine Power, LLC	
	Fixed Adder
	\$/kWh
Jan-18	\$0.01880
Feb-18	\$0.01944
Mar-18	\$0.01872
Apr-18	\$0.01572
May-18	\$0.01597
Jun-18	\$0.01507
Jul-18	\$0.01498
Aug-18	\$0.01533
Sep-18	\$0.01535
Oct-18	\$0.01672
Nov-18	\$0.01735
Dec-18	\$0.01986

D. Three Supplier Test

Section 8(C)(4) 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 EME-BHD bids, the Commission must evaluate the bids under section 8(C)(4).

If the Commission were simply to accept the lowest price bids for EME-BHD 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. The Commission concludes that satisfying the three supplier test within the large non-residential class is

consistent with section 8(C)(4). While the Maine Power bid for the large non-residential bid contains a slightly higher fixed adder than the lowest bid, which was provided by NextEra, selecting the Maine Power bid results in a standard offer service price that is less than 1.5% higher than the lowest bid and minimizes the total cost of meeting the three supplier test. Thus, selecting Maine Power satisfies the three supplier test in a manner that minimizes the total cost of standard offer service in the EME-BHD service territory, as required by Chapter 301. For these reasons, we approve, pursuant to section 8(C)(4), bids from NextEra, Constellation, and Maine Power for the EME-BHD service territory.

E. Entitlements

As stated above, the Commission concludes that NextEra's unlinked bid for 100% of the residential and small non-residential class load provides the greatest value for ratepayers. Given the bid prices and the current forward market projections, there appears to be greater value to ratepayers if the entitlements are sold directly by EME-BHD into the wholesale market. The Commission therefore directs EME-BHD to do so.

F. Other Matters

In designating the above standard offer providers, 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;

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.