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STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2002-709

January 22, 2003

MAINE PUBLIC UTILITIES COMMISSION
Standard Offer Bidding Process

ORDER DESIGNATING STANDARD OFFER PROVIDER

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

Through this Order, we designate FPL Energy Power Marketing, Inc. (FPL) as the standard offer provider for the medium non-residential classes in the Central Maine Power Company (CMP) and Bangor Hydro-Electric Company (BHE) service territories for a 6-month period beginning March 1, 2003. The average price for standard offer service for this period will be 5.9 cents per kWh in CMP's territory and 5.9 cents per kWh for BHE's territory. At this time, we also designate Select Energy, Inc. (Select) as the standard offer provider for the large non-residential classes in the CMP and BHE service territories for a 6-month period beginning March 1, 2003. The average price for standard offer service for this period will be 6.1 cents per kWh in CMP's territory and 5.8 cents per kWh in BHE's territory.

II. BACKGROUND

Maine's Restructuring Act directs the Commission to administer periodic bid processes to select providers of standard offer service. 35-A M.R.S.A. § 3212(2). The arrangement with the current standard offer provider for service to customers in the medium and large standard offer classes in the CMP and BHE service territories terminates on February 28, 2003.[1] Accordingly, on November 22, 2002, the Commission initiated the process to solicit bids for the provision of standard offer service to these classes for the period beginning March 1, 2003. *Order Regarding Standard Offer Service for the Large and Medium Classes,* Docket No. 2002-709 (Nov. 22, 2002). In its Order initiating the solicitation process, the Commission decided to seek bids for two alternative terms, one for six months and one for a year. *Id.* at 3. In doing so, the Commission

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[1] By Order issued September 18, 2001, the Commission designated a standard offer provider for residential and small commercial customers in the CMP and BHE service territories for a 3-year period beginning March 1, 2002. *Order Designating Standard offer Provider and Directing Utilities to Enter Entitlements Agreements,* Docket No. 2001-399 (Sept. 18, 2001). For this reason, the Commission did not solicit bids for the small classes.

explained that, during its recent work on a study of standard offer service for the Legislature, it concluded that efforts should be made to ensure that prices for these classes follow market changes as much as practicable and that shorter-term lengths would foster this goal.

Pursuant to Commission-approved Request for Proposals (RFP), indicative bids were received December 16, 2002.[2] Since that time, our Staff has been discussing various non-price terms with bidders. Upon the conclusion of discussions on non-price terms with a sufficient number of bidders, we asked for final, binding bids to be presented on January 22, 2003.

III. DISCUSSION

At the outset, we note that, as in our more recent standard offer solicitations, the current process was very competitive and thus standard offer prices will continue to be established by a competitive electricity market as contemplated by the Restructuring Act. Upon review of all the bids received today, and applying the selection criteria specified in section 8(C) of Chapter 301, we designate FPL as the standard offer provider for the CMP and BHE medium non-residential classes and Select as the standard offer provider for the CMP and BHE large non-residential classes, both for the 6-month terms beginning March 1, 2003. The average prices are as follows:

	CMP	BHE
Medium Class	5.9 cents/kWh	5.9 cents/kWh
Large Class	6.1 cents/kWh	5.8 cents/kWh

The actual prices for both the medium and large classes vary by month, while the large classes prices also vary by time-of-day and contain demand as well energy charges. The actual prices are contained on an appendix to this Order.

Our review of the FPL and Select bids indicate that they comply with all requirements of Chapter 301 and the RFP (including the security requirements). Additionally, both FPL and Select included bidder conditions with their bids. By designating FPL and Select as standard offer providers, we hereby accept their bidder conditions and incorporate them into this Order. The bidder conditions, as well as their statements of commitment, are attached as appendices to this Order.

Section 8(C)(2) of Chapter 301 establishes the lowest price as the primary selection criteria in considering standard offer bids. However, section 8(C)(4) requires the Commission to select three standard offer providers within a utility service territory if

[2] At the same time, pursuant to our direction, CMP and BHE received wholesale bids for the provision of standard offer supply. Because of the statutory preference for retail bids and the Commission's receipt of adequate retail indicative bids, we directed the utilities to forego further processing of wholesale bids while the Commission processed the retailed bids.

this can be accomplished without increasing standard offer prices within any standard offer class by more than 1.5%. The selection of the bids for the CMP service territory did act to minimize the prices for the classes. The selection of the bids in the BHE service territory, however, was made in compliance with the requirements of section 8(C)(4) in that we were able to select bids that would result in three providers in the service area without raising the standard offer price in any class by more than 1.5%.

We have chosen 6-month terms for both the medium and large classes to minimize the amount of time standard offer prices for either class may deviate from prevailing market prices. This action is consistent with the recommendations that we made in our recently released standard offer report to the Legislature. In that report, we concluded that standard offer service should not be just another supply service and that it should be designed to encourage migration to the competitive market. We stated that, in designing standard offer service to be more of a last resort default service, prices should more closely follow market changes; one approach to accomplish this would be for standard offer to have shorter terms. Our decision today will have desired impact of ensuring that standard offer prices do not deviate from market prices for any substantial period of time.

The decision to accept 6-month terms should have the effect of encouraging all consumers that desire some level of rate stability and predictability to seek a supplier from the competitive market. The bid prices we accept today do represent a significant increase over the current standard offer prices.[3] This increase is the result of the natural fluctuations in any commodity market, such as that for electricity. We last solicited standard offer bids at a time in which prices turned out to be a relatively low point. Prices have generally increased since that point in time, but it is difficult to predict with any amount of certainty how prices may fluctuate in the future. It is for this reason that customers desiring rate stability and predictability should look to the market for longer-term contracts, rather than relying on the Commission's solicitation of standard offer service.

Finally, we recognize that the bidder conditions approved in this Order creates certain risks for CMP and BHE that should be properly borne by customers. Therefore, we explicitly find that any direct or indirect costs, obligations, expenses or damages reasonably incurred by CMP or BHE, including administrative and security costs, in fulfilling its contractual obligations or exercising it contractual rights under the Standard Offer Provider Service Agreements it will enter with FPL and Select shall be fully recovered, with carrying costs, from customers either through transmission and distribution rates or standard offer rates.

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[3] We caution against direct comparisons of the current average standard offer prices which have a 1-year term against the 6-month average prices we accept today. Because the 6-month prices include the relatively higher cost months, such a comparison would exaggerate the increase in prices.

This Order will be treated as designated confidential information pursuant Protective Order issued in this proceeding for a two-week period. After that, the confidential treatment of this Order will be removed.

Dated at Augusta, Maine, this 22nd of January, 2003.

BY ORDER OF THE COMMISSION

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Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
Nugent
Diamond

Appendix

Standard Offer Prices

	CMP Medium Class $/kWh	BHE Medium Class $/kWh
Mar	0.06207	0.06207
Apr	0.05105	0.05114
May	0.05479	0.05371
Jun	0.05804	0.05734
Jul	0.06446	0.06330
Aug	0.06309	0.06272

CMP Large Class	$/kWh			$/kW	
	On-Peak	Shoulder	Off-Peak	On-Peak	Shoulder
Mar	0.061680	0.055410	0.045900	0.79	0.00
Apr	0.054440	0.053170	0.044490	0.90	0.00
May	0.060270	0.070250	0.045170	0.00	0.82
Jun	0.066300	0.082100	0.051770	0.00	0.68
Jul	0.075780	0.091480	0.056870	0.00	0.65
Aug	0.071690	0.103120	0.055870	0.00	0.65

BHE Large Class	$/kWh			$/kW	
	On-Peak	Shoulder	Off-Peak	On-Peak	Shoulder
Mar	0.05961	0.05267	0.04357	0.79	0.00
Apr	0.05282	0.04921	0.04169	0.89	0.00
May	0.05699	0.05689	0.04054	0.81	0.00
Jun	0.06302	0.06571	0.04684	0.00	0.68
Jul	0.07127	0.07344	0.05085	0.00	0.65
Aug	0.06763	0.07759	0.04922	0.00	0.65