

October 20, 2006

MAINE PUBLIC UTILITIES COMMISSION
Standard Offer Bidding Procedure For
Central Maine Power Company and
Bangor Hydro-Electric Company Residential
and Small Non-Residential Customers

ORDER APPROVING
REQUEST FOR
STANDARD OFFER BIDS

ADAMS, Chairman; REISHUS, Commissioner

I. SUMMARY

Through this Order, we approve requests for proposals (RFPs) to provide standard offer service for residential and small commercial customers in the Central Maine Power Company (CMP) and Bangor Hydro-Electric Company (BHE) service territories. The service is for one-third of the load requirements for a term beginning March 1, 2007.

II. BACKGROUND AND DISCUSSION

During its last session, the Legislature enacted an Act to Enhance Maine's Energy Independence and Security (Act). P.L. 2005, ch. 677. Part B of the Act added two new provisions to the standard offer section of the Restructuring Act, 35-A M.R.S.A. § 3212. The first provision is new subsection 4-B which allows the Commission to incorporate cost-effective demand response and energy efficiency into standard offer supply. The provision states:

4-B. Demand response and energy efficiency. The commission may incorporate cost-effective demand response and energy efficiency into the supply of standard-offer service. The commission shall encourage entities based in this State that are not otherwise either a standard-offer service provider or its affiliate to participate in supplying cost-effective demand response or energy efficiency pursuant to this subsection.

The second provision is new subsection 4-C which explicitly recognizes the Commission's authority to establish standard offer supply arrangements of differing length and terms. The provision states:

4-C. Authority to establish various contract lengths and terms. For the purpose of providing over a reasonable time period the lowest price for standard-offer service to residential and small commercial customers, the commission, with respect to residential and small commercial standard-offer service, may, in addition to incorporating cost-effective demand

response and energy efficiency pursuant to subsection 4-B and to the extent authorized in section 3210-C, incorporating the energy portion of any contracts entered into pursuant to section 3210-C, establish various standard-offer service contract lengths and terms.

In response to this legislation, the Commission will request demand response and energy efficiency (collectively referred to as demand-side resources) be included in bids and allow bids of varying terms in the solicitation of standard offer supply bids for the CMP and BHE small classes for service beginning March 1 2007.¹ Specifically, we will solicit standard offer bids that bundled supply and demand-side resources for one, three, six and nine years. We will also allow traditional supply-only bids.

The requirement that demand-side resources be bundled with supply (as opposed to allowing demand-side only bids) is to allow the market to determine the least cost mix of supply and demand-side resources to serve the load of standard offer customers. By soliciting bundled proposals, we expect electricity suppliers and energy service companies (ESCOs) to collaborate to determine the nature of their proposals, thus allowing the inherent innovation and creativity of the market to produce the most beneficial mix of supply and demand resources.

Consistent with the directive that the Commission encourage participation by Maine-based ESCOs that are not affiliated with standard offer providers, we have provided, upon request, a list of Maine-based ESCOs to potential suppliers and will post that list along with the RFPs on our webpage. There is no central registry of ESCOs, Maine-based or otherwise. We compiled a list of known Maine-based ESCOs from our Efficiency Maine experience, but our compilation was not an exhaustive search of all potential Maine-based ESCOs. We encourage any Maine-based ESCOs that are not on our list to contact the Commission and we will add them to the list posted on our webpage. We also note that the recent legislation does not require suppliers to collaborate only with Maine-based ESCOs. Collaboration with out-of-state ESCOs is permitted. We compile the Maine-based list to fulfill the directive to encourage participation by Maine-based entities.

The Commission has previously segmented the load of the residential and small commercial standard offer classes into thirds as a means to minimize price volatility. The Commission's practice has been to solicit bids each year for one-third of the standard offer load for three-year terms. In the current solicitation, we will seek bids

¹ Before determining how to proceed in response to the new legislation, the Commission sought the input of interested parties. *Incorporation of Efficiency Into Standard Offer Supply*, Docket No. 2006-411 (July 26, 2006); *Inquiry into Long-Term and Resource Adequacy*, Docket No. 2006-314 (June 7, 2006).

