# Maine Public Utilities Commission

# Annual Report on Electric Restructuring

Presented to the
Utilities and Energy Committee
December 31, 2002

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**Annual Report on Electric Restructuring**
**December 2002**

**Report to the Utilities and Energy Committee**
**On Actions Taken by the Commission Pursuant to 35-A M.R.S.A. § 3217**

## I. BACKGROUND

During its 1997 session, the Legislature enacted comprehensive legislation to restructure Maine's electric utility industry. P.L. 1997, ch. 306 (codified at 35-A M.R.S.A. §§ 3201-3217). This law has remained virtually unchanged since its enactment and has thus provided a stable operating environment for companies and customers affected by electric restructuring.

During 1998 and 1999, the Public Utilities Commission (Commission), with extensive input from the public, developed the rules and procedures that would govern the activities of transmission and distribution (T&D) utilities and competitive electricity providers (or suppliers) after restructuring occurred. In addition, we conducted a consumer education campaign to prepare customers for restructuring. Finally, we disaggregated the existing vertically integrated utilities into their delivery and generation functions, determined rates for the future T&D-only utilities, and approved the sale or auction of the utilities' generating facilities and generation-related assets. Because of the detailed, comprehensive work completed in advance of retail competition, there was a relatively smooth transition to a restructured industry, with entities operating in Maine avoiding some of the technical and procedural problems encountered in other states.

Following the onset of restructuring on March 1, 2000, we implemented the new restructuring rules and procedures, monitored and revised the standard offer selection process, and licensed, monitored and advised competitive electricity providers. Finally, we significantly increased our participation in regional wholesale market and transmission activities, as it became apparent that regional and national activities have a major impact on the effectiveness of Maine's retail market and the price of electricity for Maine's consumers.

During 2001, we continued to work to implement industry restructuring consistent with legislative directives. Our primary focus was to promote a healthy competitive retail electricity marketplace in which consumers could exercise choice and receive electricity at the lowest possible rates. We increased our regional participation, further refined the standard offer bidding process, re-established stranded cost rate levels, and helped suppliers operate in Maine by offering guidance and administering consistent and predictable regulatory policy. During 2001, the wholesale market exhibited volatile and sometimes high generation prices, which resulted in high retail prices for consumers and difficulties in procuring and administering standard offer service.

During 2002, we maintained our active participation in regional matters, conducted a study on the appropriate future of the standard offer design as directed by the Legislature, solicited bids for and chose standard offer providers for Central Maine Power Company's (CMP) and Bangor Hydro-Electric Company's (BHE) territories, and determined effective ways to implement Maine's restructuring rules in a period of serious financial turmoil within the merchant electricity industry. During 2002, wholesale market prices were somewhat less volatile than during 2001, while operating rules and configuration of regional transmission organizations remained in a state of transition.

Section 3217(1) of Title 35-A states in part:

> 1. **Annual restructuring report.** On December 31st of each calendar year, the commission shall submit to the joint standing committee of the Legislature having jurisdiction over utility matters a report describing the commission's activities in carrying out the requirements of this chapter and the activities relating to changes in the regulation of electric utilities in other states.

In compliance with this directive, this report describes our activities during calendar year 2002.

## II. RETAIL MARKET ACTIVITY

### A. History of Retail Market Activity

Since the beginning of industry restructuring in March 2000, all generation prices, including prices for standard offer service, have been determined through competitive markets, as Maine's restructuring law envisioned. As anticipated, migration from the standard offer to a competitive market supplier occurred first among the largest customers. By the end of 2001, the majority of large customers purchased their electricity supply from the competitive market and a significant number of medium customers had entered the market.[1] Migration of Maine's customers to competitive market suppliers has exceeded migration in all other states. There has been a modest diversity of retail suppliers for commercial and industrial customers in CMP's and BHE's territories, and our research indicates that retail suppliers exist that will offer service to any large or medium customer that wishes to purchase generation from the competitive retail market. Residential and small commercial customers have had the benefit of vigorous competition among standard offer bidders, resulting in attractive standard offer

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[1] A "large" customer has a load greater than 400 or 500 kW, depending on the service territory. A "small" customer has a maximum load of 20 kW, 25 kW, or 50 kW, depending on the service territory. A "medium" customer is one with load between the small and large categories. Large customers include paper manufacturers, the largest colleges and hospitals, and the largest super markets. Medium customers include smaller industrial plants, the majority of colleges and hospitals, grocery stores, and large office buildings.

service rates in most utility service territories. After a period of volatility and occasional price spikes, wholesale energy prices have decreased and become more stable. For most customers, all-in electric prices are generally lower than or comparable to prices before restructuring. The business operations among retail entities (utilities, suppliers, and customers) have been generally efficient and effective. Finally, regional wholesale market rules, while fraught with complexity and uncertainty, appear to be progressing towards a sustainable, competitive, efficient market.

### B. Residential and Small Commercial Activity

During the last year, little has changed from the perspective of residential and small commercial customers. It has become apparent nationally that a substantial retail market for small customers, whose acquisition and service costs are significant, is not likely to develop in the near term.[2] However, because Maine's standard offer providers are chosen through competitive bidding based on price, all residential and small commercial customers are purchasing generation from competitive market suppliers, and vigorous competition among bidders has resulted in attractive supply prices for these customers.[3]

The lack of a residential market generally has contributed to the fact that a "green market" has not yet developed. While a green market has not developed, an aggregation group in Maine[4] has worked throughout the year to develop interest among consumers for an environmentally benign generation supply. It is possible that this effort will eventually yield a market for green electricity in Maine. It may be the case, however, that a green market will not develop until a broader residential market is established. As a result, the Commission has recommended to the Legislature that it be authorized to arrange for a "green offer" comprising renewable resources that would remain available to customers until a green market develops.[5]

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[2] Maine Public Service Company (MPS) migration statistics for smaller customers differ significantly from CMP's and BHE's. In MPS territory, there are fewer suppliers offering supply service. However, more customers migrated to those suppliers early in the restructuring process, and a far higher percentage of residential and small commercial customers have migrated. This appears to be due to factors unique to northern Maine, such as the prior existence of an energy-purchasing consumer coalition, the greater likelihood that suppliers and customers know and will contract with each other, and the fact that the northern Maine small commercial class includes customers up to 50 kW in size, in contrast to 20 kW and 25 kW in CMP and BHE territories respectively.

[3] In our Standard Offer Study and Recommendations report to the Utilities and Energy Committee, we consider the state of Maine's residential and small commercial standard offer and make recommendations designed to stimulate this market. The report is available on our web page (www.state.me.us/mpuc).

[4] Maine Interfaith Power and Light is coordinating this effort statewide.

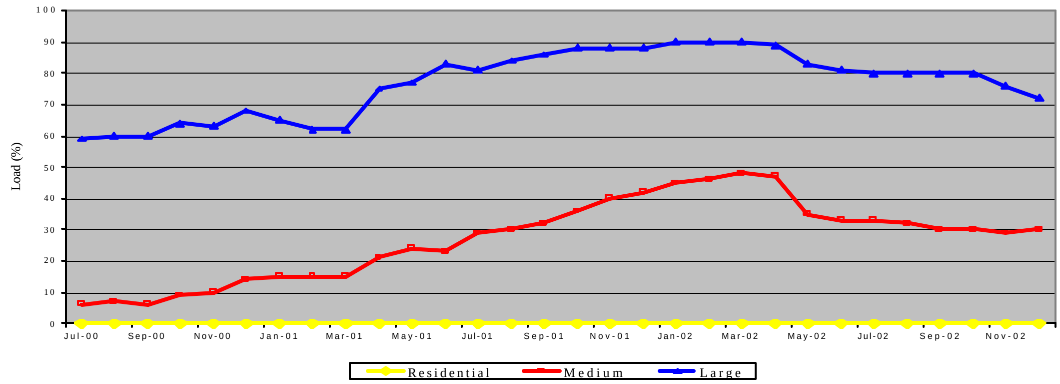
[5] See our Standard Offer Study and Recommendations report to the Utilities and Energy Committee, submitted on December 1, 2002.

### C. Medium and Large Customer Activity

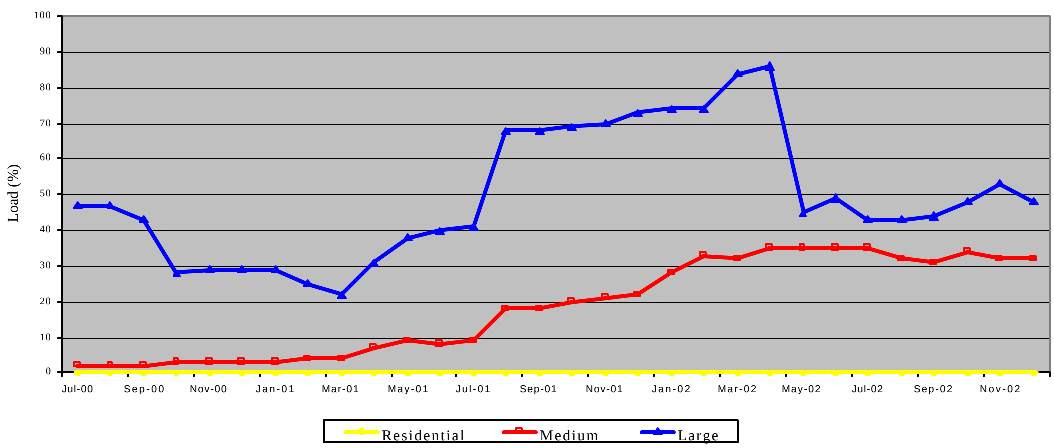
Among medium and large customers in CMP and BHE service territories, there was some movement back to the standard offer during 2002. Between March and December, approximately 30% of the load that had been in the market returned to the standard offer. This occurred primarily because standard offer rates dropped substantially in March, 2002 as a consequence of a sharp decrease in wholesale market prices. As supply contracts expired over the year, customers tended to return to standard offer because standard offer prices were lower than currently available market prices. The financial collapse of Enron and its relatively sudden exit from Maine's market may have also contributed to the movement of customers back to the standard offer.

The following three tables show the migration rates in Central Maine Power Company and Bangor Hydro-Electric Company service territories since the beginning of restructuring and the average standard offer price for medium and large customers. A comparison of migration rates and standard offer prices show that, as might be expected, migration to the competitive market followed a rise in standard offer price and a return to standard offer followed a standard offer price decrease. Maine Public Service Company (MPS) migration rates are shown in the final table.

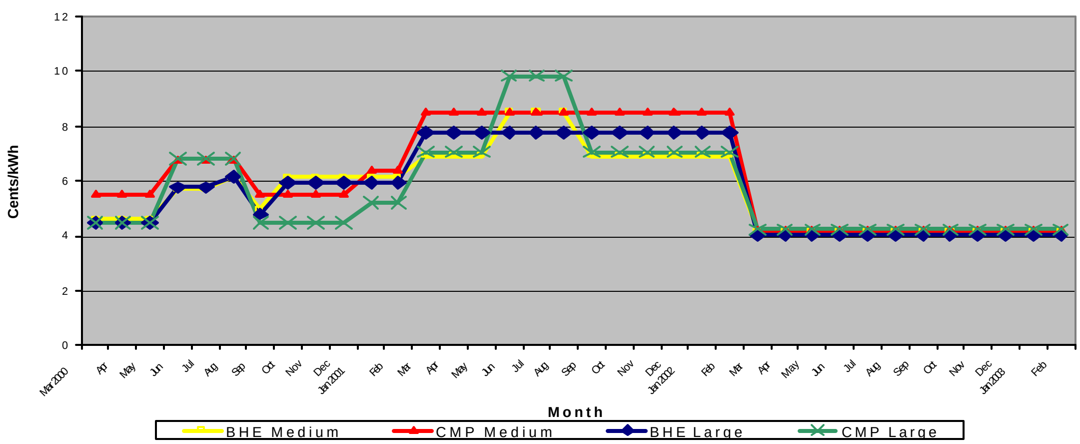
**Load Migrated to the Open Market - CMP Territory**



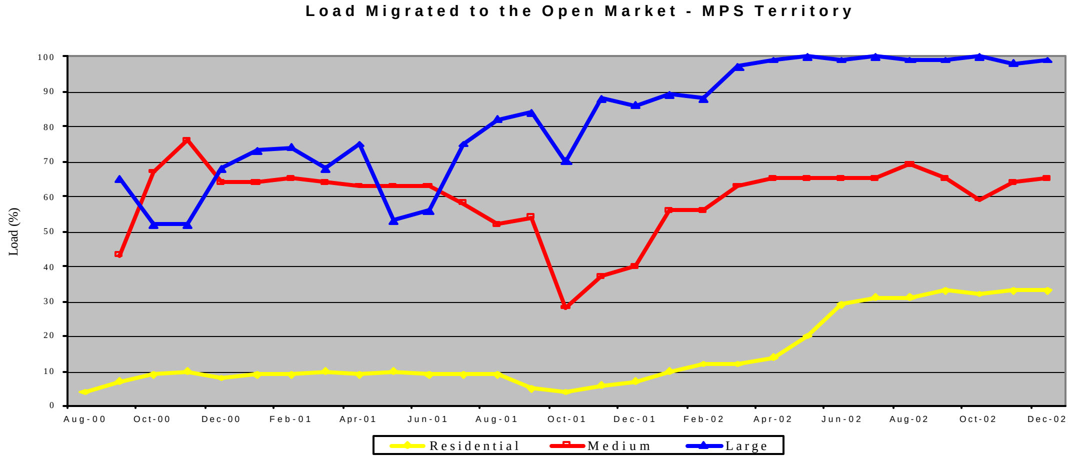

**Load Migrated to the Open Market - BHE Territory**




**Average Standard Offer Prices for Medium and Large Customer**




Standard offer prices in 2002 vary by month and by time of day.




The following tables display the number of customers and percentage of electrical load that have migrated to the competitive market as of the end of 2001 and in December 2002. During 2002, the percentage of Maine's electric usage that migrated to the open market reached a maximum of 47%. By December, the migration percentage had dropped to 33%, for reasons discussed earlier in this section. For comparison, migration rates in other states are shown in Appendix A.

**Migration to the Open Market at Beginning and End of 2002**

| | Percentage of Load Migrated to Open Market | | | | | |
|---|---|---|---|---|---|---|
| | January-02 | | | December-02 | | |
| | CMP | BHE | MPS | CMP | BHE | MPS |
| **Residential/ Small Commercial** | <1% | <1% | 10% | <1% | <1% | 33% |
| **Medium** | 45% | 28% | 56% | 30% | 32% | 65% |
| **Large** | 90% | 74% | 88% | 72% | 48% | 100% |
| **Territory Total** | 49% | 28% | 42% | 33% | 22% | 59% |
| **Total State** | 46% | | | 33% | | |

| | Number of Customers Migrated to Open Market | | | | | |
|---|---|---|---|---|---|---|
| | January-02 | | | December-02 | | |
| | CMP | BHE | MPS | CMP | BHE | MPS |
| **Residential/ Small Commercial** | 163 | 154 | 1650 | 119 | 154 | 5715 |
| **Medium** | 3092 | 304 | 172 | 2176 | 353 | 171 |
| **Large** | 245 | 18 | 15 | 172 | 12 | 14 |
| **Total** | 3500 | 476 | 1837 | 2467 | 518 | 5900 |

### D. Financial and Accounting Practices of Suppliers

The financial collapse of Enron and the accounting and financial problems of other energy companies have substantially impacted the electricity markets in New England. At the time of its collapse, Enron was providing electricity supply to a significant number of customers in Maine, and was the standard offer supplier for CMP's medium class. During the early months of Enron's bankruptcy, it continued to serve its Maine customers at its contracted price and satisfied its standard offer contract until its termination in February 2002. During the year, Constellation Power Source Maine LLC agreed to purchase many of Enron's customer contracts. Due to various complications, many of the Enron customers defaulted to standard offer service for a time. However, most former Enron customers have again contracted with competitive suppliers. Throughout the year, the Commission has worked with customers, suppliers, and aggregators to minimize the confusion and inconvenience resulting from the Enron collapse and, ultimately, Maine consumers were generally not harmed as a consequence of these events.[6]

In the wake of the Enron scandal, many other major energy companies were found to be engaging in misleading or fraudulent trading and accounting practices, causing many providers to reassess the opportunities in the market and scale down their electricity trading business, or to become distracted by impending litigation or financial problems. This market climate appears to be resulting in somewhat fewer competitive suppliers offering service in Maine. To offer competitive prices and services, a healthy market requires a large number of players. While we have no evidence that the electricity market in southern and central Maine will suffer from a reduction in participants, we will monitor the situation closely and report to the Legislature any negative impact on prices or availability that may result from more limited supplier participation, should it occur.

In the current market, sellers are extremely risk adverse. As a result, credit risk has become a major issue. It appears that this situation is affecting customers' ability to contract for competitive supply and may be impeding the further development of the market. The Commission will monitor the situation to determine the extent to which credit issues are affecting Maine's retail market.

### E. Northern Maine Retail Activity

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[6] The Enron event highlights the importance of continued attention to ensuring that the Federal Energy Regulatory Commission establishes effective rules to govern regional wholesale market operations and that state and federal authorities closely monitor those markets to identify and eliminate inappropriate behavior. While Maine consumers were not significantly harmed by Enron's collapse, had the event occurred in a rising market, the consequences for Maine's consumers could have been far worse.

Northern Maine is not physically connected to New England's transmission grid. As a result, the market conditions and market participants can vary widely between the northern Maine and the remaining New England regions, and retail activity in northern Maine often differs from activity in the southern and central portions of the State. Since industry restructuring began, a higher percentage of northern Maine customers of all sizes have obtained supply from the competitive market than has been true in the remainder of the State, as indicated by the tables in subsection C above. This phenomenon is interesting, because northern Maine's standard offer rates have not been unusually high. During 2002, residential and small commercial customers continued to migrate to the open market, reaching a 33% migration rate by year-end. This migration rate for small customers is unmatched anywhere in the country. In addition, large customer load migration has hovered just below 100% for the entire year.

The northern Maine market has only two competitive suppliers. Despite this limited number of competitors, consumers in the region have had a choice of retail suppliers, and, as noted, a high percentage of load in the region has migrated to the competitive market. However, as with any market with only two competitors, the situation is precarious. Our research indicates that, from the perspective of most regional suppliers, the northern Maine market is too small to warrant entry and measures that would make the area part of a larger market (e.g., a transmission line connecting northern Maine and the New England grid or an open market in New Brunswick) are necessary to change this situation significantly. The Commission will continue to monitor the northern Maine market to determine whether the limited number of suppliers affects northern Maine's retail market and whether solutions to the potential problem are economically viable or within the jurisdiction of Maine's policy makers.

## III. STANDARD OFFER ACTIVITY

### A. Background - Standard Offer Service in Maine

All states that have restructured their electricity industry and deregulated retail power supply provide for some type of supply service for customers who do not choose a competitive supplier or whom no competitive suppliers will serve. These services are variably called default service, provider of last resort service, and standard offer service. Some states have more than one type of service for these customers.

In Maine, the Restructuring Act provides for only one type of default service -- standard offer service. The Act requires standard offer service to be available to all customers. Maine's standard offer service is a full requirements, retail power supply that is procured and priced through a competitive bidding process conducted by the Commission. T&D utilities cannot bid to provide standard offer service, and affiliates of T&D utilities are restricted to providing no more than 20% of standard offer service in the affiliate T&D utility service territory. If retail bids are insufficient or unacceptable, standard offer service is to be provided by the T&D utilities through wholesale contracts. Either way, suppliers are chosen through a competitive process in which proposals are evaluated primarily on price. The winning bid(s) sets the standard offer prices that customers pay.

Maine's model is unique in that suppliers compete to serve at retail, and the bids of the winning suppliers are the standard offer service prices that customers actually pay. By design, this approach captures the effects of competition and flows them fully to customers. In most other states, standard offer service is provided by incumbent utilities or their affiliates and prices are set administratively, making it difficult to measure the success of retail competition in these states in terms of price or switching activity because there is no necessary link between retail prices and the market.

The process of implementing Maine's standard offer model, however, has not always gone smoothly or achieved satisfactory results. We are now engaged in standard offer bid processes for the fourth year of restructuring, having met with mixed results in years 1 and 2 before achieving substantially greater success in year 3. Because Maine's standard offer model requires that suppliers serve at retail rather than through wholesale power supply contracts with the incumbent T&D utility (which would then serve its customers at retail), suppliers who had been accustomed to traditional wholesale power supply arrangements were initially apprehensive about participating in Maine. Moreover, the regional wholesale markets, which are continuing to develop, experienced significant levels of volatility and uncertainty in the first two years of Maine's restructuring. The result was that suppliers were either reluctant to bid at all, or submitted bids that reflected significant risk premiums.

By the third year, wholesale markets had become more stable and many supplier concerns about Maine's retail model had been resolved. Participation in our standard offer bid processes increased, with vigorous competition among the bidders and corresponding benefits in terms of price. We anticipate similar levels of competitiveness for the current solicitation, although the financial problems that currently plague the industry (see section II(D) above) could affect the levels of both participation and bid prices.

Standard offer prices and suppliers in 1999 – 2002 are shown in Appendix B.

### B. Overview of 2002

2002 was the third year for Maine's restructured electric industry and for standard offer service. During the year, the Commission continued to administer and oversee standard offer service. Standard offer service continued to be the source of electricity supply for virtually all residential and small commercial customers in Maine during 2002. Except in some areas in northern Maine, residential and small commercial customers had no other supply options. A 3-year standard offer arrangement with Constellation Power Source Maine, LLC (Constellation) began in March of this year, resulting in a standard offer price increase for CMP residential and small commercial customers (from 4.089 ¢/kWh to 4.95 ¢/kWh) and a decrease for BHE customers (from 7.3 ¢/kWh to 5.0 ¢/kWh).[7] These standard offer prices will remain in effect through February 2005. For MPS residential and small commercial customers, standard offer prices increased by 2% on March 1, to 5.689 ¢/kWh, pursuant to a 3-year arrangement with WPS Energy Services, Inc. (WPS) that began in March of 2001.

During the year, we conducted competitive bid processes to solicit standard offer suppliers and set prices for CMP and BHE medium and large commercial and industrial (C&I) customers for the 1-year term that began in March, and we are currently soliciting standard offer service for these same classes for the term beginning March of 2003. In addition, in response to Legislative direction, the Commission conducted a study and developed a set of recommendations on several issues related to standard offer service. A summary of the study and recommendations, which were submitted to the Legislature on December 1, 2002, is provided in Appendix C.

During 2002, standard offer service to medium and large C&I customers in the CMP and BHE service territories was supplied by Select Energy, Inc. (Select) under a 1-year arrangement that began in March. The standard offer prices from Select that became effective on March 1 represented significant reductions compared to prior prices, reflecting substantial declines in wholesale market prices during 2001. Standard offer price reductions ranged from 42% to 51%, depending on the rate group. For MPS medium and large C&I customers, standard offer prices increased by 2% on March 1 pursuant to a 3-year arrangement with WPS that began in March of 2001.

As discussed below, standard offer service for CMP and BHE medium and large C&I customers was procured when market prices were at a relative low point for the year. Thus, standard offer prices were lower than many competitive supplier prices over the ensuing year. As a consequence, as much as 30% of the C&I load that had previously been served by competitive suppliers returned to standard offer service. As displayed in the tables in Section II(C) above, at year-end, 70% and 68% respectively of CMP's and BHE's medium C&I load received standard offer service, while 28% and 52% respectively of CMP's and BHE's large C&I load received standard offer service.

The following tables display current standard offer prices, for all rate groups, for CMP, BHE, and MPS. A subsequent table displays consumer-owned utility (COU) standard offer prices. COUs carry out bid processes to procure standard offer service in their territories.

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[7] The Constellation arrangement was procured during 2001 and is discussed in our 2001 Electric Restructuring Report.

## 2002 Standard Offer Prices -- Central Maine Power Company

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Prices effective 3/1/02 - 2/28/05 | | | | | | |
| **Residential/ Small Commercial** | **CPS Me** | **$0.04950** | | | | | |
| **Medium** | Price effective 3/1/02 - 2/28/03 | | | | | | |
| Non-Summer (Mar-May) | **Select** | $0.03608 | | | | | |
| Summer (Jun-Aug) | | $0.05326 | | | | | |
| Non-Summer (Sep-Nov) | | $0.03468 | | | | | |
| Non-Summer (Dec-Feb) | | $0.04384 | | | | | |
| | **AVG** | **4.22 ¢/kWh** | | | | | |
| | Prices effective 3/1/02 - 2/28/03 | | | | | | |
| **Large** | **Select** | Demand ($/kW) | | Energy | | | |
| | | Peak | Shoulder | Peak | Shoulder | Off-Peak | |
| | MAR | $0.70 | $0.00 | $0.04163 | $0.03589 | $0.03209 | |
| | APR | $0.80 | $0.00 | $0.04058 | $0.03425 | $0.02683 | |
| | MAY | $0.75 | $0.00 | $0.04584 | $0.03621 | $0.02830 | |
| | JUN | $0.00 | $0.65 | $0.06417 | $0.04453 | $0.03082 | |
| | JUL | $0.00 | $0.60 | $0.07883 | $0.05304 | $0.03698 | |
| | AUG | $0.00 | $0.63 | $0.07796 | $0.05757 | $0.03656 | |
| | SEP | $0.00 | $0.65 | $0.04407 | $0.03742 | $0.03140 | |
| | OCT | $0.76 | $0.00 | $0.03420 | $0.03107 | $0.03012 | |
| | NOV | $0.73 | $0.00 | $0.03911 | $0.03514 | $0.03499 | |
| | DEC | $0.68 | $0.00 | $0.05188 | $0.04373 | $0.03973 | |
| | JAN | $0.71 | $0.00 | $0.05250 | $0.04401 | $0.04320 | |
| | FEB | $0.69 | $0.00 | $0.04492 | $0.04124 | $0.03870 | |
| | **AVG** | **4.24 ¢/kWh** | | | | | |

TOU-weekdays

Peak = 7 am - 12pm, 4pm - 8pm

Shoulder = 12pm - 4pm

Off-Peak = 8pm - 7am

TOU-weekdays/holidays

Winter Shoulder = 7am - 12pm, 4pm - 8pm (Winter = December - March)

Winter Off-Peak = All other hours (Winter = December - March)

Non-Winter = All Off-Peak

## 2002 Standard Offer Prices - Bangor Hydro-Electric Company

| | | | | | | |
|---|---|---|---|---|---|---|
| **Residential/** | Price Effective 3/1/02 - 2/28/05 | | | | | |
| **Small Commercial** | **CPS Me** | **$0.050** | | | | |
| **Medium C&I** | Prices effective 3/1/02 - 2/28/03 | | | | | |
| Non-Summer (Mar-May) | **Select** | $0.03558 | | | | |
| Summer (Jun-Aug) | | $0.05165 | | | | |
| Non-Summer (Sep-Nov) | | $0.03465 | | | | |
| Non-Summer (Dec-Feb) | | $0.04408 | | | | |
| | **AVG** | **4.17¢/kWh** | | | | |
| | Prices effective 3/1/02 - 2/28/03 | | | | | |
| **Large C&I** | **Select** | Demand ($/kW) | | Energy | | |
| | | Peak | Shoulder | Peak | Shoulder | Off-Peak |
| | MAR | $0.69 | $0.00 | $0.03971 | $0.03419 | $0.03050 |
| | APR | $0.80 | $0.00 | $0.03848 | $0.03248 | $0.02524 |
| | MAY | $0.74 | $0.00 | $0.04338 | $0.03396 | $0.02619 |
| | JUN | $0.00 | $0.64 | $0.06099 | $0.04199 | $0.02850 |
| | JUL | $0.00 | $0.59 | $0.07409 | $0.04877 | $0.03334 |
| | AUG | $0.00 | $0.62 | $0.07355 | $0.05400 | $0.03317 |
| | SEP | $0.00 | $0.65 | $0.04157 | $0.03514 | $0.02916 |
| | OCT | $0.75 | $0.00 | $0.03168 | $0.02867 | $0.02781 |
| | NOV | $0.72 | $0.00 | $0.03649 | $0.03268 | $0.03265 |
| | DEC | $0.67 | $0.00 | $0.04918 | $0.04147 | $0.03745 |
| | JAN | $0.70 | $0.00 | $0.04947 | $0.04134 | $0.04054 |
| | FEB | $0.69 | $0.00 | $0.04331 | $0.03979 | $0.03732 |
| | **AVG** | **4.01 ¢/kWh** | | | | |

TOU - Weekdays
- Peak = 7 am - 12pm, 4pm - 8pm
- Shoulder = 12pm - 4pm
- Off-Peak = 8pm - 7am

TOU-Weekends/Holidays
- Shoulder = 7am - 8pm
- Off-Peak = All other hours

**2002 Standard Offer Prices - Maine Public Service Company Service Territory**

| | Prices effective 3/1/02 - 2/28/03 | |
|---|---|---|
| **Residential/ Small Commercial** | WPS | **0.05689** |
| **Medium C&I** | WPS | **0.05732** |
| **Large C&I** | WPS | **0.06130** |

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| Consumer-Owned Utility | Standard Offer Price ($/kWh) | Supplier |
|---|---|---|
| Eastern Maine Electric Cooperative | 0.0675 | WPS |
| Houlton Water Company | 0.05689 | WPS |
| Van Buren Light and Power | 0.0576 | WPS |
| Fox Islands Electric Cooperative * | 0.0405 | Exelon Power |
| Madison Electric Works * | 0.06604 | Select |
| Swans Island Electric Cooperative * | 0.035 – 0.057 | Select |
| Kennebunk Light and Power Co. * | 0.0388 | Exelon Power |
| Monhegan Electric | Exempt | |
| Matinicus Plantation Electric Co. | Exempt | |
| Isle au Haut | Exempt | |

* For these utilities, the standard offer rate shown is approximate. The rate may vary monthly and is subject to a true-up adjustment each month to reflect the actual costs of supply and actual retail sales.

### C. Solicitations in 2002

Pursuant to the Restructuring Act, the Commission must administer periodic bid processes to select providers of standard offer service. 35-A M.R.S.A. § 3212(2). Early in 2002, we completed a solicitation for providers for CMP and BHE medium and large C&I customers. Solicitation for residential and small commercial customers was not necessary because we had previously designated a standard offer service provider for those customers for the 2002-2005 period. This process began in November of 2001, when we issued Requests for Proposals (RFP) for the term beginning March 1, 2002. We received indicative bids in December of 2001 and began discussing non-price terms with bidders. Upon the conclusion of these discussions, we asked for final, binding bids to be presented on January 14, 2002.

After reviewing all of the bids received, we concluded that the bids submitted by Select would provide the greatest value to standard offer customers and, on January 14, designated Select as the standard offer provider for the CMP and BHE medium and large C&I classes for a 1-year term. The winning bids of Select provided retail standard offer prices, on average, from 4.0¢ to 4.2¢ per kWh. The specific seasonal, monthly and time-of-day prices are shown above in subsection B of this section.

The bid prices submitted by Select were the lowest received for each of the two service territories. As required by Chapter 301 of our rules, we considered whether to designate additional providers in each service territory (Constellation had already been designated as the provider for the residential and small commercial classes), but did not because doing so would raise the standard offer prices by more than 1.5%, in violation of Chapter 301's price impact restrictions. In addition, we considered alternative pricing mechanisms such as indexed pricing and fixed adders, but rejected these mechanisms because the former was difficult to evaluate and the latter would result in higher prices than those we chose.

In response to our RFP, we had received bids for terms of 1, 2 and 3 years. We accepted a bid for a 1-year term to prevent standard offer prices from deviating from prevailing market prices for long periods of time. We also viewed the shorter term as providing more opportunity for competitive suppliers to compete for customers by offering the stability of longer-term contracts.

In designating Select as the standard offer provider, we accepted its statement of commitment and bid conditions. Both documents provided useful clarifications as to the precise nature of the standard offer provider obligations, as well as reasonable protections for Select with respect to actions of the Commission. All parties have performed in accordance with these provisions throughout the year. To secure Select's standard offer obligation, we accepted a corporate guarantee from its parent company, Northeast Utilities. The parent guarantee satisfied the financial capability requirements of Chapter 301 and our RFP and, in fact, provided greater security than required by the rule by guaranteeing the full cost of replacement standard offer power, rather than the pre-specified dollar amount.

We are currently soliciting standard offer service for CMP and BHE medium and large C&I customers for the term beginning March 2003. Standard offer service for CMP and BHE residential and small commercial customers will continue to be supplied pursuant to 3-year arrangements with Constellation, and standard offer service for all MPS customers will continue to be provided pursuant to a 3-year arrangement with WPS that terminates in February, 2004.

### D. Standard Offer Study and Recommendations

At the direction of the Legislature,[8] during 2002, the Commission investigated and prepared recommendations in several areas related to retail competition and standard offer service. We submitted a detailed study including recommendations to the Legislature on December 1. The findings of that report are summarized in Appendix C.

## IV. TOTAL CONSUMER RATES

Consumers' electricity prices comprise four components:

- supply prices, determined by the competitive market;
- T&D utility distribution rates, established by the Commission;
- T&D stranded cost rates, established by the Commission; and
- Transmission rates, established by the Federal Energy Regulatory Commission (FERC).

For most customers, the latter three components are combined into the delivery rate charged by the customer's T&D utility.

As a general rule, changes in these rate components occur independently of one another. In approving T&D utilities' rates, the Commission considers the relationship of all components and the effect each component's change has on consumers. In recent years, we have attempted to maintain rate stability and to allocate overall rate decreases, when they occur, to all customer groups. We intervene in FERC transmission cases to ensure that transmission rates (which are established by the FERC) are reasonable. Finally, for CMP and BHE, we have established alternative rate plans applicable to the distribution portion of rates, to encourage utilities to perform efficiently and to ensure stable or declining distribution rates.

Since industry restructuring began, fluctuations in each rate component have occurred. 2002 was no exception. During 2002, supply prices for customers taking standard offer service changed for all customer groups in the CMP, BHE, and MPS territories, as discussed earlier in this report. Stranded costs (described later in this report) were recalculated for each utility, resulting in a decrease in stranded cost rates in CMP's territory, an increase in BHE's territory, and no change in MPS's territory. Distribution rates decreased under CMP's annual alternative rate plan provisions, while BHE's and MPS's distribution rates remained unchanged. Finally, the FERC authorized increases in CMP's and MPS's transmission rates and decreases in BHE's rates.

[8] P.L. 2001 Chapter 528, An Act to Prepare Residential Electricity Customers for Competitive Electricity Markets in Maine.

The net result of these changes and others that have occurred since restructuring began has been generally favorable for most consumers. We do not believe, however, that a simple comparison of rates before and after restructuring allows any firm conclusions about the success or failure of restructuring. Many factors affect electricity rates, and it is not possible to determine what rates would have been if the State had not pursued electric restructuring. Moreover, price comparisons for C&I customers based on standard offer prices do not represent the price impacts of restructuring for all customers, because the majority of large C&I customers and a significant number of medium C&I customers purchase generation on the competitive market. Current competitive market generation prices may be above or below the standard offer price, depending on when a customer entered into its supply contract and the terms of the contractual arrangement. Finally, a consequence of restructuring is that the Commission is not privy to the specific supply arrangements made by Maine businesses.

With these limitations in mind, however, and with no implication that current relationships will persist, we can report that, for most electric consumers, total electricity prices today are lower than before retail competition began in March 2000. This is true throughout CMP's territory and among medium and large C&I customers in BHE's territory. In MPS's territory, prices have increased since restructuring began, primarily because of steady increases in standard offer prices. In the following tables, pre-restructuring average rates are compared with current average rates for customers on standard offer service. Based on information submitted by competitive retail suppliers' annual reports to the Commission, on average during 2001 supply prices obtained by medium and large customers from the competitive retail market were lower than standard offer prices, in some case by as much as 2¢/kWh. A similar comparison for 2002 prices would likely be significantly different, because, unlike 2001 standard offer prices, 2002 standard offer prices were set at a relative low point for market prices compared to the rest of the year.

**Prices for Customer Groups, if Served on 2002 Standard Offer**

| | 1999 Bundled Rate ($/kWh) | Current Ave. Rates ($/kWh) | % Change Since Pre-Restructuring |
|---|---|---|---|
| **CMP** | | | |
| Residential | 0.1321 | 0.1235 | -6.5% |
| Small Commercial | 0.1340 | 0.1215 | -9.3% |
| **BHE** | | | |
| Residential | 0.1451 | 0.150 | 3.4% |
| Small Commercial | 0.1364 | 0.142 | 4.1% |
| **MPS** | | | |
| Residential | 0.12845 | 0.13289 | 3.5% |
| Small Commercial | 0.11973 | 0.12989 | 8.5% |
| | | | |
| **CMP** | | | |
| Medium | 0.106 | 0.087 | -18.0% |
| Large, Distribution | 0.097 | 0.085 | -12.1% |
| Large, Transmission | 0.060 | 0.055 | -8.6% |
| **BHE** | | | |
| Medium | 0.114 | 0.107 | -5.9% |
| Large | 0.0969 | 0.090 | -7.1% |
| **MPS** | | | |
| Medium | 0.095 | 0.106 | 11.7% |
| Large | 0.084 | 0.103 | 22.0% |

Percentages vary because rates are rounded

## V. STRANDED COSTS

The Restructuring Act allows CMP, BHE and MPS to recover stranded costs in the rates they charge for delivery service. 35-A M.R.S.A. §3208. Stranded costs reflect the net, above-market costs for generation obligations that utilities incurred prior to industry restructuring. For example, stranded costs include the difference between payments the utilities must make pursuant to pre-existing purchased power contracts (primarily with qualifying facilities (QFs)) and the current market value of that power. Stranded costs also include, as an offset, the proceeds from the utilities' generation asset sales (referred to as the Asset Sale Gain Account or ASGA). These proceeds are currently being amortized in rates and reduce the level of stranded costs that ratepayers must pay.

Stranded cost rates were initially set for CMP, BHE and MPS effective March 1, 2000 for a 2-year period coinciding with the 2-year sale terms of the utilities' QF entitlements. Early this year, the Commission concluded proceedings to reset stranded cost rates for each of the three utilities for the period beginning March 1, 2002. Stranded cost rates were set based on the results of the most recent sales of each utility's QF entitlements, with the rate setting periods again corresponding to the QF sale periods. In CMP's and BHE's case, the sale periods were for three years beginning March 1, 2002, while the period for MPS's entitlement sale was for two years beginning March 1, 2002.

In the sections below, we provide utility specific stranded cost information. For each utility we include a breakdown of the utility's current approved stranded cost revenue requirement along with a long-range forecast of stranded costs for the period after the current rate-setting period expires.

## A. Central Maine Power Company

### 1. Current Stranded Cost Rates

The major components of CMP's stranded costs over the next three years are set forth in the table below:

Stranded Cost Components, CMP -- $ in Millions

| | Mar 02-Feb 03 | Mar 03-Feb 04 | Mar 04-Feb 05 |
|---|---|---|---|
| QF contract costs | $252.7 | $254.3 | $253.9 |
| Entitlement sale revenue | -107.8 | -102.3 | -98.1 |
| Net QF stranded costs | 144.9 | 152.0 | 155.8 |
| Closed nuclear plants | 25.3 | 24.5 | 23.3 |
| QF contract buyout | 1.8 | 1.7 | 1.6 |
| HQ tie-line | 4.7 | 4.5 | 4.3 |
| VT Yankee | 0.9 | 1.4 | 1.4 |
| Asset sale gain account | -43.4 | -40.8 | -38.2 |
| **Total stranded costs** | **134.3** | **143.4** | **148.1** |

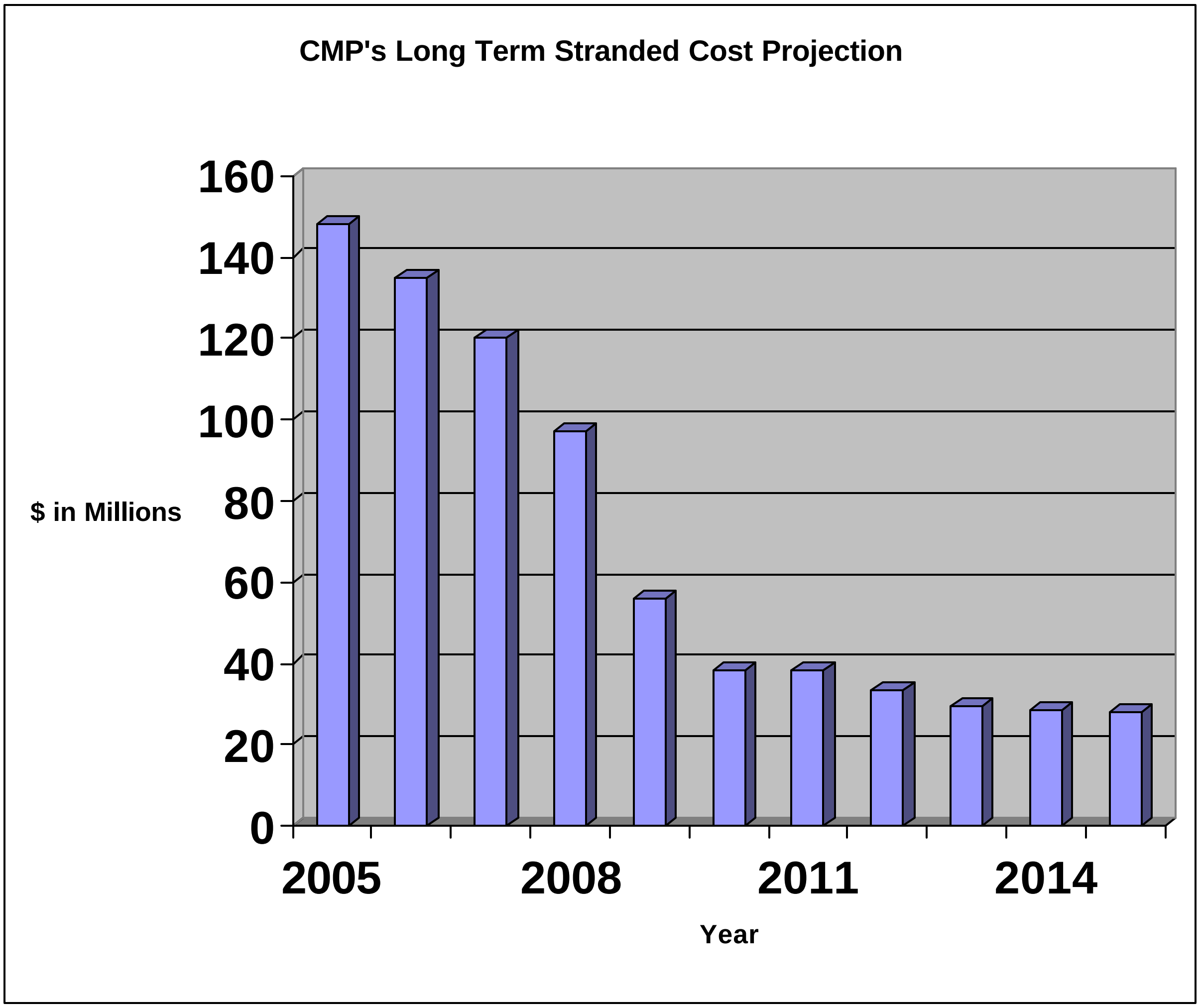
To achieve rate stability over the 3-year rate period, CMP's stranded cost revenue requirement was levelized by adjusting the amortization of CMP's ASGA. The average stranded cost rate per kWh for CMP's core customers is 1.6¢/kWh.[9] For residential customers, the stranded cost rate is 1.4¢ per kWh, which represents approximately 19% of the customer's T&D rate and 11.5% of the customer's total bill if the customer is on standard offer service.

In the spring of 2001, the Commission approved a 0.8¢/kWh reduction in stranded cost rates for CMP's medium and large C&I customers to mitigate the impact of significantly increased market generation prices. In CMP's most recent stranded costs proceeding, the Commission approved a modest extension of the rate mitigation (.45¢/kWh) for large industrial customer classes because some of these customers were contractually committed to continue to pay the generation prices of last year. The mitigation for these customers is scheduled to expire on February 28, 2003.

[9] This represents an average rate per kWh. CMP's, as well as BHE's and MPS's stranded cost rates vary by customer class.

### 2. Long Term Forecast of Stranded Costs

CMP's Asset Sale Gain Account is expected to have a balance of approximately $34.5 million as of March, 2005. Based on current amortization rates, CMP's ASGA will be exhausted in early 2006. CMP's stranded costs are expected to decline significantly during the 2007 – 2009 time period as a result of the expiration of several QF contracts and the completion of the recovery of CMP's share of Maine Yankee costs. CMP's long term stranded cost projection is presented in the graph below.[10]




Subsequent to the issuance of the Commission's order in CMP's stranded cost rate case, the Commission approved a stipulation that settled the dispute surrounding S.D. Warren's purchase power agreement with CMP. As a result of this settlement, the S.D. Warren related stranded costs will be lower by several million dollars per year than those assumed in CMP's last stranded cost rate case. The

[10] The projections assume an entitlement sale price of 3.5¢/kWh for the period 03/05 – 02/06 which then is assumed to grow by an escalation of 3.0% per year annually thereafter.

difference between the assumed level and actual level of stranded costs will be deferred by CMP and will result in lower stranded costs in the future.

## B. Bangor Hydro-Electric Company

### 1. Current Stranded Cost Levels

The major components of BHE's stranded costs over the next three years are summarized below:

Stranded Cost Components, BHE -- $ in Millions

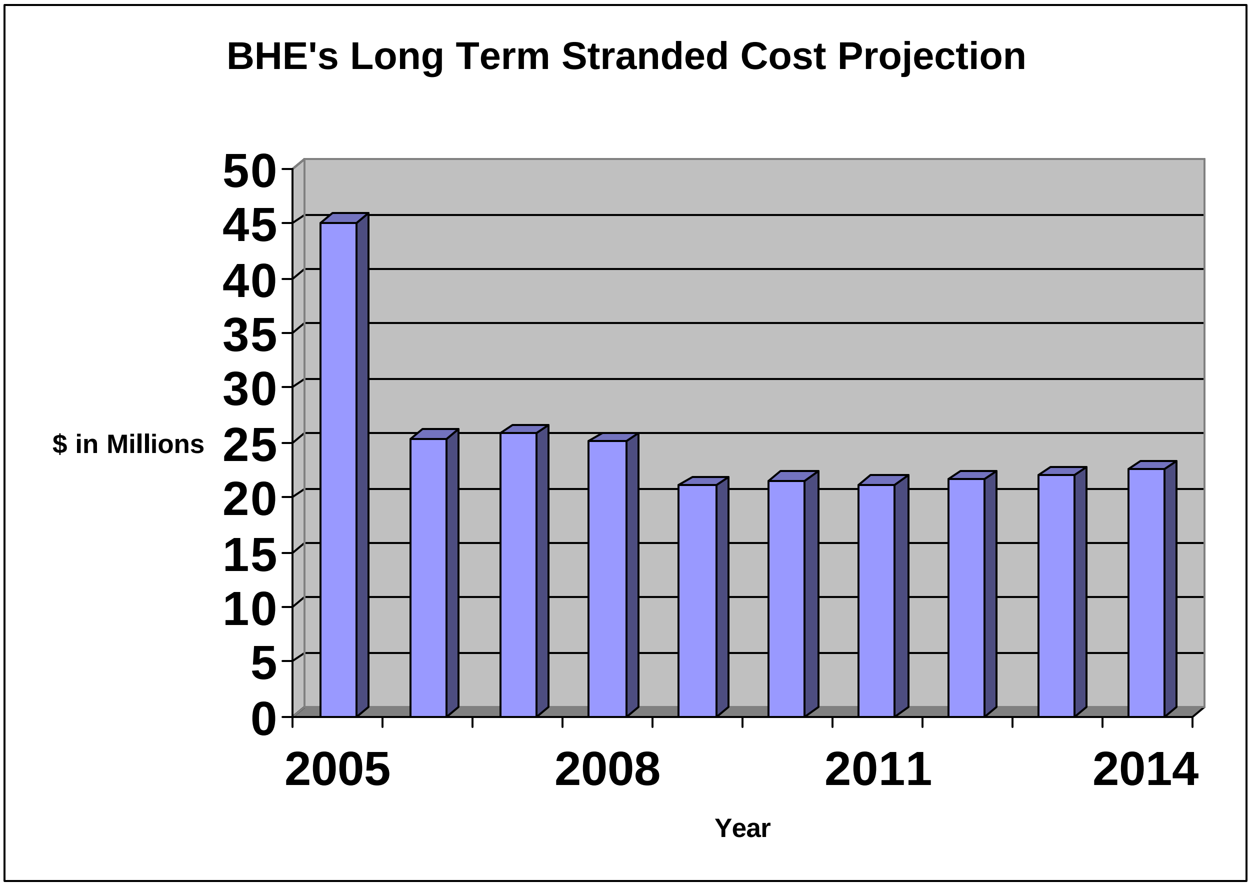
| | Mar 02-Feb 03 | Mar 03-Feb 04 | Mar 04-Feb 05 |
|---|---|---|---|
| Net purchased power costs | $25.0 | $28.3 | $23.4 |
| Ultrapower buyout payment | 16.4 | 15.8 | 15.1 |
| Beaverwood & PERC buyouts | 8.4 | 4.5 | 4.1 |
| Seabrook | 3.8 | 3.7 | 3.5 |
| Other | -4.1 | -3.7 | 3.3 |
| Asset sale gain account | -5.3 | -8.6 | 0.0 |
| **Total stranded costs** | **44.2** | **40.0** | **49.4** |

Stranded costs will be levelized over this three year period to maintain rate stability. The average stranded cost rate for BHE's customers is 3.1¢/kWh. The residential stranded cost rate is 3.2¢/kWh, which is approximately 32% of the total T&D rate and 21% of the total bill for customers taking standard offer service.

In our Order approving BHE's stranded cost rates, we also approved a proposal to provide a modest stranded cost rate mitigation (.4¢/kWh) for one year for BHE's large customers who could demonstrate that they were paying high generation prices during the period of March, 2002 through February, 2003.

### 2. Long Term Projections

BHE's ASGA will be fully amortized over the next two years. Although BHE's ASGA will expire in 2004, BHE's stranded costs are projected to remain stable in 2005 then decline significantly in 2006 to reflect the complete recovery of the Company's buyout costs of two of its major QF contracts.




[11]

[11] BHE’s long term stranded cost projections assume a price of 3¢/kWh for the sale of BHE’s QF entitlements.

## C. Maine Public Service Company

### 1. Current Stranded Cost Levels

The major components of MPS's stranded costs and estimated amounts over the next two years are summarized below. As the table indicates, MPS's ASGA will be fully amortized in February, 2003.

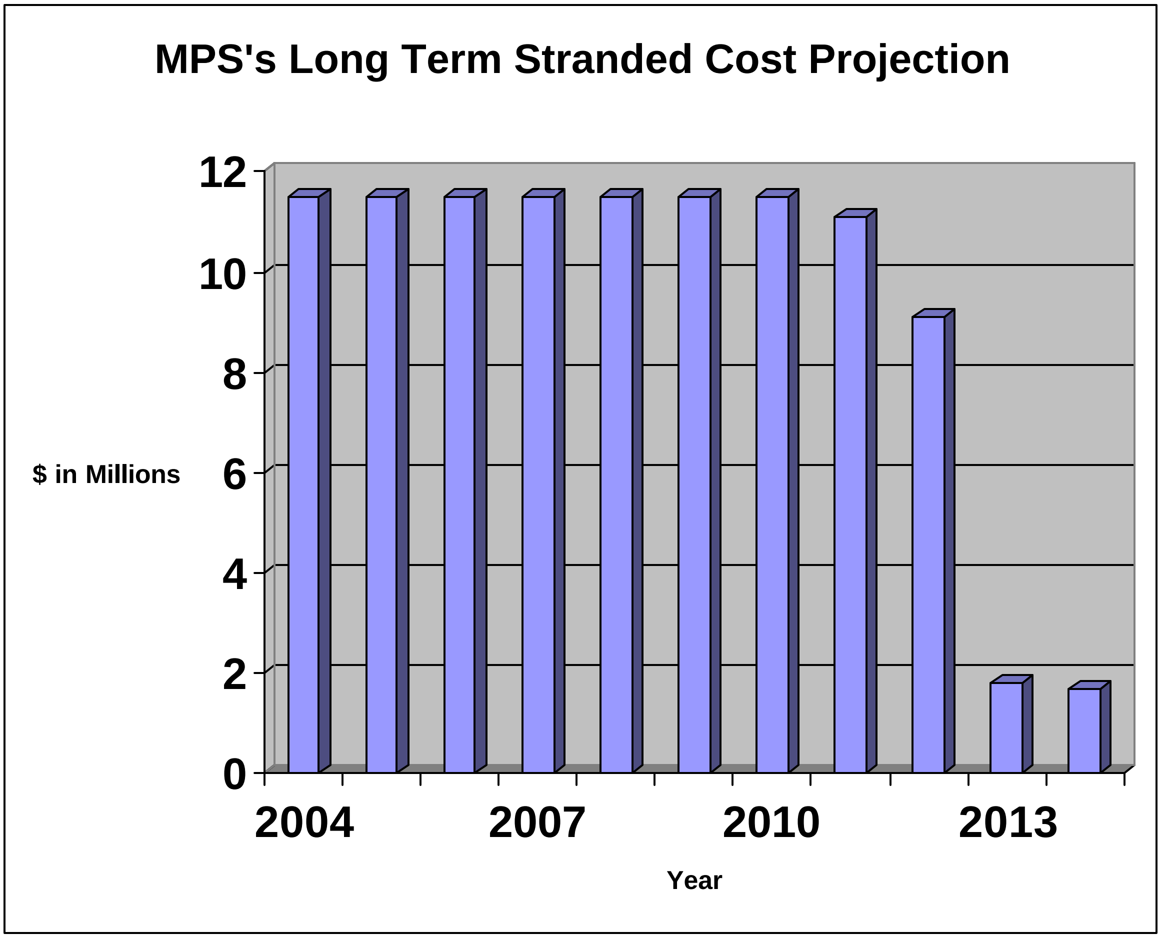
Stranded Cost Components, MPS -- $ in Millions

| | Mar 02-Feb 03 | Mar 03-Feb 04 |
|---|---|---|
| QF contract costs | $11.3 | $11.5 |
| Entitlement sale revenue | -4.5 | -4.1 |
| Net QF stranded costs | 6.8 | 7.4 |
| WS buydown | 1.9 | 1.8 |
| Seabrook | 3.2 | 3.1 |
| Maine Yankee | 3.3 | 3.3 |
| Deferred fuel | -1.3 | -4.3 |
| Other | 0.3 | 0.3 |
| Asset sale gain account | -2.8 | 0.0 |
| **Total stranded costs** | **11.5** | **11.5** |

MPS's average stranded cost rate for all customers is about 2.2¢/kWh.

### 2. Long Term Projections

MPS's stranded cost rates have been set to avoid overall bill increases at the time of restructuring and to achieve long-term rate stability. To accomplish this goal, MPS is currently deferring a significant portion of its stranded costs for future recovery. This deferral will be recovered over time after the company's largest stranded cost items expire. The following table represents the current long-term projection of MPS's stranded costs.




## VI. GENERATION RESOURCES

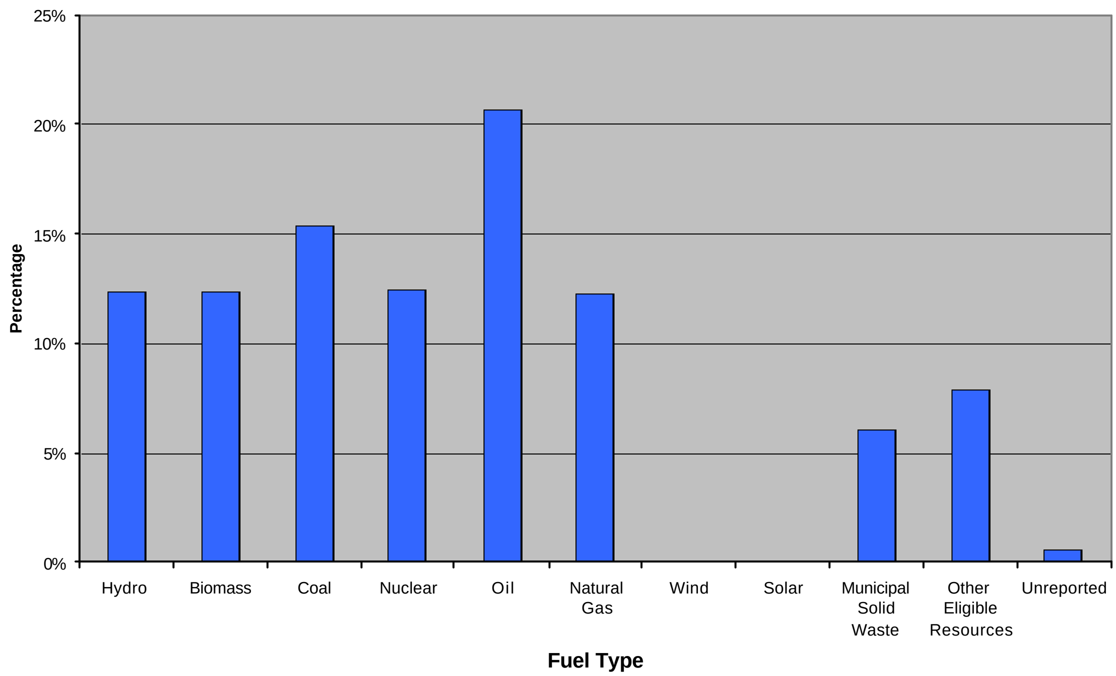
### A. Resource Mix

The generating facilities that serve Maine's customers are located throughout New England and, to a lesser degree, Canada and New York. While the Restructuring Act contains provisions governing 30% of suppliers' resource mix (described in the next subsection), there are no requirements as to the resource mix for the remaining supply. The total mix of fuels and technologies serving Maine's customers and the extent to which the Restructuring Act encourages the growth (or continued use) of in-state renewable resources have been ongoing topics of concern for many people concerned about environmental impacts and the economic viability of indigenous renewable facilities.

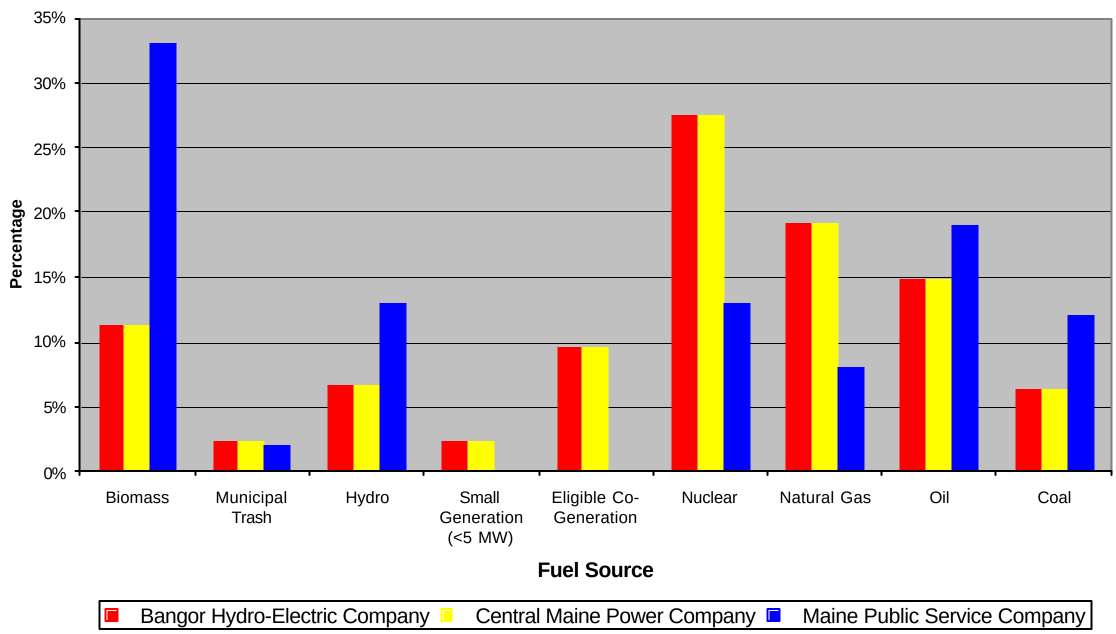
During the first year of restructuring, the Commission had no systematic way to discover the total fuel mix used to serve the electricity needs of Maine consumers. However, because of widespread interest in fuels providing generation, in 2002 we asked all licensed retail suppliers in the State to include in their annual reports to the Commission the fuels and technologies used to serve their Maine load during 2001.[12] In addition, because most residential and small commercial customers receive standard offer service, the standard offer suppliers' uniform information disclosure labels reveal the resource mix that serves residential and small commercial customers during 2002. The following tables display the resources serving all customers in Maine during 2001 and the resources serving residential and small commercial customers during 2002. While the first table displays fuel sources, it does not indicate the extent to which generation was obtained through contractual arrangements or from system power available through daily bidding. Marketers' reports indicate that as much as 60% of generation in 2001 was obtained as system power. Appendix D displays the current fuel mix that comprises system power.

[12] Next year's Electric Restructuring Report will report the resource mix to serve Maine's 2002 load.

**Resources Serving Maine's Customers in 2001**




**Resources Serving Residential and Small Commercial Customers in 2002**
**Source: Standard Offer Uniform Disclosure Labels**



## B. Portfolio and Disclosure Requirements

### 1. Uniform Disclosure Labels

The Restructuring Act requires all electricity providers to supply 30% of their Maine load from "eligible resources." 35-A M.R.S.A. § 3210. Eligible resources are defined by statute as either renewable resources[13] or efficient cogeneration (that could include fossil fuel generation). The Commission has implemented the portfolio requirement through the adoption of Chapter 311 of its rules. The Restructuring Act also directs the Commission to ensure that comparative information regarding electricity supply is disseminated to customers. 35-A M.R.S.A. § 3203(3). The Commission implemented this provision through its uniform information disclosure rule, Chapter 306, which requires retail suppliers periodically to disclose to their customers resource mix and comparative emission information in a document referred to as a disclosure label. Residential and small commercial customer suppliers must provide this information to their customers quarterly, while suppliers to larger customers are required to provide the information annually. Appendix E displays current disclosure labels for standard offer service in CMP's, BHE's, and MPS's territories.

During 2002, the Commission worked with suppliers and utilities to make the format and presentation of the disclosure label more understandable to customers. Customer reaction suggests that this effort has been successful. The Commission is in the process of incorporating label format changes into its disclosure rules.

### 2. Generation Information System

Commission verification of supplier compliance with the portfolio requirement and the accuracy of disclosure information has been somewhat difficult over the first two years of retail competition because there has not been a uniform resource tracking mechanism in New England. As a result, the Commission has had to rely on wholesale supply contract provisions, certified statements or affidavits of suppliers, or auditor statements. The Commission's review of this information indicates that suppliers have made good faith efforts to verify compliance. Nevertheless, there has not been any practical means to ensure that the same resources have not been used to satisfy similar requirements in other New England states and thus "double-counted."

During 2002, NEPOOL implemented a tradable "attribute" certificate system known as the Generation Information System or GIS. This system

[13] Renewable resources are defined in 35-A M.R.S.A. § 3210(C) as generation sources that qualify as small power producers under Federal regulations and as tidal, fuel cells, solar, wind, geothermal, hydroelectric, biomass, and municipal solid waste used to fuel generators whose production capacity does not exceed 100 megawatts.

allows for the trading of electricity attributes (e.g., fuel source, emissions levels, and portfolio eligibility) separate from the energy commodity and was specifically designed to facilitate compliance and verification with respect to various requirements of the several New England states, including Maine's portfolio and disclosure requirements. As a result of the implementation of the GIS, the Commission reopened Chapters 311 and 306 to incorporate the system as the means for complying with both rules. Although the Commission views the implementation of the GIS as an important step in the evolution of competitive electricity markets, a dispute between qualifying facilities and utilities over the rights to GIS certificates associated with ongoing power purchase contracts has affected the Commission's adoption of the GIS.

The disputed issue is whether utilities that are contractually bound to buy QF power are entitled to the "attributes" associated with QF generation.[14] T&D utilities have sold their entitlements to QF power under a 3-year contract that terminates in February 2005. During the sales process, representations were made that the QF entitlements could be used to satisfy Maine's portfolio requirement. If utilities are unable to obtain the QF certificates and transfer them to the entitlements purchaser, the adoption of the GIS in Maine would frustrate the legitimate expectations of the entitlements purchaser. After 2005, to the extent the QF certificates have value in satisfying Maine or other states' portfolio requirements or can comprise a "green product," that value would flow to ratepayers as an offset to stranded costs.

The Commission has initiated an Investigation and has tentatively concluded that the utilities have the rights to GIS certificates associated with QF contracts and that the certificates should be transferred to the entitlement purchaser. QFs have commented that the matter is a contractual dispute and the Commission lacks jurisdiction to resolve the matter. The Investigation is ongoing.

### C. Voluntary Renewable Resource Fund

The Restructuring Act directs the Commission to establish a program to allow electricity customers to make voluntary contributions to fund renewable resource research and development and demonstration community projects. 35-A M.R.S.A. § 3210(4)(5). The Act specifies that the State Planning Office (SPO) will administer the program. The Commission established the program through the adoption of Chapter 312 of its rules, which requires utilities to notify their customers every six months of the ability to contribute to the fund, including the option to have a specified amount added to their utility bills each month.

During 2001, the Commission worked with the SPO, the Public Advocate, utilities and various environmental groups to increase contributions to the fund without significantly increasing its administrative costs. These efforts have been moderately successful in that the Fund now has approximately $50,000 at an administrative cost of

[14] The dispute involves CMP and BHE. Because GIS is not applicable in northern Maine, the dispute does not involve MPS.

approximately $6,000. During 2003, SPO will consider, in cooperation with the Energy Resources Council, whether this level of funding is sufficient to support a credible project and how a project could be most effectively identified and pursued.

## VII. ENERGY EFFICIENCY PLAN

The Restructuring Act initially directed the SPO to develop statewide conservation programs. While SPO developed the conservation plan, the Act continued to require Maine's T&D utilities to administer and implement energy efficiency programs to electricity consumers. In April 2002, the Legislature amended the Restructuring Act through P.L. 2001, ch. 624, (An Act to Strengthen Energy Conservation), to vest in the Commission the responsibility for both developing a statewide conservation plan and administering the conservation programs.

To facilitate timely introduction of new conservation programs, the Conservation Act allowed the Commission to implement "interim programs" that need not accomplish all the goals set forth in statute. During 2002, we approved twelve interim programs. The programs are in varying stages of design, with some fully implemented, some fully designed and with bids out for implementation, and some to be designed in 2003.

During 2002, we also began the process of deciding the issues – including program design, funding levels, economic and technical conservation potential, goals, strategies, cost effectiveness tests, and definitions – for the ongoing statewide portfolio. Throughout the process, we have sought, and obtained, extensive written and oral comment. We have also hired staff dedicated to the conservation program to carry out our continuing responsibitilites.

Pursuant to the Conservation Act, on December 1, 2002 the Commission submitted to the Utilities and Energy Commission its annual Conservation Report.[15] The report describes in detail the interim programs and the decisions we made during 2002. Appendix F contains a list of interim programs we approved during 2002, and the orders we issued establishing decisions on conservation programs and issues.

## VIII. LOW-INCOME PROGRAM

The Restructuring Act directs the Commission to oversee the implementation of a statewide assistance program for low-income electricity customers. 35-A M.R.S.A. § 3214. On July 31, 2001, the Commission adopted the Statewide Low-Income Assistance Plan to make electric bills more affordable for qualified low-income customers. The new plan, Chapter 314 of the Commission's rules, requires each of Maine's T&D utilities to create or maintain a Low-Income Assistance Program (LIAP) for its customers. Chapter 314 creates a central fund to finance the statewide plan and

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[15] The Conservation Act and the Commission's Conservation Report to the Utilities and Energy Committee may be obtained from the Commission's web page, www.state.me.us/mpuc.

apportions the fund to each utility based on the percentage of LIHEAP eligible persons residing in that utility's service territory.[16] Chapter 314 designates the Maine State Housing Authority (MSHA) to administer the Plan and the individual LIAPs.

Under Chapter 314, each utility contributes money to the central fund based upon the number of residential customers in its service territory. The funds are then redistributed to the utilities by the MSHA based upon the number of customers that are eligible for LIHEAP in each utility's service territory. In this manner, the plan ensures that each utility receives the funds necessary to address the need that exists in its service territory. In addition, the plan ensures that each utility contributes approximately the same amount per residential customer to the fund and receives the same amount per eligible person from the fund. The overall amount of the fund for the program year that ended on September 30, 2002, was $5.7 million. This same funding level will be used for the 2003 program year and should provide the necessary revenue to assist more than 42,000 eligible customers. For the first time in Maine, every eligible person, regardless of the utility service territory in which he or she lives, has access to an assistance program created to make electric bills more affordable.

## IX. NEW ENGLAND WHOLESALE MARKET AND TRANSMISSION

Wholesale electricity prices significantly impact the prices of Maine's retail electricity consumers. Accordingly, the Commission actively participates in proceedings at the Federal Energy Regulatory Commission (FERC) and the New England Power Pool (NEPOOL). The Commission's active role in proceedings affecting New England's wholesale electricity markets is done pursuant to our statutory obligation to intervene and participate at FERC and other federal agencies to promote competition and the interests of Maine consumers and specifically to advocate in matters relating to the development, operations, conduct and governance of the Independent System Operator (ISO) and related market entities. 35-A M.R.S.A. § 3215. The Commission also is guided by the Restructuring Act's finding that for retail competition to function effectively, the governance of the independent system operator must be "fully independent of influence by market participants." 35-A M.R.S.A. § 3215. This section of the report describes how we are fulfilling these obligations.

### A. Existing Structures and Organizations

#### 1. NEPOOL

NEPOOL is a voluntary organization of market participants who interact with one another and with ISO New England (ISO or ISO-NE) according to a formalized set of rules embodied in the NEPOOL Agreement, the NEPOOL regional

[16] LIHEAP is the "Low-Income Home Energy Assistance Program," which is a federally funded program that provides financial assistance grants to needy households for home energy bills and is implemented by the Maine State Housing Authority.

transmission tariff and the NEPOOL market rules. Maine Commission Staff regularly participates in the meetings of the NEPOOL committees that formulate the market rules, reliability requirements, and transmission tariffs. Our participation at this level enables us to hear directly from all market sectors their views on the advantages and disadvantages of the current rules or proposed amendments to those rules. If we perceive that the current rules or proposed changes threaten the ISO's independence, the market's competitiveness, or system reliability, we are able to intervene and provide informed comment to the FERC.

Although the Commission is not a market participant or a member of NEPOOL,[17] our participation on NEPOOL working committees helps us understand market issues as they evolve and anticipate how they will affect the markets. During the course of the meetings, we explain to market participants and the ISO any negative effects the proposed rules may have on Maine's ratepayers. When necessary, we request that either NEPOOL itself, or ISO-NE, modify the rules. If our concerns are not addressed at this informal level, we develop formal filings to FERC, the final arbiter of all market rules. We work collaboratively with other New England states as we develop the filings to build a consensus position; whenever possible, our comments are filed jointly with the other state public utility commissions through the New England Conference of Public Utility Commissioners (NECPUC). Our collaboration with other New England public utility commissions increases the effectiveness and efficiency of our participation in FERC proceedings.

We also pool staff resources with NECPUC, which has designated a Staff Energy Policy Group (SEPG) made up of staff members from each state devoted to following emerging issues and to reporting back to the commissioners and other staff members as developments occur. The group holds regular conference calls to discuss the issues as they emerge, determine which issues should receive the highest priority, and assign responsibility for monitoring any new developments.

### 2. ISO New England

ISO-NE serves two principal functions. It maintains the reliability of the New England power grid by coordinating the operation of the region's 8,000 miles of transmission lines (owned by seven regulated transmission companies) and 340 generating units (most of which are owned by companies not subject to state retail rate regulation). In addition, ISO plays a central role in administering the competitive wholesale electricity market. Over the past year, the ISO has become a driver of market change through its increasingly assertive approach to market development.

[17] The State of Maine Governor's Office is a member of NEPOOL. We work cooperatively with the State Planning Office and the Public Advocate, who represent the Governor as a voting member and alternate voting member, respectively, on the End Use Sector, to further the interests of Maine electric customers.

Communication with the ISO has improved significantly over the past year. We have met with members of the ISO Board of Directors and with the ISO staff to discuss the implementation of locational marginal pricing and a day ahead market in New England. These improvements (known collectively as Standard Market Design) are expected to greatly enhance the competitiveness of the New England wholesale markets when they are implemented in March of 2003. In addition, the ISO has consulted frequently with us and other New England commissioners as it developed a filing proposing a merger with the New York ISO (NYISO). In general, ISO-NE has addressed many of our concerns, especially in the areas of (1) the independence of the Board of any merged entity and (2) the structure and function of the market monitoring unit.

## B. Northeast Regional Transmission Organization

On August 23, 2002, ISO-NE and the NYISO filed a petition at the FERC, requesting a finding that the proposed Northeastern Regional Transmission Organization (NERTO), which would merge the operation and governance of the ISO-NE and the NYISO, qualifies as a Regional Transmission Organization. NECPUC filed comments in this docket commenting on the need for mechanisms to ensure that the New England region is not financially harmed whether through elimination of trading barriers across regions or through a merger of the New York and New England control areas. NECPUC also commented on the need to preserve the independence of a NERTO Board and have a market monitoring unit that is independent of market participants and of the ISO operations division. Finally, NECPUC commented on the need for more clarity in determining cost allocation for transmission upgrades. NECPUC did not comment on the merits of the proposed formation of NERTO.

In addition to joining in the NECPUC comments, we jointly filed comments with the Rhode Island Public Utilities Commission on the transmission planning and cost allocation methodology proposed in the NERTO filing. In these comments, we criticized the proposal to spread the costs of major transmission upgrades, which are classified as reliability upgrades, across either the whole New York and New England region or across either sub-region (New York or New England), even if the upgrade benefits only a local area. We asked the FERC to require the ISOs to develop a cost allocation methodology that allocates costs on the basis of who benefits from the upgrade rather than using dubious distinctions between reliability and economic upgrades.

On November 22, 2002, the ISO-NE and NYISO withdrew their petition to create NERTO due to widespread of opposition.

## C. Standard Market Design Nationwide and In New England

### 1. The FERC's Proposed Rule on Standard Market Design

On July 31, 2002, the FERC issued a Notice of Proposed Rulemaking (NOPR) titled, "Remedying Undue Discrimination through Open Access

Transmission Service and Standard Electricity Market Design" (Docket No. RM01-12-000). The FERC's stated objectives are to eliminate remaining undue discrimination in the use of transmission facilities and establish a standardized transmission service and wholesale electric market design that will provide a level playing field for all entities that seek to participate in wholesale electric markets. FERC's proposed nationwide Standard Market Design is nearly identical to the Standard Market Design that is being implemented in New England and New York.

The Maine PUC is participating in the FERC's rulemaking through a number of avenues. We have met in person with FERC commissioners and senior FERC staff, and participated in technical conferences on demand response programs, transmission expansion pricing, and resource adequacy, and we will comment formally in writing on the proposed rule. We have helped organize and participated extensively in the national debate over this issue, advancing an innovative approach to capacity planning and drawing the FERC's attention to the need to properly design wholesale markets and ensure their open and fair operation. Our goal will be to encourage the FERC to use the New England Standard Market Design as a model in areas where we believe New England's model is superior, and to use the rulemaking proceeding to modify New England's market design in areas where FERC's proposal seems superior in encouraging a more competitive market that would provide better results for Maine consumers.

### 2. Standard Market Design in New England

On September 20, 2002, the FERC approved proposed rules filed jointly by ISO-NE and NEPOOL to implement locational marginal pricing (LMP) and a day-ahead market. These rules collectively are known as "Standard Market Design."[18] The FERC approved the implementation of a Standard Market Design in New England, and it is expected to become operational on March 1, 2003.

Locational Marginal Pricing is a pricing methodology that reflects the cost of supplying power locally rather than having one price for a whole region such as the New England area. This pricing methodology is FERC's chosen methodology to encourage generator location, demand response or merchant transmission in areas of heavy load and limited transmission import capacity (transmission congested areas). Until LMP is implemented, the high cost of supplying energy to transmission-congested areas such as Northeast Massachusetts and Southwestern Connecticut is spread to all New England consumers. This costs Maine consumers approximately $9 million dollars per year. Under LMP, Maine consumers will pay the cost of supplying energy within Maine and they will not pay a share of the higher costs to supply energy to transmission congested areas. Because Maine has an oversupply of generation and because congestion costs from other areas will no longer be assessed to CMP and BHE (and

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[18] FERC's rule on standard market design" and the New England "standard market design," though different proceedings, contain many of the same elements such as locational marginal pricing and a day-ahead market.

their consumers), LMP is expected to produce wholesale prices in Maine that are lower than would be the case with a single spot market price for all of New England.

Related to LMP is the issue of cost allocation for transmission upgrades and expansion. Under the current system, the cost of transmission upgrades is spread across New England. CMP and BHE are assessed a share of the cost of such upgrades and pass these costs on to consumers through their retail transmission rates. We have successfully argued in this and other dockets at FERC that once LMP is in place in New England, the cost of transmission upgrades should be borne by those entities or areas that benefit from the upgrade. FERC has recognized that the LMP system of providing price signals for load response, generator location and merchant transmission cannot function successfully if the costs of upgrades to reduce congestion are paid by all consumers in the region, not just those that will benefit from the reduced costs. However, states such as Connecticut and Vermont, in which major transmission upgrades are proposed, seek to convince FERC to continue spreading the costs of transmission upgrades to all New England consumers even after LMP is in place. On December 20, FERC decided that the costs of a major upgrade in southwest Connecticut could be spread across all New England consumers. We will continue to be active proponents, in this and other dockets, for a transmission cost allocation system that allocates costs to those that will benefit from the upgrade.

Finally, the SMD will implement a day-ahead market. Since the day-ahead market will provide LSEs and suppliers more opportunity to hedge, it is expected to reduce daily price volatility. Moreover, since both the New York and Middle Atlantic states ISOs (NYISO and PJM) have a day-ahead market, SMD implementation in New England will increase market liquidity by facilitating trading with other regions.

## D. Other Significant FERC Cases and Issues

### 1. Capacity Markets, Capacity Charges and New Initiatives for Ensuring Adequacy

When the wholesale electric generation market was restructured, it was subdivided into an electric energy market and a number of ancillary markets, including an Installed Capacity (ICAP) market. The goal of the ICAP market was to ensure that there would be generation capacity in New England adequate to maintain reliable service even during periods of peak demand. Generally, demand in New England and most other regions peaks on the hottest summer days when air conditioning demand is particularly high.

However reasonable the goal, the original ICAP market was seriously flawed. Early in its history, some suppliers may have attempted to manipulate the market in a manner that could be extremely expensive to electricity customers, potentially costing scores of millions to Maine customers and proportionate amounts for customers in the other New England states. At the same time, it became apparent that the original ICAP market was not well suited to ensuring acceptable reliability levels.

The result was prolonged litigation including two court appeals, in which we were an active and successful party. The result of these appeals, as well as ongoing litigation (in which we are also an active party) at FERC, was a much improved, though still flawed, ICAP product. While the current product significantly reduces incentives for gaming by suppliers, it is not completely successful in ensuring that ICAP revenues actually are used to ensure sufficient capacity in the future.

There appears to be an increasingly broad consensus that there is a need to develop a workable solution to the problem of ensuring resource adequacy. The Commission has been among the most active players in these reform efforts. Currently, a working group is addressing the need to develop a durable capacity adequacy mechanism. Representatives of the Maine Commission have, as members of the working group, developed and refined a proposal designed to maintain reliability, to moderate short term price spikes due to a shortage of electricity and/or the exercise of market power, and to balance the economic interests of generators and customers. We are optimistic that this working group will produce a workable solution to the problem of assuring resource adequacy that can be presented to FERC for its approval.

### 2. Demand Response

Because electricity cannot be stored economically, the total amount of generation on line at any instant must equal the combined use of all customers at that same instant. This creates challenges for developing competitive wholesale and retail markets. Most customers are served under fixed price contracts, which means that they are insulated from hourly price spikes. Thus, they do not see (or react to) short-term price spikes in the energy market.[19] This lack of demand response, coupled with a generation market which, for technical reasons, is often slow to expand output during high cost periods, means that generators can almost name their own price when supply is short. In fact, because during peak periods there would otherwise be no limit to what suppliers could charge for electricity, the FERC has recognized the need in New England and New York for a $1000 per MWh price cap. The problem of inelastic demand and tight supply leading to extremely high prices was graphically illustrated in California during 2000 and much of 2001.

To avoid these high peak prices and to reduce generators' ability to exert market power, there is a clear need to take steps to increase the amount and speed of demand response by customers. This will entail a multi-faceted effort which includes encouraging pricing mechanisms that allow customers to benefit from usage reductions during high cost times, deploying more sophisticated meters that record hour-by-hour customer usage, encouraging the retail market to offer a wider variety of choices to customers, and encouraging small customer-owned generation (distributed generation) to provide generation during high cost periods. The Commission has been

[19] These customers do ultimately pay for high on-peak costs in the sense that their supplier anticipates on-peak usage and sets the fixed price accordingly.

actively involved in the development of these and similar mechanisms and continues to participate in FERC proceedings involving demand response programs.

### 3. FERC Proceedings on Standardized Generator Interconnection Agreements and Procedures

During 2002, the FERC initiated two related rulemakings that are directed towards standardizing the procedures and studies that independent generators must conduct before they are allowed to interconnect with the transmission grid. Generator interconnection is a technical process that must be carefully controlled to ensure the reliability and safety of the rest of the transmission or distribution system. FERC's rulemakings seek to address this need to protect the integrity of the grid without raising unnecessary barriers to entry for new generation facilities.

In April 2002, the FERC issued a proposed rule that provides a standard interconnection agreement and operating procedures for generators greater than 20 Megawatts. The Commission participated in the NEPOOL Reliability Committee's review of the standard agreement, filed our own comments in the proceeding, and collaborated with generators, transmission owners, and other state regulators through the National Association of Regulatory Utility Commissions (NARUC) to develop consensus interconnection agreement and procedures documents. The FERC has not yet issued a final rule in this docket.

In August 2002, the FERC issued a second proposed rule relating to small generator interconnections. This proposed rule is intended to standardize the interconnection to the grid of generators less than 20 Megawatts in size. This rulemaking is of interest to Maine because it could accelerate development of the distributed generation industry. The proposed rule is intended to reduce the cost of small scale generation by standardizing the kind of studies required and pre-certifying the kind of equipment small generators may use to connect to the transmission system. We are participating in this proceeding through a coalition of industry stakeholders that includes transmission owners, small and distributed generation interests, and other NARUC members to develop a standardized procedure similar to the one developed for larger generators.

## E. ISO Initiatives

### 1. Market Reforms Recommended by Market Advisor

In April 2002, FERC approved a package of interim market reforms proposed by ISO-NE, upon the advice of its Market Advisor.[20] The Market Advisor had undertaken a study of the current rules and their implementation by the ISO as a result of complaints by suppliers that the clearing prices did not increase to the extent it should

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**20** The Market Advisor, David Patton of Potomac Consultants, reports to the ISO-NE board on issues relating to the functioning of the market.

have during a number of high load, tight capacity hours during the summer of 2001. The reforms proposed by the ISO, among other things, expanded the types of resources that could set the clearing price, imposed bidding requirements, increased payment for reserves, and removed barriers to the export of power from New England to New York when the price is higher in New York. These changes are intended to help increase price efficiency until the implementation of SMD in March 2003. As part of NECPUC, the Commission generally supported the changes as interim measures as long as they would not delay the implementation of SMD and would be closely monitored by the ISO to avoid any increase in incentives for gaming by generators. Further, NECPUC supported provisions that would prevent high-priced external contracts from setting the clearing price for the entire hour if they were needed only for a portion of the hour. The implementation of SMD continues on schedule, indicating that it has not been adversely affected by the interim rules, and the ISO has not reported any gaming activity that has resulted from these rules.

### 2. Competitive Assessment by Market Advisor

During the summer of 2001, the clearing price reached the $1000 per MWh bid cap during 15 hours of high demand and tight capacity. Because the level of forced outages was higher than predicted during many of these hours, a number of regulators, including the Maine Commission, asked the ISO to investigate whether any suppliers had physically withheld capacity to increase clearing prices. In response to these requests, the ISO's Market Advisor undertook a study that sought to identify anticompetitive withholding of resources from conduct that is justified.

The Market Advisor's report[21] concluded that "the New England markets have been workably competitive and [produce] little evidence of persistent economic or physical withholding." The report did find that some of the changes to the market rules, approved as part of the interim package discussed above, would have likely resulted in lower prices. In addition, the report could not exclude the possibility that "discrete instances" of anti-competitive withholding had occurred and further recommended that the ISO continue to monitor for anti-competitive withholding "especially in the peak-demand hours when the presence of market power is most likely." The report recommended that the ISO continue to monitor for economic and physical withholding and that the monitoring should include the type of statistical analysis upon which the report relied as well as "random physical audits to verify the technical justifications accompanying forced outages and significant deratings." In meetings with the market monitoring unit, NECPUC staff has encouraged the ISO to increase its audit activity to verify supplier justifications for forced outages.

## F. Maine/Canadian RTO Study

[21] The Market Advisor's Report is entitled "Competitive Assessment of the Energy Market in New England" and may be obtained from the ISO-NE web page (www.iso-ne.org).

In 2002, the Maine Legislature enacted a Resolve[22] directing the Commission to investigate and report on the advantages and disadvantages of having the State's T&D utilities form a regional transmission organization (RTO) with utilities in Canada. We engaged Maine-based Energy Advisors to provide a comprehensive analysis of the issues. We will present the Energy Advisors report and any Commission recommendations regarding Maine utilities joining an RTO with Canadian utilities to the Utilities and Energy Committee early in 2003. A draft of the report was released in December for public comment and is available on our web page (www.state.me.us).

## X. NORTHERN MAINE

### A. NMISA

The northern area of Maine is not directly connected to the New England control area and is therefore unable to fully participate in the New England markets. Northern Maine is part of the Canadian Maritimes control area and constitutes a separate wholesale market. As a consequence, northern Maine requires its own Independent System Administrator. The Northern Maine Independent System Administrator (NMISA), formed in 2000, develops, interprets, and enforces the market rules and operating procedures and supervises the reservation, scheduling, and dispatch of the northern Maine transmission system. The substantially smaller size of the northern Maine market and the relatively few market participants allow it to operate under a much simpler set of rules than those in place in the rest of New England. This simplicity has contributed to the relatively problem-free operation of the northern Maine market.

### B. Filing in FERC's Standard Market Design Proceeding

The NMISA has responded to the FERCs rulemaking on SMD with a filing that describes its unique function and the structure of the northern Maine market. The NMISA asked the FERC to consider these unique characteristics and exempt it from elements in the proposed rule that would be overly burdensome and expensive or impossible to implement in northern Maine due to its size and market structure. The Commission's comment on the FERC proposed rule will support the NMISA's request.

### C. Market Development Committee

The NMISA has a market development committee whose function is to develop or modify the market rules when the need arises. The NMISA has been asked to determine whether the northern Maine markets would benefit from the addition of a capacity product. The proponents of such a rule believe that it would help to ensure the continued viability of existing generators in northern Maine, and that it would add compatibility between northern Maine and New Brunswick's wholesale markets. We are

[22] P.L. 2001, chapter 81, Resolve, Regarding Participation in Regional Transmission Organization.

participating in the examination of a need for this product and will seek to ensure that, if such a product is developed, it will be compatible with the resource adequacy product developed as a result of the FERC rulemaking on SMD.

### D. New Brunswick Industry Restructuring

Northern Maine is directly connected to the Province of New Brunswick and is therefore affected by the activities of the provincial utility, New Brunswick Power Company. New Brunswick has decided to open its wholesale market to limited competition beginning in 2003. Municipal utilities and large industrial consumers will be allowed to seek power from competitive suppliers, and existing prohibitions on the construction of independent power facilities will be eliminated. This action by the Province will influence both the New England and the northern Maine markets, and the Commission is closely monitoring the implementation of New Brunswick's energy policy. When opportunities arise, we will work to advance the integration of the northern Maine market, the New Brunswick wholesale market, and the New England market as much as possible.

### E. East Coast Transmission Organization

Utilities in the Canadian Maritimes are considering changes to their wholesale markets that would facilitate the export of excess power for sale into either the northern Maine market or into the New England market. To do so, they must demonstrate to the FERC that their markets are competitive and must develop a Regional Transmission Organization that meets FERC's requirements. Canadian utilities are currently discussing how such an organization, commonly named East Coast Transmission Organization (ECTO), will be structured and governed. We are monitoring this development and will participate in any meetings or open discussions of stakeholders. We will also intervene in applicable FERC proceedings.

### F. Second Tie Line

The Maine Electric Power Company (MEPCO) line is the only direct electrical connection between New England and the New Brunswick Power Company (NBP). The MEPCO line can transport up to 1,000 MW of power from NBP into Maine, but is limited in the amount of power it can transport from Maine into New Brunswick. In August 2001, BHE petitioned the Commission to issue a certificate of public convenience and necessity to build a second transmission line that would allow more power to flow in both directions. Maine's Department of Environmental Protection rejected BHE's proposal without prejudice because of an inadequate evaluation of alternate corridors. At this time, BHE has not indicated whether it will continue to pursue the project.

## XI. AFFILIATED COMPETITIVE PROVIDERS AND COMPLIANCE COSTS

The Restructuring Act requires T&D utilities and their marketing affiliates (referred to in the Act as affiliated competitive providers) to comply with comprehensive standards of conduct and market share limitations. 35-A M.R.S.A. §§ 3205, 3206, 3206-A. These requirements are intended to prevent utility marketing affiliates from obtaining any undue market advantage by virtue of their corporate relationship with T&D utilities. The Commission has implemented the requirements of these statutory provisions through the promulgation of Chapter 304 of its rules. Additionally, the Restructuring Act requires the Commission to assess its actual and estimated future costs of implementing and enforcing the law governing affiliate marketing, as well as the utilities' cost of compliance, and to provide an assessment of the impact of those costs on ratepayers and the utilities. 35-A M.R.S.A. § 3217(1).

At the outset of retail competition in Maine, MPS created Energy Atlantic, LLC (EA), a marketing affiliate that has operated throughout the State. In October 2000, WPS Energy Services Inc. (WPS), a licensed competitive electricity provider, filed a complaint against MPS alleging violations of the standards of conduct. The Commission ordered WPS and MPS to undergo informal dispute resolution required by Chapter 304 to resolve a portion of the complaint and opened an investigation into the allegation of inappropriate employee sharing between MPS and EA. The informal dispute resolution resulted in MPS's agreement to change some of its procedures, while other allegations were found to be without merit. The Commission's investigation of the inappropriate employee sharing allegations was resolved in April 2002 by an agreement of the parties that revised and refined the type of employee sharing that may occur between MPS and EA.

During 2002, BHE filed for Commission approval to create a marketing affiliate, Emera Energy Services, Inc. (EES). EES would be a subsidiary of BHE's corporate parent, Emera, Inc. The Commission approved the creation of EES subject to several conditions intended to ensure that EES would not have any market advantage due to its affiliation with BHE. The Public Advocate and Competitive Energy Services (a licensed electricity aggregator) appealed the Commission's decision to the Law Court on the ground that the approval of the formation of EES violated the Restructuring Act's prohibition of affiliated marketing in certain circumstances subsequent to the acquisition of a T&D utility. The appeal is currently pending.

The Commission's costs of implementing and enforcing the affiliate marketing requirements have been modest, primarily comprising the use of internal resources to conduct the WPS complaint proceeding and to review BHE's request to form EES (along with associated affiliated contracts). The Commission foresees that its costs will continue to be moderate in the future. BHE has indicated that its costs of compliance have been minimal. MPS has incurred, and continues to incur, the cost of hiring outside counsel in connection with its participation in the proceedings and post-proceeding compliance activities associated with the EA agreement. However, MPS indicates that these costs are relatively insubstantial and are unlikely to materially affect customer rates or shareholder value.

## XII. ACTIVITIES IN OTHER STATES

The Restructuring Act directs the Commission to report on activities relating to changes in the regulation of electric utilities in other states. 35-A M.R.S.A. §3217(1). Currently, 17 states and the District of Columbia allow retail competition for electricity supply. Of the remaining states, 26 are not currently carrying out any restructuring activity, six have studied but are delaying restructuring, and California has suspended restructuring. Appendix G displays a map showing the status of restructuring in each state. The National Regulatory Research Institute's recent report, "2002 Performance Review of Electric Power Markets," contains a discussion of the status of electric restructuring in other states.[23]

## XIII. CONCLUSION

As a general matter, the retail markets in Maine involving medium and large customers continue to be characterized by a reasonable level of competitive activity, and standard offer service is currently providing competitively priced electricity for small customers. However, in 2002, events beyond Maine's borders illustrated the impact of regional and national events on Maine's restructuring efforts. The financial and legal problems of energy suppliers and the unsettled regional and national market rules affect the continued development of Maine's retail market. Nonetheless, in 2002, Maine customers generally benefited from the restructured wholesale and retail markets through lower prices. Participating in regional activities and monitoring the local market remain critically important tasks for the Commission in 2003.

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[23] The report is available at www.nrri.ohio-state.edu.

## Appendix A
## Statewide Percentages of Customers and Load that have Switched to Competitive Electricity Providers As of Mid-2002

| State | % of Customers Who Switched | Percentage of Load/Usage that Switched |
|---|---|---|
| District of Columbia | 7.4% | 48.6% |
| Maryland | 3.4% | 16.6% |
| Massachusetts | 3.2% | 31.3% |
| **Maine in December 2002** | **1.3%** | **32.5%** |
| **Maine in March 2002** | **1%** | **46.5%** |
| New Jersey | 0.2% | 1.6% |
| New York | 5.2% | 18.9% |
| Ohio | 13.8% | 11.8% |
| Pennsylvania | 5.5% | 7.9% |
| Rhode Island | 0.6% | 12.9% |
| Texas | 0.7% | 19.2% |

Source: National Regulatory Research Institute

## Appendix B - page 1
## Standard Offer Prices -- Central Maine Power Company Service Territory

| | Past Prices and Suppliers | | | | | | Current Prices and Suppliers | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Residential/Small Commercial | (effective 3/1/00 - 2/28/02) | | | | | | | | | (effective 3/1/02 - 2/28/05) | | |
| | EA | 0.04089 | | | | | **CPS Me** | **$0.04950** | | | | |
| **Medium C&I** | (effective 3/1/00 - 12/31/00) | | (effective 1/1/01-2/28/01) | | (effective 3/1/01 - 2/28/02 | | | | | (effective 3/1/02 - 2/28/03) | | |
| **Non-Summer (Mar-May)** | **CMP** | $0.05520 | **CMP** | N/A | **CMP** | $0.08520 | **Select** | $0.03608 | | | | |
| **Summer (Jun-Aug)** | | $0.06810 | | N/A | | $0.08520 | | $0.05326 | | | | |
| **Non-Summer (Sep-Nov)** | | $0.05520 | | N/A | | $0.08520 | | $0.03468 | | | | |
| **Non-Summer (Dec-Feb)** | | $0.05520 | | $0.06400 | | $0.08520 | | $0.04384 | | | | |
| | **AVG** | **5.52 ¢/kWh** | | | **AVG** | **8.52 ¢/kWh** | **AVG** | **4.22 ¢/kWh** | | | | |
| | (effective 3/1/00 - 12/31/00) | | (effective 1/1/01 - 2/28/01 | | (effective 3/1/01 - 2/28/02 | | | | | (effective 3/1/02 - 2/28/03) | | |
| **Large C&I** | **CMP** | | **CMP** | | **CMP** | | **Select** | Demand ($/kW) | | Energy | | |
| | | | | | | | | Peak | Shoulder | Peak | Shoulder | Off-Peak |
| | | | | | | | MAR | $0.70 | $0.00 | $0.04163 | $0.03589 | $0.03209 |
| | | | | | | | APR | $0.80 | $0.00 | $0.04058 | $0.03425 | $0.02683 |
| **Non-Summer (Sep-May)** | | | | | | | MAY | $0.75 | $0.00 | $0.04584 | $0.03621 | $0.02830 |
| **Peak** | | $0.05925 | | $0.06633 | | $0.08971 | JUN | $0.00 | $0.65 | $0.06417 | $0.04453 | $0.03082 |
| **Shoulder** | | $0.05925 | | $0.06633 | | $0.08971 | JUL | $0.00 | $0.60 | $0.07883 | $0.05304 | $0.03698 |
| **Off-Peak** | | $0.03378 | | $0.04086 | | $0.05596 | AUG | $0.00 | $0.63 | $0.07796 | $0.05757 | $0.03656 |
| | avg | 4.49 ¢/kWh | avg | 5.20 ¢/kWh | avg | 7.07 ¢/kWh | SEP | $0.00 | $0.65 | $0.04407 | $0.03742 | $0.03140 |
| **Summer (Jun-Aug)** | | | | | | | OCT | $0.76 | $0.00 | $0.03420 | $0.03107 | $0.03012 |
| **Peak** | | $0.11041 | | N/A | | $0.14576 | NOV | $0.73 | $0.00 | $0.03911 | $0.03514 | $0.03499 |
| **Shoulder** | | $0.11041 | | N/A | | $0.14576 | DEC | $0.68 | $0.00 | $0.05188 | $0.04373 | $0.03973 |
| **Off-Peak** | | $0.03882 | | N/A | | $0.06543 | JAN | $0.71 | $0.00 | $0.05250 | $0.04401 | $0.04320 |
| | avg | 6.82 ¢/kWh | | | avg | 9.84 ¢/kWh | FEB | $0.69 | $0.00 | $0.04492 | $0.04124 | $0.03870 |
| | **AVG** | **5.09 ¢/kWh** | | | **AVG** | **7.79 ¢/kWh** | **AVG** | **4.24 ¢/kWh** | | | | |

TOU - Weekdays

Peak = 7 am - 12pm, 4pm - 8pm

Shoulder = 12pm - 4pm

Off-Peak = 8pm - 7am

TOU-Weekends/Holidays

Winter Shoulder = 7am - 12pm, 4pm - 8pm (Winter = December - March)

Winter Off-Peak = All other hours (Winter = December - March)

Non-Winter = All Off-Peak

## Appendix B - page 2
## Standard Offer Prices - Bangor Hydro-Electric Company Service Territory

| | Past Prices and Suppliers | | | | | | | | | | Current Prices and Suppliers | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Residential/** | (effective 3/1/00-7/31/00) | | (eff. 8/1/00-9/30/00) | | (eff. 10/1/00-2/28/01) | | (eff. 3/1/01-2/28/02) | | | | (effective 3/1/02 - 2/28/05) | | | | | |
| **Small Commercial** | **BHE** | 0.04089 | **BHE** | 0.04608 | **BHE** | 0.06106 | **BHE** | 0.073 | | | **CPS Me** | **$0.050** | | | | |
| **Medium C&I** | (effective 3/1/00-7/31/00) | | (eff. 8/1/00-9/30/00) | | (eff. 10/1/00-2/28/01) | | (eff. 3/1/01-2/28/02) | | | | (effective 3/1/02 - 2/28/03) | | | | | |
| **Non-Summer (Mar-May)** | **BHE** | $0.04624 | **BHE** | $0.04967 | **BHE** | N/A | **BHE** | $0.06889 | | | **Select** | $0.03558 | | | | |
| **Summer (Jun-Aug)** | | $0.05704 | | $0.06127 | | N/A | | $0.08498 | | | | $0.05165 | | | | |
| **Non-Summer (Sep-Nov)** | | $0.04624 | | $0.04967 | | $0.06127 | | $0.06889 | | | | $0.03465 | | | | |
| **Non-Summer (Dec-Feb)** | | $0.04624 | | $0.04967 | | $0.06127 | | $0.06889 | | | | $0.04408 | | | | |
| | **AVG** | **4.90 ¢/kWh** | **AVG** | **5.26 ¢/kWh** | | | **AVG** | **7.3 ¢/kWh** | | | **AVG** | **4.17¢/kWh** | | | | |
| | (effective 3/1/00-7/31/00) | | (eff. 8/1/00-9/30/00) | | (eff. 10/1/00-2/28/01) | | | | (eff. 3/1/01-2/28/02 | | (effective 3/1/02 - 2/28/03) | | | | | |
| **Large C&I** | **BHE** | | **BHE** | | **BHE** | | | | **BHE** | | **Select** | Demand ($/kW) | | Energy | | |
| | | | | | | | | | | | | Peak | Shoulder | Peak | Shoulder | Off-Peak |
| | | | | | | | | | | | MAR | $0.69 | $0.00 | $0.03971 | $0.03419 | $0.03050 |
| | | | | | | | | | | | APR | $0.80 | $0.00 | $0.03848 | $0.03248 | $0.02524 |
| **Non-Summer (Sep-May)** | | | | | | | | | | | MAY | $0.74 | $0.00 | $0.04338 | $0.03396 | $0.02619 |
| **Peak** | | $0.05314 | | $0.05687 | | $0.07041 | | | | $0.09292 | JUN | $0.00 | $0.64 | $0.06099 | $0.04199 | $0.02850 |
| **Shoulder** | | $0.04680 | | $0.05008 | | $0.06201 | | | | $0.07565 | JUL | $0.00 | $0.59 | $0.07409 | $0.04877 | $0.03334 |
| **Off-Peak** | | $0.03848 | | $0.04118 | | $0.05100 | | | | $0.06964 | AUG | $0.00 | $0.62 | $0.07355 | $0.05400 | $0.03317 |
| | avg | 4.48 ¢/kWh | avg | 4.79 ¢/kWh | avg | 5.94 ¢/kWh | | | avg | 7.76 ¢/kWh | SEP | $0.00 | $0.65 | $0.04157 | $0.03514 | $0.02916 |
| **Summer (Jun-Aug)** | | | | | | | | | | | OCT | $0.75 | $0.00 | $0.03168 | $0.02867 | $0.02781 |
| **Peak** | | $0.07459 | | $0.07982 | | N/A | | | | $0.09292 | NOV | $0.72 | $0.00 | $0.03649 | $0.03268 | $0.03265 |
| **Shoulder** | | $0.06829 | | $0.07308 | | N/A | | | | $0.07565 | DEC | $0.67 | $0.00 | $0.04918 | $0.04147 | $0.03745 |
| **Off-Peak** | | $0.04117 | | $0.04406 | | N/A | | | | $0.06964 | JAN | $0.70 | $0.00 | $0.04947 | $0.04134 | $0.04054 |
| | avg | 5.76 ¢/kWh | avg | 6.16 ¢/kWh | | | | | avg | 7.76 ¢/kWh | FEB | $0.69 | $0.00 | $0.04331 | $0.03979 | $0.03732 |
| | **AVG** | **4.81 ¢/kWh** | **AVG** | **5.15 ¢/kWh** | | | | | **AVG** | **7.76¢/kWh** | **AVG** | **4.01 ¢/kWh** | | | | |

TOU - Weekdays
- Peak = 7 am - 12pm, 4pm - 8pm
- Shoulder = 12pm - 4pm
- Off-Peak = 8pm - 7am

TOU-Weekends/Holidays
- Shoulder = 7am - 8pm
- Off-Peak = All other hours

**Appendix B - page 3**

**Standard Offer Prices - Maine Public Service Company Service Territory**

| | Past Prices & Suppliers | Current Prices and Suppliers | | |
|---|---|---|---|---|
| **Residential & Small Commercial** | 0.042906 WPS (effective 3/1/00 - 2/28/01) | **0.05577** WPS (effective 3/1/01 - 2/28/02) | **0.05689** WPS (effective 3/1/02 - 2/28/03) | **0.05802** WPS (effective 3/1/03 - 2/28/04) |
| **Medium C&I** | 0.042549 - EA (20%) - WPS (80%) (effective 3/1/00 - 2/28/01) | **0.0562** WPS (effective 3/1/01 - 2/28/02) | **0.05732** WPS (effective 3/1/02 - 2/28/03) | **0.05847** WPS (effective 3/1/03 - 2/28/04) |
| **Large C&I** | $0.040038 WPS (effective 3/1/00 - 2/28/01) | **$0.06010** WPS (effective 3/1/01 - 2/28/02) | **$0.06130** WPS (effective 3/1/02 - 2/28/03) | **$0.06253** WPS (effective 3/1/03 - 2/28/04) |

## Appendix C
## Summary of the Commission's Standard Offer Study and Recommendations Regarding Service after March 1, 2005

On December 1, 2002, in response to P.L. 2001, chapter 528, the Commission submitted to the Utilities and Energy Committee its report entitled "Standard Offer Study and Recommendations Regarding Service after March 1, 2005." Following is a summary of the findings of that report.

We concluded that some type of standard offer, or default, service remains necessary after March 1, 2005, but that its purpose and design should reflect the prevailing competitive retail market. In market sectors where retail suppliers are providing options and reasonable prices for customers, such as for medium and large C&I customers in Maine, we concluded that standard offer service should not be "just another supply option," but should serve as a last resort or contingency service. By its design, standard offer service in these sectors should encourage and sustain customer out-migration to the retail market. Standard offer prices should closely track changes in the wholesale market, and other features of its design, such as treatment of customer credit, should parallel the market as well.

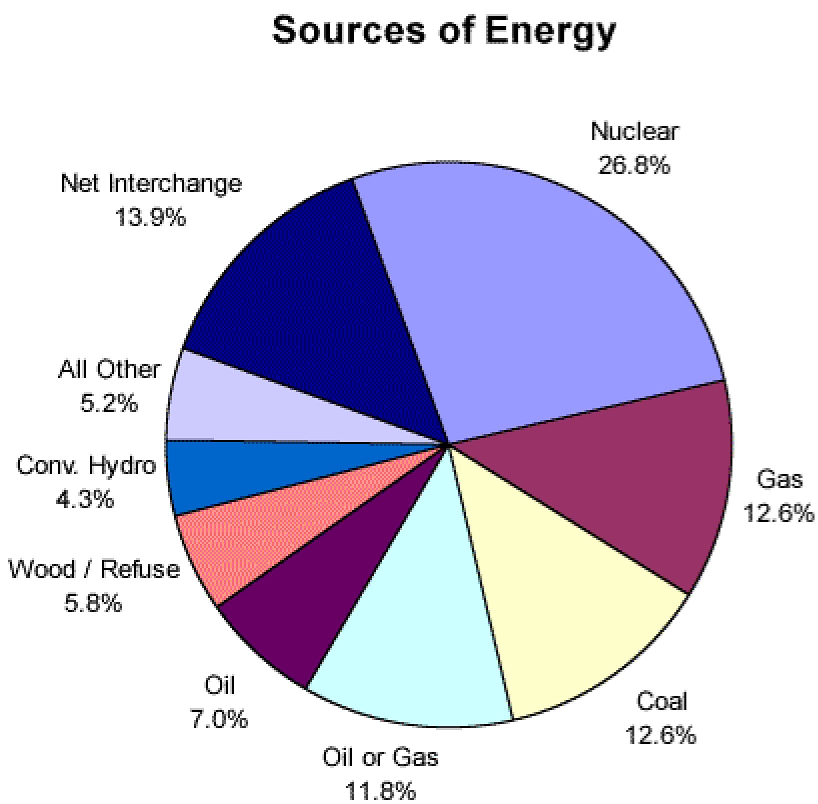
In market sectors where retail competition has not developed, such as for residential and small commercial customers, we concluded that standard offer service should be used to capture competitive market benefits for customers. In these sectors, standard offer service should not be designed to force customers into a market, and prices should not be deliberately set above-market in the hope that suppliers will respond and effective competition will develop.

We noted in the study that retail competition in the residential and small commercial sectors has not emerged to any real degree in Maine or elsewhere, and that suppliers remain focused on larger customers where profit margins are higher and administration less complex and less costly. We recommended that, until suppliers turn to the small customer markets, standard offer service in a form similar to what is now available to small customers in Maine should continue. We also identified and recommended several measures that would facilitate supplier entry into the market and access to small customers, but that would not harm customers that remained on standard offer.

We concluded that a "green offer" supply option comprising renewable resources as defined in M.R.S.A. 35-A section 3210(2)(C) should be made available to residential and small commercial customers beginning March 1, 2005, and should remain available until a retail market for green products develops. The green offer would be administered in much the same way the Commission now administers the standard offer.

In response to the Legislature's direction to consider "negative option," or "opt-out," municipal aggregation, we concluded that this form of aggregation should not be authorized because it is unlikely to bring widespread benefits for residential and small commercial customers and could actually hinder the development of retail competition. Furthermore, the mere possibility that municipalities would aggregate this way could increase standard offer prices as suppliers reflected this load uncertainty risk in their bid prices.

## Appendix D
## Fuel Sources Comprising System Power in the ISO-NE Region




To determine compliance with Maine's portfolio requirement and to develop uniform disclosure labels, suppliers may use a pre-established system power fuel mix, published by the Commission in 2000, that varies slightly from that published in this appendix.

# Appendix E
# Standard Offer Uniform Disclosure Labels

### *CONSUMER INFORMATION ABOUT YOUR ELECTRICITY SUPPLY*
**June – August 2002**

Your electricity is currently supplied through the Standard Offer energy service. Central Maine Power Company *delivers* this electricity, but the Standard Offer provider, who is selected by the Maine Public Utilities Commission through a competitive bidding process, supplies the *energy itself*.

This information sheet is provided in compliance with Maine law that requires electricity suppliers to provide a "uniform disclosure label" that informs residential and small commercial Standard Offer customers about the price, power sources, and air emissions of their electric service.

**Power Sources**

| | Your Mix | New England Mix |
|---|---|---|
| *Resources meeting Maine's 30% renewable and efficient resources requirement* | | |
| Biomass | 11.3% | 6.3% (Biomass and Municipal Trash) |
| Municipal Trash | 2.3 | |
| Hydro | 6.7 | 4.9 |
| Small Generation | 2.3 | 0.6 |
| Efficient resources [2] | 9.6 | |
| *Other resources* | | |
| Nuclear | 27.5 | 28.3 |
| Gas | 19.1 | 22.3 |
| Oil | 14.8 | 20.8 |
| Coal | 6.4 | 16.8 |
| Total | 100.0% | 100.0% |

Your Standard Offer Provider is:
**Constellation Power Source Maine, LLC.**

Your Energy Price is:
**4.95 cents per kilowatt-hour**

**Air Emissions**

This table compares air emissions from your Standard Offer supply mix to average emission levels from all New England power sources (in pounds per megawatt-hour).

| | Your Mix | New England Mix |
|---|---|---|
| **Carbon dioxide ($CO_2$)** | 747.1 | 780.0 |
| **Nitrogen oxide ($NO_x$)** | 1.9 | 1.5 |
| **Sulfur dioxide ($SO_2$)** | 2.8 | 3.9 |

**Information provided and required by the Maine Public Utilities Commission**

The actual electricity you use is indistinguishable from the electricity used by your friends and neighbors. There is no way to identify the actual power plant that produced the electricity you consume in your home because everyone in New England is served through the same transmission and distribution system. However, it is possible to track the dollars you pay for electricity. Your electricity dollars support electricity generation from various energy resources in the proportions listed above under **Power Sources,** Your Mix. Since the electricity you consumed may have been generated within New England but outside the state of Maine, the New England Mix column is provided as a comparison and represents the breakdown of sources generating electricity for all of New England. Small Generation consists of power plants that generate under 5 MW of electricity, and are primarily small hydroelectric, wind, and solar renewable generation facilities.

As part of the 1997 Act to Restructure Maine's Electric Industry, MPUC Chapter 311 requires Maine retail electricity providers to provide no less than 30% of their total annual kilowatt-hour sales with electric energy generated from eligible resources. Either a renewable resource or an efficient resource must generate the energy used to satisfy this requirement. Efficient resources are fossil fuels (i.e., gas, coal, oil) used to produce electricity for use by homes and businesses and thermal energy for use by businesses. The percentage of these facilities in the New England Mix is unavailable at this time. These facilities are therefore included in their respective fossil fuel categories for the New England Mix.

**Your Energy Price** is the price you pay for the energy supplied by the Standard Offer Provider, Constellation Power Source Maine LLC. Central Maine Power Company charges you separately for delivering this energy to you.

**Air Emissions** for each of the following pollutants are presented for your mix and the New England average mix. Carbon Dioxide ($CO_2$) is released when certain fuels are burned. It is considered a greenhouse gas and a major contributor to global warming. Nitrogen Oxides ($NO_x$) form when certain fuels are burned at high temperatures. They are considered contributors to acid rain and ground-level ozone (or smog). Sulfur Dioxide ($SO_2$) is formed when fuels containing sulfur are burned. Major health effects associated with $SO_2$ include asthma, respiratory illness and aggravation of existing cardiovascular disease. The production of electricity can produce other harmful emissions and have other environmental impacts. Environmental impacts differ among individual power plants.

*If you have questions or need further explanation, contact Constellation Power Source Maine LLC at 1-888-808-3826 or the Maine Public Utilities Commission at 1-877-782-3228. Additional information can also be found at http://www.state.me.us/mpuc.*

# Appendix E
# Standard Offer Uniform Disclosure Labels

## CONSUMER INFORMATION ABOUT YOUR ELECTRICITY SUPPLY

**June – August 2002**

Your electricity is currently supplied through the Standard Offer energy service. Bangor Hydro-Electric Company *delivers* this electricity, but the Standard Offer provider (Constellation Power Source Maine, LLC.), who is selected by the Maine Public Utilities Commission through a competitive bidding process, supplies the *energy itself*.

This information sheet is provided in compliance with Maine law that requires electricity suppliers to provide a "uniform disclosure label" that informs residential and small commercial Standard Offer customers about the price, power sources, and air emissions of their electric service.

**Power Sources**

| | Your Mix | New England Mix |
|---|---|---|
| *Sources meeting Maine's 30% renewable and efficient resources requirement* | | |
| Biomass | 11.3% | 6.3% |
| Municipal Trash | 2.3 | |
| Hydro | 6.7 | 4.9 |
| Small Generation | 2.3 | 0.6 |
| Co-generation | 9.6 | |
| *Other sources* | | |
| Nuclear | 27.5 | 28.3 |
| Gas | 19.1 | 22.3 |
| Oil | 14.8 | 20.8 |
| Coal | 6.4 | 16.8 |
| Total | 100.0% | 100.0% |

Your Standard Offer Provider is:
**Constellation Power Source Maine, LLC.**

Your Energy Price is:
**5.00 cents per kilowatt-hour**

**Air Emissions**

This table compares air emissions from your Standard Offer supply mix to average emission levels from all New England power sources (in pounds per megawatt-hour).

| | Your Mix | New England Mix |
|---|---|---|
| **Carbon dioxide ($CO_2$)** | 747.1 | 780.0 |
| **Nitrogen oxide ($NO_x$)** | 1.9 | 1.5 |
| **Sulfur dioxide ($SO_2$)** | 2.8 | 3.9 |

**Information provided and required by the Maine Public Utilities Commission**

The actual electricity you use is indistinguishable from the electricity used by your friends and neighbors. There is no way to identify the actual power plant that produced the electricity you consume in your home because everyone in New England is served through the same transmission and distribution system. However, it is possible to track the dollars you pay for electricity. Your electricity dollars support electricity generation from various energy resources in the proportions listed above under **Power Sources,** Your Mix. Since the electricity you consumed may have been generated within New England but outside the state of Maine, the New England Mix column is provided as a comparison and represents the breakdown of sources generating electricity for all of New England. Small Generation consists of power plants that generate under 5 MW of electricity, and are primarily small hydroelectric, wind, and solar renewable generation facilities.

Maine law requires retail electricity providers to supply no less than 30% of their total annual kilowatt-hour sales with electric energy generated from eligible resources. Either a renewable fuel or an efficient process, such as co-generation, must be used to generate the electricity used to satisfy this requirement. Co-generation sometimes uses fossil fuels, such as gas, coal or oil, and is considered to be efficient because the process yields both electricity and thermal energy. The percentage of co-generation from fossil fuel facilities in the New England Mix is unavailable at this time. These facilities are therefore included in their respective fossil fuel categories for the New England Mix.

**Your Energy Price** is the price you pay for the energy supplied by the Standard Offer Provider, Constellation Power Source Maine LLC. Bangor Hydro-Electric Company charges you separately for delivering this energy to you.

**Air Emissions** for each of the following pollutants are presented for your mix and the New England average mix. Carbon Dioxide ($CO_2$) is released when certain fuels are burned. It is considered a greenhouse gas and a major contributor to global warming. Nitrogen Oxides ($NO_x$) form when certain fuels are burned at high temperatures. They are considered contributors to acid rain and ground-level ozone (or smog). Sulfur Dioxide ($SO_2$) is formed when fuels containing sulfur are burned. Major health effects associated with $SO_2$ include asthma, respiratory illness and aggravation of existing cardiovascular disease. The production of electricity can produce other harmful emissions and have other environmental impacts. Environmental impacts differ among individual power plants.

*If you have questions or need further explanation, contact Constellation Power Source Maine LLC at 1-888-808-3826 or the Maine Public Utilities Commission at 1-877-782-3228. Additional information can also be found at http://www.state.me.us/mpuc.*

# Appendix E
# Standard Offer Uniform Disclosure Labels

## *Consumer Information About Your Electricity Supply*

You currently receive Standard Offer electricity service. Maine Public Service ***delivers*** this service, but the actual power is supplied by:

**WPS Energy Services Inc.**

This fact sheet provides consumer information about the price, power sources and air emissions of Standard Offer electricity service. Electricity suppliers in Maine that serve residential and small commercial consumers must, by law, provide these fact sheets, or "uniform disclosure labels from time to time, to educate consumers about their electricity.

### Residential and Small Commercial Standard Offer Service, December 2002

**Price:**
**5.689 cents per kilowatt-hour**

**This price is effective:**
**March 1, 2002 – February 28th, 2003**

*(Note: This relates to supply only. MPS charges separately for delivery service.)*

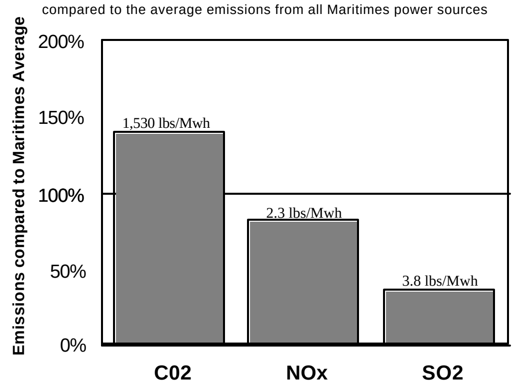
**Power Sources**

Standard Offer Service is supplied with power generated using the following mix of resources:

| | |
|---|---|
| **Resources that meet Maine's efficiency or renewable standards:** | |
| Biomass | 33.0% |
| Hydro | 13.0% |
| Municipal Trash | 2.0% |
| **Other resources:** | |
| Nuclear | 13.0% |
| Natural Gas | 8.0% |
| Oil | 19.0% |
| Coal | 12.0% |
| **Total:** | 100.0% |

## Air Emissions

This graph displays relative emissions from Standard Offer Service power sources compared to the average emissions from all Maritimes power sources




**Additional Information**

**Power Sources:** The actual electricity you use will be indistinguishable from the electricity used by your friends and neighbors. This is unavoidable because everyone is served through the same transmission and distribution system. The power sources label cannot tell you about the electricity that you use in your home; instead, it tells you that your dollars are going to pay for particular power plants. Since it is impossible to track the flow of electricity on the grid, however, there is no way to identify the actual power plant that produced the electricity you consume. But it is possible to track the dollars you pay to particular power plants. Your electricity dollars will support electricity generation from various energy resources in the proportions listed on the power content label.

**Emissions:** Emissions for each of the following pollutants are presented as a percent of the regional average emission rate. Carbon Dioxide ($CO_2$) is released when certain fuels are burned. It is considered a major greenhouse gas and a major contributor to global warming. Nitrogen Oxides ($NO_x$) form when certain fuels are burned at high temperatures. They are considered contributors to acid rain and ground-level ozone (or smog). Sulfur Dioxide ($SO_2$) is formed when fuels containing sulfur are burned. Major health effects associated with $SO_2$ include asthma, respiratory illness and aggravation of existing cardiovascular disease. The production of electricity can produce harmful emissions and have other environmental impacts. Environmental impacts differ among different power plants.

***Please contact WPS Energy Services Inc at 1-877-838-0454 or the Maine Public Utilities Commission at 1-877-782-3228 with questions of for further information***

# Appendix E
# Standard Offer Uniform Disclosure Labels

***Medium Non-Residential Standard Offer Service***

## *Consumer Information About Your Electricity Supplier*

***November, 2002***

Electricity suppliers in Maine must, by Maine law, provide fact sheets, or "uniform disclosure labels" from time to time to educate consumers about their electricity service. Your electricity is *delivered by* Central Maine Power Company but the *electricity itself* is supplied by your electricity supplier.

**Your Electricity Supplier is: Select Energy, Inc.**

This fact sheet provides consumer information about the price, power sources and air emissions of service provided by your electricity supplier.

## Supply Prices in effect March 1, 2002—February 28, 2003

**3.608 cents per kilowatt-hour (March—May)**
**5.326 cents per kilowatt-hour (June — August)**
**3.468 cents per kilowatt-hour (September — November)**
**4.384 cents per kilowatt-hour (December — February)**

***(Note: Prices are for supply only. CMP charges separately for delivery service.)***

## *Power Sources*

***(July, 2001 — June, 2002)***

*This supplier provided electricity with the following resources:*

| | Supplier's Mix | New England Mix |
|---|---|---|
| ***Sources meeting Maine's 30% renewable and efficient resources requirement*** | | |
| Biomass | 0.0 % | } 6.3% |
| Municipal Trash | 0.0 % | |
| Hydro | 30.0 % | 4.9 % |
| Small generation | 0.0 % | 0.6 % |
| ***Other sources*** | | |
| Nuclear | 0.0 % | 28.3 % |
| Gas | 0.0 % | 22.3 % |
| Oil | 0.0 % | 20.8 % |
| Coal | 70.0 % | 16.8 % |
| TOTAL | 100 % | 100 % |

## *Air Emissions*

***(July, 2001 — June, 2002)***

*This table compares air emissions from this supplier's electricity mix to average emission levels from all New England power sources .*

| | Supplier's Mix (lbs/MWh) | |
|---|---|---|
| **Carbon Dioxide ($CO_2$)** | 1400.0 | This is **80 %** more than the New England Average |
| **Nitrogen Oxide ($NO_x$)** | 2.8 | This is **87 %** more than the New England Average |
| **Sulfur Dioxide ($SO_2$)** | 8.4 | This is **115 %** more than the New England Average |

*Notes: lbs/MWh = pounds per Megawatt-hour*
*1 Megawatt-hour = 1,000 kilowatt-hours*

**Additional Information and Required Notes:**

The Power Sources and Air Emissions information is not specific to the actual electricity that you use. The actual electricity you use is indistinguishable from the electricity used by your friends and neighbors. This is unavoidable because everyone is served through the same transmission and distribution system and there is no way to identify which power plants produced the actual electricity *you* consume. However, it is possible to track the dollars that you pay for electricity. Your electricity dollars will support electricity generation from various energy resources in the proportions, and with the characteristics, listed under ***Supplier's Mix***.

***NOTES:***

**Power Sources**— Maine law requires retail electricity providers to supply no less than 30% of their total annual kilowatt-hour sales with electric energy generated from eligible resources. Either a renewable fuel or an efficient process, such as co-generation, must be used to generate the electricity used to satisfy this requirement. Co-generation sometimes uses fossil fuels, such as gas, coal or oil, and is considered to be efficient because the process yields both electricity and thermal energy.

**Emissions**— Carbon Dioxide (CO2) is released when certain fuels are burned. It is considered a greenhouse gas and a major contributor to global warming. Nitrogen Oxides (NOx) form when certain fuels are burned at high temperatures. They are considered contributors to acid rain and ground-level ozone (or smog). Sulfur Dioxide (SO2) is formed when fuels containing sulfur are burned. Major health effects associated with SO2 include asthma, respiratory illness and aggravation of existing cardiovascular disease. The production of electricity can produce other harmful emissions and have other environmental impacts. Environmental impacts differ among individual power plants.

***If you have questions or need further explanation, please contact Select Energy, Inc. toll-free, at {phone #} or the Maine Public Utilities Commission, toll-free, at 1-877-782-3228. Additional information can also be found at http:www.state.me.us/mpuc.***

# Appendix E
# Standard Offer Uniform Disclosure Labels

## *Large Non-Residential Standard Offer Service*
## *Consumer Information About Your Electricity Supplier*

*November, 2002*

Electricity suppliers in Maine must, by Maine law, provide fact sheets, or "uniform disclosure labels" from time to time to educate consumers about their electricity service. Your electricity is *delivered by* Central Maine Power Company, but the *electricity itself* is supplied by your electricity supplier.

**Your Electricity Supplier is: Select Energy, Inc.**

This fact sheet provides consumer information about the price, power sources and air emissions of service provided by your electricity supplier.

**Prices in effect March 1, 2002—February 28, 2003**

| | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **DEMAND** | | | | | | | | | | | | |
| Peak ($/kW) | 0.70 | 0.80 | 0.75 | 0.00 | 0.00 | 0.00 | 0.00 | 0.76 | 0.73 | 0.68 | 0.71 | 0.69 |
| Shoulder ($/kW) | 0.00 | 0.00 | 0.00 | 0.65 | 0.60 | 0.63 | 0.65 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **ENERGY** | | | | | | | | | | | | |
| Peak ($/kWh) | 0.04163 | 0.04058 | 0.04584 | 0.06417 | 0.07883 | 0.07796 | 0.04407 | 0.03420 | 0.03911 | 0.05188 | 0.05250 | 0.04492 |
| Shoulder ($/kWh) | 0.03589 | 0.03425 | 0.03621 | 0.04453 | 0.05304 | 0.05757 | 0.03742 | 0.03107 | 0.03514 | 0.04373 | 0.04401 | 0.04124 |
| Off-Peak ($/kWh) | 0.03209 | 0.02683 | 0.02830 | 0.03082 | 0.03698 | 0.03656 | 0.03140 | 0.03012 | 0.03499 | 0.03973 | 0.04320 | 0.03870 |

| | | | |
|---|---|---|---|
| **Weekdays:** | **Peak = 7 am—12 pm, 4 pm—8 pm;** | **Shoulder = 12 pm—4 pm;** | **Off-Peak = 8 pm—7 am** |
| **Weekends/Holidays (Dec—Mar):** | **N/A** | **Shoulder = 7 am—12 pm, 4 pm—8 pm;** | **Off-Peak = All other hours** |
| **Weekends/Holidays (Apr—Nov):** | **N/A** | **N/A** | **Off-Peak = All hours** |

*(Note: Prices are for supply only. CMP charges separately for delivery service.)*

## *Power Sources*

***(July, 2001 — June, 2002)***

*This supplier provided electricity with the following resources:*

| | Supplier's Mix | New England Mix |
|---|---|---|
| ***Sources meeting Maine's 30% renewable and efficient resources requirement*** | | |
| Biomass | 0.0 % | } 6.3% |
| Municipal Trash | 0.0 % | |
| Hydro | 30.0 % | 4.9 % |
| Small generation | 0.0 % | 0.6 % |
| ***Other sources*** | | |
| Nuclear | 0.0 % | 28.3 % |
| Gas | 0.0 % | 22.3 % |
| Oil | 0.0 % | 20.8 % |
| Coal | 70.0 % | 16.8 % |
| TOTAL | 100 % | 100 % |

## *Air Emissions*

***(July, 2001 — June, 2002)***

*This table compares air emissions from this supplier's electricity mix to average emission levels from all New England power sources.*

| | Supplier's Mix (lbs/MWh) | |
|---|---|---|
| **Carbon Dioxide ($CO_2$)** | 1400.0 | This is **80 %** more than the New England Average |
| **Nitrogen Oxide ($NO_x$)** | 2.8 | This is **87 %** more than the New England Average |
| **Sulfur Dioxide ($SO_2$)** | 8.4 | This is **115 %** more than the New England Average |

*Notes: lbs/MWh = pounds per Megawatt-hour*
*1 Megawatt-hour = 1,000 kilowatt-hours*

**Additional Information and Required Notes:**

The Power Sources and Air Emissions information is not specific to the actual electricity that you use. The actual electricity you use is indistinguishable from the electricity used by your friends and neighbors. This is unavoidable because everyone is served through the same transmission and distribution system and there is no way to identify which power plants produced the actual electricity *you* consume. However, it is possible to track the dollars that you pay for electricity. Your electricity dollars will support electricity generation from various energy resources in the proportions, and with the characteristics, listed under ***Supplier's Mix***.

***NOTES:***

**Power Sources**— Maine law requires retail electricity providers to supply no less than 30% of their total annual kilowatt-hour sales with electric energy generated from eligible resources. Either a renewable fuel or an efficient process, such as co-generation, must be used to generate the electricity used to satisfy this requirement. Co-generation sometimes uses fossil fuels, such as gas, coal or oil, and is considered to be efficient because the process yields both electricity and thermal energy.

**Emissions**— Carbon Dioxide (CO2) is released when certain fuels are burned. It is considered a greenhouse gas and a major contributor to global warming. Nitrogen Oxides (NOx) form when certain fuels are burned at high temperatures. They are considered contributors to acid rain and ground-level ozone (or smog). Sulfur Dioxide (SO2) is formed when fuels containing sulfur are burned. Major health effects associated with SO2 include asthma, respiratory illness and aggravation of existing cardiovascular disease. The production of electricity can produce other harmful emissions and have other environmental impacts. Environmental impacts differ among individual power plants.

***If you have questions or need further explanation, please contact Select Energy, Inc. toll-free, at 1-888-810-5678 or the Maine Public Utilities Commission, toll-free, at 1-877-782-3228. Additional information can also be found at http:www.state.me.us/mpuc.***

# Appendix E
# Standard Offer Uniform Disclosure Labels

| | | |
|---|---|---|
| Biomass | 0.0% | 6.3% |
| Municipal Trash | 0.0% | |
| Hydro | 30.0% | 4.9% |
| Small Generation | 0.0% | 0.6% |
| *Other Sources* | | |
| Nuclear | 0.0% | 28.3% |
| Gas | 0.0% | 22.3% |
| Oil | 0.0% | 20.8% |
| Coal | 70.0% | 16.8% |
| TOTAL | 100.0% | 100.0% |

| | | |
|---|---|---|
| Carbon Dioxide (CO2) | 1400.0 | This is 80% more than the New England Average |
| Nitrogen Oxide (Nox) | 2.8 | This is 87% more than the New England Average |
| Sulfur Dioxide (SO2) | 8.4 | This is 115% more than the New England Average |

*Notes: lbs/MWh=pounds per Megawatt-hour*
*1 Megawatt-hour =1,000 kilowatt-hours*

**Additional Information and Required Notes:**
The Power Sources and Air Emissions information is not specific to the actual electricity that you use. The actual electricity you use is indistinguishable from the electricity used by your friends and neighbors. This is unavoidable, because everyone is served through the same transmission and distribution system and there is no way to identify which power plants produced the actual electricity *you* consume. However, it is possible to track the dollars that you pay for electricity. Your electricity dollars will support electricity generation from various energy resources in the proportions, and with the characteristics, listed under *Supplier's Mix.*

**Notes:**

**Power Sources**—Maine law requires retail electricity providers to supply no less than 30% of their total annual kilowatt-hour sales with electric energy generated from eligible resources. Either a renewable fuel or an efficient process, such as co-generation, must be used to generate the electricity used to satisfy this requirement. Co-generation sometimes uses fossil fuels, such as gas, coal or oil, and is considered to be efficient because the process yields both electricity and thermal energy.

**Emissions**—Carbon Dioxide (CO2) is released when certain fuels are burned. It is considered a greenhouse gas and a major contributor to global warming. Nitrogen Oxides (NOX) form when certain fuels are burned at high temperatures. They are considered contributors to acid rain and ground-level ozone (or smog). Sulfur Dioxide (SO2) is formed when fuels containing sulfur are burned. Major health effects associated with SO2 include asthma, respiratory illness and aggravation of existing cardiovascular disease. The production of electricity can produce other harmful emissions and have other environmental impacts. Environmental impacts differ among individual power plants.

*If you have questions or need further explanation, please contact Select Energy, Inc. toll-free at 1-888-810-5678, or the Maine Public Utilities Commission, toll-free, at 1-877-782-3228. Additional information can also be found at http://www.state.me.us/mpuc.*

Medium Non-Residential Standard Offer Service

## Customer Information About Your Electricity Supply

*December 2002*

Electricity suppliers in Maine must, by Maine law, provide fact sheets, or "uniform disclosure labels" from time to time to educate consumers about their electricity service. Your electricity is *delivered by* Bangor Hydro-Electric Company but the *electricity itself* is supplied by your electricity supplier.

**Your Electricity Supplier is: Select Enegy, Inc.**

This fact sheet provides consumer information about the price, power sources and air emissions of service provided by your electricity supplier.

**Supply Prices in effect March 1, 2002 - February 28, 2003**
3.558 cents per kilowatt-hour (March - May)
5.165 cents per kilowatt-hour (June - August)
3.465 cents per kilowatt-hour (September - November)
4.408 cents per kilowatt-hour (December - February)

*(Note: prices are for supply only. BHE charges separately for delivery service.)*

**Power Sources**
*(July 2001 - June 2002)*
This supplier provided electricity with the following resources:

| | Supplier's Mix | New England Mix |
|---|---|---|
| *Sources meeting Maine's 30% renewable and efficient resources requirement* | | |

**Air Emissions**
*(July 2001 - June 2002)*
This table compares air emissions from this supplier's electricity mix to average emission levels from all New England power sources.

**Supplier's Mix (lbs/MWH)**

Medium Non-Residential Standard Offer Service

# Appendix F
# Conservation Activity

## Interim Programs Approved During 2002

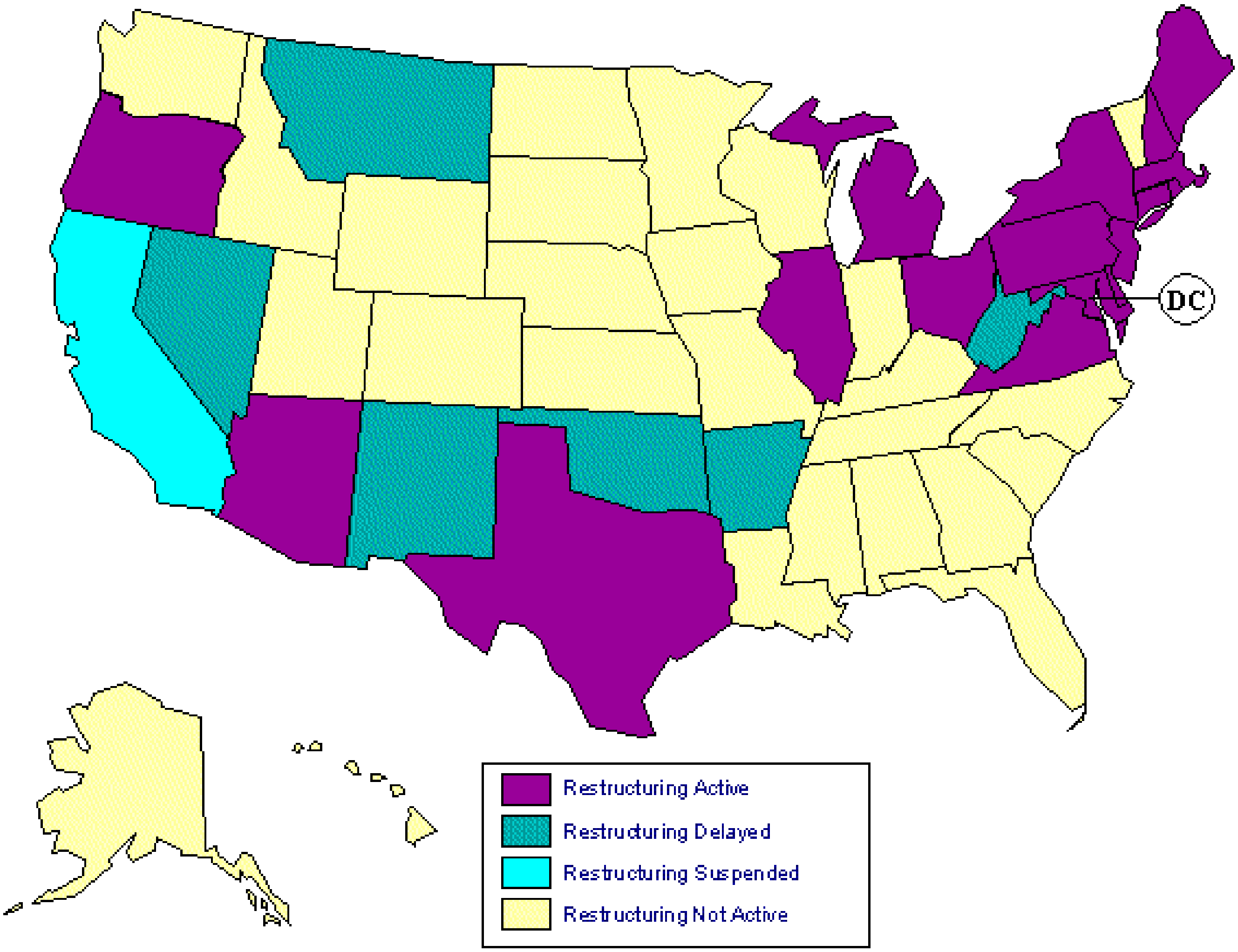
| Program | Customer Group | Status |
|---|---|---|
| Low-income refrigerator replacement | Low-income | MSHA and CAP agencies have installed 15 refrigerators. |
| Building Operator Certification (BOC) Training | Public schools | Classes underway in Portland, Bangor and northern Maine. |
| State building program | Public | DHS HETL building in Augusta tentatively identified for renovation. Survey of all buildings under consideration. |
| DECD small business conservation loan fund re-capitalization | Small business | Funds transferred to DECD. Auditor tools developed. |
| Maine Energy Education Program (MEEP) funding | Schools | Funds transferred. MEEP able to continue its educational programs when the school year began. |
| Maine energy curriculum investigation | Schools | Math Science Alliance investigating curriculum options. |
| Residential energy efficient lighting incentive | Residential | Program design complete. Implementer chosen through bid process. Program available to consumers Jan 2003. |
| New school construction | Schools | Meetings held with school and state entities to determine approach. Consultant sought for technical details. Program design underway. Available mid-2003. |
| Small business incentive | Small business | Program design complete. Implementer chosen through bid process. Program available to consumers 1st quarter 2003. |
| Low-income no-charge lighting | Low-income | No action taken yet. |
| Large commercial/industrial (C/I) program | Large and medium-sized business | No action taken yet |
| Traffic signal replacement | Municipalities | Program design complete. Implementation to begin 1st quarter 2003. |

# Appendix F
# Conservation Activity

### Orders Issued Establishing Conservation Decisions

- Order Establishing Interim Conservation Program, Traffic Signal Replacement Program, Docket No. 2002-161, November 8, 2002
- Order Adopting Rule and Statement of Factual and Policy Basis (Chapter 380), Electric Energy Conservation Programs, Docket No.2002-473, November 6, 2002
- Temporary Protective Order No. 2, Conservation Program Planning, Docket No. 2002-162, October 23, 2002
- Order Expanding Northern Maine BOC Program, Interim Electric Energy Conservation Programs, Docket No. 2002-161, October 17, 2002
- Protective Order No. 1, Interim Electric Conservation Programs, Docket No. 2002-161, October 1, 2002
- Order Identifying Violation of a Previous Protective Order and Ordering Necessary Remedies, Docket No. 2002-162, September 24, 2002
- Order Establishing Goals, Objectives and Strategies for Conservation Programs Implemented Pursuant to P.L. 2001, Ch. 624, Docket No. 2002-162, September 24, 2002
- Order Establishing Interim Conservation Program – Small Business Program, Docket No. 2002-161, September 24, 2002
- Order Establishing Interim Conservation Program – BOC Program Expansion, Docket No. 2002-161, August 20, 2002
- Order Establishing Procedure and Schedule of Conservation Programs Implemented Pursuant to P.L. 2001, Ch. 624, Docket No. 2002-162, July 23, 2002
- Order Establishing Interim Conservation Program (Appendix A) (Appendix C), Docket No. 2002-161, June 13, 2002
- Order on Interim Funding, Docket No. 2002-161, June 13, 2002
- Order Extending Utility Energy Efficiency Programs, Interim Electric Conservation Programs, Docket No. 2002-161, April 8, 2002

# Appendix G
## Status of State Electric Industry Restructuring Activity




Source: Energy Information Administration – as of September 2002