

**Request for Bids to Provide
Standard Offer Service
To
Electric Customers in Maine
Bangor Hydro-Electric Company's
Service Area**

**Issued by the
Maine Public Utilities Commission**

October 2, 2000

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I. INTRODUCTION AND OVERVIEW**1.1 Background and Description of Maine's Standard Offer**

During its 1997 session, the Maine Legislature enacted P. L. 1997, Chapter 316, "An Act to Restructure the State's Electric Industry" (the Act). The Act broadly restructured the electric industry in Maine and allows retail access to generation services for all Maine customers beginning on March 1, 2000. The Act requires Maine's investor-owned electric utilities to divest their generation assets and entitlements and restricts their participation in the state's generation services market. The Act also requires the Maine Public Utilities Commission (PUC or Commission) to ensure that standard offer service is available to all customers. Customers will receive standard offer service if they do not elect electric generation service from a competitive supplier or if they lose electric generation service from a competitive supplier. Standard offer service is the only type of default service that is available in Maine.

Last year, the Commission conducted a bid process to acquire standard offer service for the period beginning March 1, 2000. By this Request for Bids (RFB) the Commission will solicit bids for standard offer service for the period beginning March 1, 2001.

The Commission has several rules related to retail access in Maine. Chapter 301 governs standard offer service. Chapter 301 was amended earlier this year and the current version is provided as Appendix A. A list and short description of other rules related to retail access is provided as Appendix B. The complete text of these rules is available on the Commission's web site at janus.state.me.us/mpuc/rules/part3.htm or can be obtained by calling the Commission at 207-287-3831.

The Commission, with substantial input from market participants, has also developed a standard contract that will govern various rights and obligations of standard offer providers and the transmission and distribution utilities in whose service territory suppliers provide service. Each standard offer provider in Maine must execute this contract with each utility in whose service territory it will provide service within three weeks of being designated a standard offer provider by the Commission. The standard contract is included with this request for bids as Appendix C. Bidders may propose alternatives to the language in the standard contract during this RFB process, although the Commission does not anticipate allowing fundamental changes to the contract. Any alternatives allowed will be available on the Commission's web page prior to the submission of bid price proposals, and may be used as the standard offer contract by any provider.

Maine's utilities will perform all billing, collection, and other services involving direct customer contact on behalf of standard offer providers. The companies that provide standard offer service will be prominently identified on standard offer customer bills. Bangor Hydro-Electric Company will provide these services pursuant to the fee schedule shown in Appendix D of this RFB.

Standard offer providers will provide all or a specified percentage of the requirements service for standard offer customers in one or more of three broad customer groups: (1) residential and small non-residential; (2) medium non-residential; and (3) large non-residential. These customer groups are further described in section 2(A)(2) of Chapter 301 and Exhibit A of the standard contract. Standard offer service providers will not be assigned specific customers or geographic portions of a utility's service area.

Unlike many other states, Maine's standard offer has no legislatively or administratively determined price or price cap. The prices charged to customers for standard offer service obtained through this solicitation will be set by the winning bids. Each standard offer provider will be paid based on its accepted bid price.

1.2 Objective of the Request for Bids

The Commission is seeking bids from eligible suppliers to provide standard offer service to customers in Bangor Hydro-Electric Company's service territory. Through this competitive bidding process, we will solicit, evaluate, and select one or more supplier(s) to provide a competitively priced, firm supply of electricity to standard offer customers in a manner consistent with Chapter 301 and this RFB. As further described in Chapter 301, the Commission will select at least three providers of standard offer service for each utility service territory unless the price impact guidelines set forth in the rule require otherwise.

1.3 Electricity Requirements

Bangor Hydro-Electric Company serves more than 100,000 customers in eastern and east coastal Maine. The Bangor Hydro-Electric Company service territory covers 5,275 square miles. Bangor Hydro-Electric Company has sold its power plants and entitlements and now operates as a regulated transmission and distribution utility.

Bangor Hydro-Electric Company's total retail sales in 1999 were 1.8 million megawatt-hours and its system peak demand was 293 megawatts. Appendix E includes a detailed breakdown of the total electricity usage during 1999 and 2000 for the classes that comprise standard offer classes in Bangor Hydro-Electric Company's service

territory, as well as the current proportions of standard offer and competitive provider sales in these classes. Bangor Hydro-Electric Company's service territory is within the New England Independent System Operator control area.

The loads of two small neighboring consumer-owned utilities, Swans Island Electric Cooperative, Inc. and Isle Au Haut Electric Power Company, will be included in the Bangor Hydro-Electric Company residential and small non-residential standard offer class. Their usage data is also included in Appendix E. All customers of Isle Au Haut will receive service from the standard offer provider. Customers of Swans Island are allowed to choose other suppliers, although, to date, none are receiving service from a competitive supplier.

1.4 Allowed Terms of Service

The term of proposals for standard offer service provided in response to this RFB can be one, two, three or four years. Proposals must be for full years, i.e., March through February, of each year included in the term. The term of standard offer service must begin on March 1, 2001.

1.5 General Proposal Submittal Requirements

Proposals must be prepared in accordance with the requirements specified in this RFB. Bidders must meet or exceed all eligibility requirements set forth in section 2.2 and must demonstrate the ability to comply with all obligations and requirements of standard offer providers set forth in section 2.4. Proposals must include all the information and documentation specified by the RFB, and bidders must respond to all questions and supplemental information requests from the Commission or its consultant.

Proposals will be submitted in two phases. In Phase 1, bidders will submit all non-price portions of their proposals prior to submitting bid prices. The Commission will determine that a bidder and its proposals comply with all the relevant criteria before accepting bid prices from the bidder in Phase 2.

Any bid price proposal submitted must constitute a firm offer to provide standard offer service at the submitted prices and such offer must remain open for the two-week period specified in section 6.1. Pricing contained in the offer may not be changed or withdrawn during this two-week period, except pursuant to section 1.6. Proposals cannot be contingent on events or market conditions, except as allowed by section 2.3.

1.6 Rights of the Commission

The Commission reserves the right to reject all proposals received for a standard offer class in response to this RFB if in its sole determination the bid prices are unreasonably high and acceptance would not be in the public interest. In this situation, the Commission may, at its sole discretion, terminate the RFB and initiate a new selection process.

The Commission reserves the right to reject any proposal that in its sole determination does not meet the requirements and specifications of this RFB, the Commission's rules, Maine law, or generally accepted business practices. The Commission may seek clarifications of bidders' proposals and may, at its sole discretion, allow bidders to conform proposals to the required specifications.

1.7 Description of the RFB

The remainder of the RFB is organized as follows. Section 2 provides a detailed description of bidder eligibility, bid form and standard offer provider requirements. Section 3 describes the form of standard offer service. Section 4 contains the standard offer provider's legal obligations and the consequences of default. Section 5 contains the instructions bidders must follow to participate in this RFB process, including specific proposal submittal requirements, and describes the evaluation and selection processes. Section 6 contains additional instructions and general information for bidders, and the required format of the bidder's proposal.

1.8 Official Contact

All inquiries regarding the RFB should be directed to the Official Contact. The Official Contact for this solicitation is:

John E. Higgins
Navigant Consulting, Inc.
200 Wheeler Road, Suite 400
Burlington, Massachusetts 01803
Tel: 781-564-9742
Fax: 781-270-0418
e-mail: jhiggins@rcgroup.com

1.9 Warranty

The information contained in the RFB and provided by the Commission or the Official Contact is prepared to assist bidders and does not purport to contain all of the information that may be relevant to bidders. The Commission makes no representation or warranty, expressed or implied,

as to the accuracy or completeness of the information. The Commission, its staff, and its consultants shall not have any liability for any representations expressed or implied in, or any omissions from, the RFB or information obtained by bidders from the Official Contract or any other source.

1.10 State Held Harmless

The State of Maine, its officers, agents, and employees, including the Maine Public Utilities Commission, Commissioners and the employees or agents of the Maine Public Utilities Commission shall be held harmless from any and all claims, costs, expenses, injuries, liabilities, losses and damages of every kind and description resulting from or arising out of this RFB, the designation of standard offer providers or the provision of standard offer service.

1.11 Commission Web Site

The RFB is available from the Commission's web site at the following address: janus.state.me.us/mpuc/supplier.htm Any modifications or corrections to the RFB will be posted at the same location.

The Commission's web site will also provide usage and load data of Bangor Hydro-Electric Company's customers, any alternatives to the standard form contract proposed by bidders and accepted by the Commission, and all questions posed by bidders and the accompanying answers provided during the pendency of this RFB.

II. SUPPLIER REQUIREMENTS**2.1 General**

Bidders must meet certain requirements in order to submit bids to provide standard offer service and to provide such service if selected. Section 2.2 sets forth the minimum eligibility requirements to submit bids. Bidders that meet these eligibility requirements may submit one or more proposals to provide standard offer service, including multiple proposals for the same class(es). Section 2.3 sets forth the requirements applicable to the form of proposals and bid prices. The Commission reserves the right to reject any and all proposals that do not meet the requirements set forth in sections 2.2 and 2.3. Section 2.4 sets forth the requirements that must be met by suppliers who have been selected to provide standard offer service.

2.2 Bidder Eligibility Requirements

Bidders submitting a proposal must satisfy the following conditions and provide the specified information to be eligible for consideration:

- 1) Bidder must have a license, or a license application pending, pursuant to Chapter 305 of the Commission's rules, that is sufficient to allow it to provide standard offer service. A license application is included in Appendix F or can be obtained from the Commission's web site at the following address:
janus.state.me.us/mpuc/supplier.htm;
- 2) Bidder must provide with its bid either (1) a certified statement from a federal or state licensed financial institution authorized to conduct business in Maine that it will provide a surety bond or irrevocable letter of credit for the bidder that meets the requirements and specifications contained in section 3(A)(2)(a) of Chapter 301 and section 2.4 of this RFB or (2) if the bidder, an affiliated corporation of the bidder, the bidder's wholesale supplier, or an affiliated corporation of the wholesale supplier satisfies the requirements of section 3(A)(2)(b) of Chapter 301, a certified statement that a corporate guarantee meeting the requirements and specifications contained in section 3(A)(2)(b) of Chapter 301 and section 2.4 of this RFB will be provided.

The amount of the surety bond, irrevocable letter of credit, or corporate guarantee to be provided must be sufficient for the maximum amount of standard offer service that bidder could be awarded, but need not reflect standard offer service from a bidder's proposals, or portions of proposals, that are mutually exclusive. For example, if bidder submits both a one-year proposal and a two-year proposal for a particular standard offer class, the amount of

the surety bond, irrevocable letter of credit, or corporate guarantee to be provided would be sufficient for the two-year proposal and bidder would not also have to provide a separate statement for the one-year proposal.

- 3) If bidder proposes to provide a corporate guarantee, bidder must provide audited financial statements of the guarantor, e.g., annual report to stockholders, SEC Form 10K, and the guarantor's most recent credit rating from each rating agency that has issued a rating for the guarantor. These materials must demonstrate that the guarantor meets the criteria contained in section 3(A)(2)(b) of Chapter 301.
- 4) Bidder must sign the Statement of Commitment contained in Appendix I of this RFB, stating that any and all proposals submitted are bona fide offers to provide standard offer service at the prices bid, and that, if designated a standard offer provider by the Commission, bidder will accept, abide by and fulfill all obligations and requirements relating to the provision of standard offer service. The Statement of Commitment must be signed by an officer of the Company who is duly authorized to commit the Company as described on the Statement of Commitment.
- 5) Bidder must demonstrate that it has completed or is enrolled in the mandatory electronic business transaction (EBT) training and testing in Maine. Maine's EBT standards and training schedule are available from the Commission's web site at the following address: janus.state.me.us/mpuc/supplier.htm

2.3 Proposal and Bid Price Form Requirements

- 1) Standard offer proposals must be for a term of no less than one year and no more than four years. Proposals must specify prices or a set of prices for the entire bid period. Prices may not be defined by a formula or reference to market or economic indices.
- 2) Standard offer proposals may be contingent on other proposals for standard offer service within the service territory of Bangor Hydro-Electric Company, or on proposals for standard offer service in the service territories of Central Maine Power Company or Maine Public Service Company. Standard offer proposals may also be contingent on other factors, but such factors must either be: (1) within the control of the Commission, or (2) known at the time bid prices are evaluated. Standard offer proposals may not be contingent on proposals to purchase, during periods after February

2002, the utilities' entitlements to capacity and energy that will be auctioned pursuant to Chapter 307 of the Commission's rules.

- 3) Standard offer bids may specify that certain proposals by bidder are withdrawn if other proposals by bidder are accepted.
- 4) Standard offer proposals that include periods after February 2002 must separately state prices for those periods that (1) apply in the event the current eligible resource portfolio requirement (35-A M.R.S.A. § 3210(3)) continues to exist and (2) apply in the event the eligible resource portfolio requirement is eliminated.

2.4 Standard Offer Provider Requirements

Each bidder designated by the Commission as a standard offer provider must comply with the following:

- 1) Standard offer provider must obtain a surety performance bond, irrevocable letter of credit or a corporate guarantee payable to Bangor Hydro-Electric Company which bond, letter of credit or guarantee satisfies all applicable requirements of Chapter 301 and this RFB and otherwise meets all reasonable requirements of the Commission as to form, not inconsistent with Chapter 301 and this RFB. Standard offer provider's performance bond, irrevocable letter of credit, or corporate guarantee must be furnished to Bangor Hydro-Electric Company with a copy to the Commission and must be effective and subject to being drawn upon in the full amount required no later than 3 weeks after the date the Commission designates the bidder as a standard offer provider such that Bangor Hydro-Electric Company, at the direction of the Commission, can access the required amount of the performance bond, irrevocable letter of credit, or corporate guarantee in full as of that date. The surety bond, irrevocable letter of credit or corporate guarantee cannot expire or be cancelled prior to the date two weeks after the end of the applicable term of standard offer service, unless standard offer provider furnishes a replacement bond, letter of credit or corporate guarantee that meets the requirements of Chapter 301 and this RFB, which replacement is accepted by the Commission. A corporate guarantee may be used to satisfy this requirement only if standard offer provider or a corporation affiliated with standard offer provider, the standard offer provider's wholesale supplier, or a corporation affiliated with the wholesale supplier meets the criteria specified in section 3(A)(2)(b) of Chapter 301. The Commission retains the right to obtain further information regarding any performance bond, irrevocable letter of credit, or corporate guarantee furnished by standard offer provider, and final

acceptance of any such performance bond, letter of credit or corporate guarantee shall be at the sole discretion of the Commission.

The performance bond, irrevocable letter of credit, or corporate guarantee furnished by standard offer provider for each standard offer class must meet the following specifications:

- a) The initial amount of the performance bond, irrevocable letter of credit, or corporate guarantee must equal or exceed \$0.01/kWh multiplied by the annual billing units for the standard offer class as set forth in Appendix E, multiplied by the number of years in the term of standard offer service. If a provider is designated as a standard offer provider for less than 100% of a standard offer class, the amount of the performance bond, irrevocable letter of credit, or corporate guarantee shall be the amount described in the previous sentence multiplied by the class share assigned to the provider.

The amount of the performance bond, irrevocable letter of credit or corporate guarantee may be reduced effective September 1, 2001 and, if applicable, may be further reduced at each six month interval following September 1, 2001, e.g., on March 1, 2002, September 1, 2002, except that no reduction may take effect within three months of the end of the term of standard offer service. The amount by which the performance bond, irrevocable letter of credit or corporate guarantee may be reduced at each of these dates shall not exceed the initial amount of the performance bond, irrevocable letter of credit or corporate guarantee, divided by the product of two times the number of years in the term of standard offer service. For example, for a two-year term, the amount by which the performance bond, irrevocable letter of credit, or corporate guarantee may be reduced at each six-month interval could not exceed one-fourth of the initial amount.

- b) The form of the financial security must be a surety performance bond issued by a surety company satisfying the requirements of subparagraph (c) below, authorized to do business and in good standing in the State of Maine, an irrevocable letter of credit from a commercial bank satisfying the requirements of subparagraph (d) below, authorized to do business and in good standing in the State of Maine, or a corporate guarantee from standard offer provider or a

corporation satisfying the requirements of section 3(A)(2)(b) of Chapter 301.

- c) A surety performance bond for standard offer service must (i) unconditionally obligate the issuing surety company(ies) to honor claims made under such bond for the purpose of paying the additional costs of replacement standard offer service; (ii) be issued by a surety company(ies) with a financial strength rating of “B+” or better from A.M. Best Company; and (iii) include the following language: “This surety performance bond is continuous and not subject to cancellation throughout the standard offer term of service. This surety performance bond covers payment of the additional costs of replacement standard offer service, as identified by the Maine Public Utilities Commission. Payments under the surety performance bond are due to Bangor Hydro-Electric Company as directed by the Commission within 30 days after notice to the Issuer by the Commission.”

- d) An irrevocable letter of credit provided for standard offer service must (i) unconditionally obligate the issuing commercial bank(s) to honor drafts drawn on such letter(s) for the purpose of paying the additional costs of replacement standard offer service; (ii) be issued by commercial bank(s) with a minimum corporate debt ratings of “BBB+” by Standard & Poor’s, Fitch or “Baa1” by Moody’s, or an equivalent short term debt rating by one of these agencies; and (iii) include the following language: “This letter of credit binds the insurer to pay one or more drafts drawn by Bangor Hydro-Electric Company at the direction of the Maine Public Utilities Commission as long as the drafts do not exceed the total amount of the letter of credit; and that any draft presented by Bangor Hydro-Electric Company at the direction of the Commission will be honored by the Issuer within 10 business days.”

- e) A corporate guarantee provided for standard offer service must (i) unconditionally obligate the guarantor to pay all obligations of the standard offer provider for the additional costs of replacement standard offer service; (ii) be executed by a corporation meeting the ratings, asset and common equity requirements of said section 3(A)(2)(b), and (iii) include the following language: “This guarantee unconditionally obligates the guarantor, irrespective of any lack of enforceability of the obligations guaranteed and any

circumstance which might constitute a defense against such obligations or such payments, to pay all obligations of the standard offer provider for the payment of the additional costs of replacement standard offer service, at the direction of the Maine Public Utilities Commission, as long as such obligations do not exceed the total amount of this guarantee. The guarantor waives promptness, diligence and notices with respect to any such obligations and agrees to pay any statement under this guarantee presented by Bangor Hydro-Electric Company at the direction of the Commission, within 10 business days.”

- f) A surety performance bond, irrevocable letter of credit or corporate guarantee provided for standard offer service must indicate Bangor Hydro-Electric Company as the sole beneficiary and state the purpose of the surety performance bond or letter of credit or guarantee as follows:

“This bond [or letter of credit or corporate guarantee] is written in accordance with Chapter 301 of the Commission’s rules to ensure compliance with applicable provisions of that Chapter and of Maine Statutes and rules by the principal as a standard offer provider, and to ensure the provision of standard offer service in accordance with Maine Statutes and rules. The terms of this security shall be governed by the laws of the State of Maine. The proceeds of this bond [or letter of credit or corporate guarantee] shall be paid or disbursed to Bangor Hydro-Electric Company only as directed by the Maine Public Utilities Commission.”

- 2) Standard offer provider must possess a valid license, pursuant to Chapter 305 of the Commission’s rules, to provide standard offer service. Standard offer provider’s license must be effective no later than three weeks after the date of being designated a standard offer provider;
- 3) Standard offer provider must have executed a standard offer contract with Bangor Hydro-Electric Company. The standard offer contract must be executed no later than three weeks after the date of being designated a standard offer provider. A standard form contract is contained in Appendix C to this RFB. The standard form contract and any alternative form contracts proposed by bidders

and accepted for use as a standard offer contract will also be available from the Commission's web site at janus.state.me.us/mpuc/supplier.htm prior to the date bidders submit bid prices;

- 4) Standard offer provider must provide standard offer service in a manner consistent with Chapter 301 and this RFB for the entire term of service at its accepted bid price. Commission acceptance of a bid and designation of an entity as a standard offer provider obligates that entity to provide standard offer service at its bid price for the term of service pursuant to Commission rules and Maine law;
- 5) Standard offer provider must deliver standard offer service to the transmission delivery point(s) specified in the standard contract with Bangor Hydro-Electric Company. Standard offer provider shall be responsible for all costs associated with delivering standard offer service to the delivery point(s);
- 6) Standard offer provider must comply with the eligible resource portfolio requirements pursuant to Chapter 311 of the Commission's Rules unless and until this statutory requirement is repealed and Chapter 311 is amended;
- 7) Standard offer provider must comply with all applicable New England Independent System Operator (ISO-NE) and NEPOOL rules and requirements and shall be the designated load serving entity with a settlement account for its portion of standard offer load. The necessary ISO-NE designations and accounts must be effective no later than three weeks after being designated a standard offer provider;
- 8) Standard offer provider must comply with the disclosure requirements set forth in Chapter 306 of the Commission's Rules, and in Title 35-A M.R.S.A. § 3203(4-A);
- 9) Standard offer provider must comply with net energy billing requirements set forth in Chapter 313 and Chapter 360, § 5 of the Commission's rules. Specific information on current net energy billing arrangements can be obtained from Bangor Hydro-Electric Company.
- 10) Standard offer provider must exchange data with Bangor Hydro-Electric Company using the electronic business transactions (EBT) protocols and procedures contained in Maine's EBT standards. The EBT standards are available from the Commission's web site at the following web address: janus.state.me.us/mpuc/supplier.htm

III. Form of Service

3.1 Standard Offer Service

Standard offer service includes all the electric capacity, energy, ancillary and other services, including all line and transformer losses up to the customers' meters, necessary to meet the electrical requirements of customers receiving standard offer service at all times during the term of service in a manner that complies with all applicable ISO-NE rules and requirements. Standard offer service is firm, all requirements service for the standard offer class, or portion of the standard offer class, for which a provider has been designated by the Commission to be the standard offer provider.

3.2 Delivery Point(s)

Standard offer provider is obligated to provide all generation, including required ancillary and other services, necessary to provide standard offer service delivered to the transmission delivery point(s) specified in the contract with Bangor Hydro-Electric Company.

Standard offer provider is responsible for any costs resulting from a NEPOOL or ISO-NE adopted congestion management system that are the responsibility of load serving entities or marketers. The standard offer provider will be responsible for all transmission and associated costs necessary to deliver standard offer service to the delivery point(s); the standard offer provider will not be responsible for any Bangor Hydro-Electric Company local transmission or distribution charges. The standard offer provider will not be responsible for ISO-NE Regional Network Service charges.

3.3 Losses

Standard offer provider is responsible for all transmission and distribution line and transformer losses associated with providing standard offer service from the point of supply to the meters of customers receiving standard offer service. The standard offer provider is responsible for providing sufficient quantities of electric capacity, energy, ancillary and other services to Bangor Hydro-Electric Company service territory at the delivery point(s) described in the standard form contract to cover all losses occurring up to and after the delivery point(s). The factors that are currently used to determine providers' obligations for line and transformer losses associated with Bangor Hydro-Electric Company's system are contained in Appendix G.

3.4 Provider Obligation

Standard offer provider is obligated to provide standard offer service at its accepted bid price for the term of service. In the event the eligible resource portfolio requirement is repealed, the standard offer provider is obligated to provide service at its bid price that assumed the elimination of the requirement for service as of the effective date of the repeal.

3.5 Allocation of Uncollectable Accounts

Each standard offer provider will be allocated a share of the uncollectible accounts in the standard offer class or classes the provider serves in accordance with the standard contract. The standard offer uncollectible percentage for each standard offer class has been established by the Commission based on the average uncollectible accounts of customers in the standard offer class during a representative historic period. The percentages are stated in Exhibit A of the standard contract (Appendix C of this RFB contains the standard contract) and will remain fixed for the term of service.

3.6 Payments for Standard Offer Service

Bangor Hydro-Electric Company will issue bills and receive payment for standard offer service from customers in its service territory. Bangor Hydro-Electric Company will transfer funds to the standard offer provider in accordance with the standard offer contract.

Standard offer provider will receive its gross revenues less its uncollectible revenues for each standard offer class it serves. Gross revenues are the product of the provider's accepted bid price times all kilowatt-hours and, if applicable, kilowatts of standard offer service it provides as determined by its designated percentage share of the standard offer class multiplied by the total standard offer requirements of the class. Uncollectible revenues are the product of the predetermined uncollectible percentage for the standard offer class times the provider's gross revenues from the class. Exhibit A of the standard contract (Appendix C of this RFB contains the standard contract) states the predetermined uncollectible percentages for each standard offer class.

IV. LEGAL OBLIGATION

4.1 Legal Obligations and Responsibilities

The Commission designation, by order, of a bidder as the standard offer provider for all or a portion of any standard offer class shall legally obligate the bidder to provide standard offer service at its bid price according to state law and regulations and the provisions of this RFB.

4.2 Failure to Provide Service

Upon a determination by the Commission, after appropriate process, that a designated standard offer provider has failed to provide service as required, or has otherwise failed to satisfy its obligations under Maine law and regulations and the provisions of this RFB, the Commission may declare the provider to be in default and may order that the proceeds of the bond, letter of credit or corporate guarantee provided by or on behalf of the standard offer provider be paid to Bangor Hydro-Electric Company to defray any costs of replacing standard offer service that are not adequately covered by standard offer service rates.

In the event that the proceeds of the bond, letter of credit or corporate guarantee do not defray all additional costs of replacing standard offer service, the Commission may order the defaulting standard offer provider to pay Bangor Hydro-Electric Company amounts sufficient to defray any remaining additional costs necessary to replace standard offer service that the defaulting standard offer provider would otherwise have provided. In the event the defaulting standard offer provider fails to make payment as ordered, the Commission or Maine's Attorney General may bring legal action in Maine courts to fully recover all additional costs of replacing standard offer service.

Additional costs of replacing standard offer service are all costs that are incurred or will be incurred to acquire replacement standard offer service, including supply and administrative costs, through the remaining standard offer term that exceed the amounts paid or to be paid by standard offer customers at the standard offer rates as established by the terms of the defaulting standard offer provider's proposal.

V. EVALUATION PROCESS AND PROPOSAL REQUIREMENTS

5.1 Evaluation Criteria and Structure of Process

The evaluation process will consist of two phases. In Phase 1, the Commission staff and consultants will review the non-price portions of proposals that bidders submit prior to the submission of bid prices. The Phase 1 proposals will be evaluated for conformity with the requirements of Chapter 301 and this RFB; bidders must demonstrate conformance with these requirements in their Phase 1 proposals. Bidders whose Phase 1 proposals conform may submit bid prices corresponding to their conforming proposals in Phase 2.

In Phase 2, the Commission staff and consultants will evaluate the eligible proposals and bid prices and provide analysis and recommendations to the Commission. The Commission will determine and designate the standard offer providers. The selection of standard offer providers from among eligible bids will be based on the objectives of attaining the lowest standard offer price for each standard offer class, the lowest standard offer costs overall and standard offer prices that are stable. How much weight to give to each of these objectives and which bids best satisfy them shall be matters in the sole discretion of the Commission.

Bid prices will be compared using the 1999 billing units contained in Appendix E, adjusted to reflect the current relative standard offer usage in the class.¹ The Commission will select standard offer providers so that there will be at least three standard offer providers for Bangor Hydro-Electric Company's service area, subject to price impact restrictions contained in Section 8(C)(4) of Chapter 301.

5.2 Requirements for Phase 1 Proposals

- 1) Bidder is required to demonstrate in its Phase 1 proposal compliance with the bidder eligibility requirements contained in section 2.2 of the RFB. Bidder must provide with its proposal sufficient information and documentation to allow the Commission to determine that the bidder eligibility criteria are met.
- 2) Bidder must specify each standard offer class, or portion of standard offer class, for which it seeks to submit a bid price in Phase 2 and the term length of service for each.

¹ The relative standard offer usage factors as of early September 2000 are shown in Appendix E. These factors will be updated and made available from the Commission's web site during the pendency of this RFB process.

- 3) Bidder must specify all contingencies or conditions associated with its proposal that can be provided in advance of the bid price.
- 4) Bidder must provide in its proposal a copy of any annual report to stockholders it has issued during the past two years.
- 5) Bidder must briefly describe its experience and record of performance in power marketing, brokering, sales, and contracting for power within the New England region and other regions of the United States or Canada.

5.3 Requirements for Phase 2 Proposals and Structure of Bid Price

The Commission has aggregated the loads of electric customers in Bangor Hydro-Electric Company's service territory by standard offer class. The standard offer classes for which proposals are solicited by this RFB are 1) residential and small non-residential, 2) medium non-residential and 3) large non-residential.

Bidder must use the class-specific Bid Price Proposal Sheets contained in Appendix H to submit prices. Bidder must use a separate set of Bid Price Proposal Sheets for each proposal submitted. Bidder may submit more than one proposal for a standard offer class; each proposal must be submitted by a separate set of Bid Price Proposal Sheets. Photocopies or Proposal Sheets obtained from the Commission's web site are acceptable.

Each set of Bid Price Proposal Sheets submitted for a class must also include the class-specific Cover Sheet shown in Appendix H. The Cover Sheet must contain all the information indicated, including all conditions and contingencies related to the proposal.

The term of proposals for standard offer service provided in response to this RFB can be one, two, three or four years. The term of standard offer service must begin on March 1, 2001.

Appendix E provides electricity consumption data by standard offer service class. Appendix J provides more detailed specifications for the standard offer classes. Electricity consumption for each utility rate class, hourly loads and profiles currently used for settlement for the standard offer classes are available from the Commission's web site at janus.state.me.us/mpuc/supplier.htm

Bidder may bid prices for all or a portion of the standard offer class requirements. A bid for a portion of a standard offer class must be for a portion that is a multiple of 20% (i.e., 20%, 40%, 60%, 80%, 100%). Any bid for a standard offer class that is for a multiple greater than 20% must

also include a bid for each 20% multiple up to the highest multiple bid. For example, if bidder submits a bid to serve 60% of the medium non-residential standard offer class requirement, bidder must also submit a bid to serve 40% of the class requirement and a bid to serve 20% of the class requirement. Bidder may propose different prices for each 20% multiple of a standard offer class.

Bid prices may vary by season for the medium non-residential standard offer class, and by season and time-of-day for the large non-residential class. Seasonal price changes must occur on the first day of the month and may not occur more frequently than four times per year, including any price change that results for the standard offer class on March 1, 2000.

The table below includes a summary of the allowed bid price structures and customer characteristics for each of the standard offer classes.

Customer Class	Pricing Structure	Customer Characteristics
Residential and Small Non-Residential	Bid price must be an amount per kWh that does not vary by level of usage or time of day or year. For proposals for terms of more than one year, the bid price may change on March 1 of each year. Bid price cannot include any amounts charged on a per-customer or fixed-charge basis.	Residential and small general service (e.g., commercial) customers with peak demand that generally has not exceeded 25 kW. Class definition further specified in Appendix J.
Medium Non-Residential	Bid price may include demand and/or energy charges and may reflect seasonal differentiation. Price changes to reflect seasonal differentiation may not exceed 4 per year, including price change that would occur on March 1, 2001 and on March 1 in subsequent years of a multi-year term. Bid price may also be a simple uniform amount per kWh. Bid price must not include any amounts charged on a per customer or fixed-charge basis	General service customers with peak demand generally from 25 kW to 500 kW. Class definition further specified in Appendix J.
Large Non-Residential	Bid price may include demand and/or energy charges and may reflect seasonal and/or time-of-day differentiation. Time-of-day differentiation periods must correspond to or be compatible with the periods as defined by Bangor Hydro-Electric Company's rate structure. (Provided on Bid Price Proposal Sheet.) Price changes to reflect seasonal differentiation may not exceed 4 per year, including price change that would occur on March 1, 2001 and on March 1 in subsequent years of a multi-year term. Bid price may also be a simple uniform amount per kWh. Bid price must not include any amounts charged on a per-customer or fixed-charge basis.	General service customers with peak demand that generally has exceeded 500 kW. Class definition further specified in Appendix J.

VI. ADDITIONAL INSTRUCTIONS**6.1 Schedule for the RFB Process**

The solicitation described in this RFB will be carried out in accordance with the schedule below. The schedule for this solicitation and selection process is summarized below:

Issue Date of RFB	October 2, 2000
Pre-Bid Conference	October 17, 2000
Phase 1 Proposals Due	November 1, 2000
Phase 1 Eligibility Determined, Bidders Notified	November 22, 2000
Eligibility Cure Period	Through December 1, 2000
Phase 2 Bid Price Proposals Due	December 7, 2000
Commission Designation of Standard Offer Providers	On or before December 21, 2000
Execution of Standard Offer Contract	Within 3 weeks of Designation
Submission of Financial Capability Requirement	Within 3 weeks of Designation
Standard Offer Service term Start Date	March 1, 2001

Any changes to this schedule will be posted on the Commission's web site at janus.state.me.us/mpuc/supplier.htm.

6.2 Bidders Conference

An optional Pre-Bid Conference will be held beginning at 9:00 a.m. on October 17, 2000 at the DoubleTree Hotel, 1230 Congress Street, Portland, Maine. The Commission may present additional information either verbally or in writing at this time. It is the responsibility of bidders to be aware of this information.

Bidders are asked to contact the Official Contact if they plan to attend the pre-bid conference. Bidders are also encouraged to submit questions in writing to the Official Contact prior to the date of the conference. A list of

all questions and responses provided during the conference will be posted on the Commission's web site.

6.3 Submission of Bids

All proposals must be received at the Maine PUC by 5:00 PM Eastern Standard Time on the dates set forth below:

Phase 1 Proposals November 1, 2000

Phase 2 Bids December 7, 2000

The address of the Maine PUC is Maine Public Utilities Commission, 242 State Street, 18 State House Station, Augusta, Maine 04333-0018. All proposals and bids submitted should be clearly marked "Standard Offer Service Proposal" and should be sent to the attention of Faith Huntington. Bidders should provide an original and one copy of all proposals submitted.

6.4 General Instructions

Bidder must comply with the instructions contained in the RFB and must complete all the applicable forms and supply all the information and documentation specified in the RFB. Bidder should ensure that its name appears in the upper right hand corner or as a footer on every page of its proposal and on the cover page of any bound document.

6.5 Official Contact

All inquiries regarding this RFB should be directed to the Official Contact identified in Section 1.8. All inquiries received and responses provided will be posted on the Commission's web site at janus.state.me.us/mpuc/supplier.htm.

6.6 Proposal Clarification

The Commission or its consultants, at their sole discretion, may request bidders to provide additional information to verify or supplement the material contained in the proposal or may seek clarification of any item in the proposal.

6.7 Proprietary Information

A bidder may designate information included in its proposal as proprietary or confidential information. The Commission and its consultant will take every reasonable precaution consistent with law to protect such information provided that it is clearly identified as proprietary or

confidential on the page on which it appears. The identity of bidders selected to provide standard offer service and standard offer prices will be public information.

6.8 Proposal Costs

All costs associated with developing or submitting a proposal in response to this RFB, or providing oral or written clarification of its contents, shall be borne by bidder.

6.9 Organization of the Proposal

To simplify the evaluation process and ensure proposals are compared on an equivalent basis, the Commission requires that bidders submit their Phase 1 proposals using the following format:

- 1) Executive Summary;
- 2) Specification of each standard offer class or portion of standard offer class and the associated term length(s) of service for which a bid price may be submitted in Phase 2, including all conditions and contingencies that can be presented prior to the bid prices;
- 3) Compliance with Eligibility Requirements;
- 4) Additional Information and Documentation Requirements specified in Section 5.2;
- 5) Statement of Commitment.