Setting the Standard for POLR

Harvard Electricity Policy Group
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Structures

✓ No backstop
✓ Index/pass through
✓ Auction or bid
✓ Utility affiliate at a regulated rate
✓ Regulated utility provides
Good Structures,
Good Results for Competition in C&I

- Maine Competitive Bid
- Massachusetts Competitive Bid
- New Jersey Auction
- New York – Con Ed Pass Through
- Texas – Price to Beat
## Mass Migration

<table>
<thead>
<tr>
<th>ALL COMPANIES - July 2003</th>
<th>Incumbent Generation</th>
<th>Competitive Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Std. Offer Service Customers (a)</td>
<td>kWh Used by Std. Offer Customers for Month (b)</td>
</tr>
<tr>
<td>Residential -- Non Low Income</td>
<td>1,326,226</td>
<td>988,249,497</td>
</tr>
<tr>
<td>Residential -- Low Income</td>
<td>104,902</td>
<td>62,138,414</td>
</tr>
<tr>
<td>Residential -- Time-of-Use</td>
<td>371</td>
<td>871,688</td>
</tr>
<tr>
<td>Small Commercial &amp; Industrial</td>
<td>143,738</td>
<td>222,901,280</td>
</tr>
<tr>
<td>Medium Commercial &amp; Industrial</td>
<td>29,374</td>
<td>374,233,362</td>
</tr>
<tr>
<td>Large Commercial &amp; Industrial</td>
<td>3,219</td>
<td>639,333,948</td>
</tr>
<tr>
<td>Farms</td>
<td>550</td>
<td>1,316,328</td>
</tr>
<tr>
<td>Street Lights</td>
<td>11,837</td>
<td>14,539,544</td>
</tr>
<tr>
<td>Total Sales to Ultimate Consume</td>
<td>1,620,217</td>
<td>2,303,584,061</td>
</tr>
</tbody>
</table>
Maine Public Service

Load Served by Competitive Suppliers - MPS
July 2000 - September 2003
Presented by the MPUC

Graph showing the load served by competitive suppliers in Maine from July 2000 to September 2003, categorized by residential, medium, and large loads.
Central Maine Power

Load Served by Competitive Providers - CMP
July 2000 - September 2003
Presented by the MPUC

![Graph showing load served by competitive providers from July 2000 to September 2003. The graph compares residential, medium, and large loads over time.]

Legend:
- Residential
- Medium
- Large
Smaller Customers Are Benefiting

- Competitively procured generation leads to more efficient pricing, less stranded costs
- Ratepayers don’t experience investment risk, shareholders do
- C&I customer savings benefit the economy
Competitive Bid Generation

- Divide load by customer groups
- Bid load at different times
- Full requirements
- Reasonable security
- Confidentiality
- Wholesale or retail?
Price Variability

✓ Price caps don’t work.
✓ Some level of variability is necessary.
✓ Monthly or seasonal differentiation is ideal.
  ▪ Minimizes migration risks associated costs
  ▪ Minimizes potential for under-recovery/cost deferrals
  ▪ Minimizes need for regulatory intervention
Maine Bangor Hydro Electric

Load Served by Competitive Providers - BHE
July 2000 - September 2003
Presented by the MPUC

[Chart showing load served by competitive providers from July 2000 to September 2003, with categories for residential, medium, and large loads.]
Challenges

✓ Address small customers differently than large
  - Don’t remove option to choose
  - Provide a service with less variability
  - Choose a cutoff that reflects market environment and that can be changed should conditions warrant
    • Massachusetts vs. Connecticut

✓ Generators’ demands for long term contracts and policymakers’ desire for capacity
  - Rule certainty, regularly scheduled auctions where appropriate
  - 2-5 years should be long term
  - LSEs will not buy fully hedged product
  - Remove price caps