

ANNUAL REPORT  
OF THE  
MAINE PUBLIC UTILITIES COMMISSION

February 3, 1985

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## I. INTRODUCTION.

The Public Utilities Commission is required by State law to report annually to the Legislature on its fiscal activities relating to the Regulatory Fund, the Reimbursement Fund and the Nuclear Decommissioning Financing Act [see 35 M.R.S.A. §§17(2), 18 and 3358]. In addition, the Commission has agreed with the Joint Standing Committee on Utilities to include information in its Annual Report relating to:

1. The Commission's activities under legislation governing telecommunications equipment for the deaf, hearing-impaired and speech-impaired [see 35 M.R.S.A. §2361];

2. The number and nature of utility filings under legislation clarifying the time during which a utility is restricted from filing a rate case [see 35 M.R.S.A. §64, 2nd paragraph, last sentence];

3. The waiver, receipt, expenditure and return of filing fees collected under 35 M.R.S.A. §13-B;

4. The Commission's treatment of electric utility requests for rates to recover expenses associated with conservation loan programs; and

5. The effectiveness of 35 M.R.S.A. §314 (last paragraph) in deterring utility violations of Chapter 81 of the Commission Rules.

In addition to the above, we have included information relating to expenditures of General Fund monies, case load and organization.

It is intended that this report will provide a complete and concise picture of Commission activities. We welcome suggestions from the Legislature or other interested parties that would improve this report in the future.

## II. PURPOSE AND ORGANIZATION.

Purpose. The Public Utilities Commission's purpose is to protect the public by ensuring that utilities operating in the State of Maine provide adequate and reliable service to the public at rates that are reasonable and just. The Commission is a quasi-judicial body which rules on cases involving rates, service, financing and other activities of the utilities it regulates. The Commission has jurisdiction over 150 water utilities, 15 electric utilities, 1 gas utility, 19 telephone utilities, 3 resellers of telephone services, 4 water carriers and limited aspects of 6 radio common carriers. These utilities had total revenues in 1985 of more than \$905 million.

Organization. The Public Utilities Commission was created by the Public Laws of 1913 and organized December 1, 1914. The present Commission consists of three members appointed by the Governor, subject to review by the Legislative Committee having jurisdiction over utilities and to confirmation by the Legislature for terms of six years. One member is designated by the Governor as Chairman, and all three devote full time to their duties. [See organizational chart at the end of this section]

The Commission sets regulatory policy through its rulemaking and adjudicatory decisions. Aside from the Commission itself, the agency is divided into five operating divisions as follows:

Administrative Division. The Administrative Division is responsible for fiscal, personnel, contract and docket management, as well as physical plant. The Division provides support services to the other divisions and assists the Commission in coordinating its activities. The Division has primary responsibility for public information and assists the General Counsel of the Legal Division in providing information to the Legislature.

Included within the Administrative Division is the Word Processing Section, the Hearing Reporters and, for administrative purposes, the Consumer Assistance Division.

Consumer Assistance Division. The Consumer Assistance Division (CAD) receives, analyzes and responds to complaints from Maine utility customers. The CAD assists individual customers in resolving their disputes with the utility and analyzes those complaints to determine what utility practices, if any, need to be corrected. When a utility practice is identified that requires corrective action, it is brought to the attention of the utility for appropriate resolution. The Consumer Assistance Division operates as a separate division but is administratively attached to the Administrative Division.

Legal Division. The Legal Division represents the Commission before federal and State appellate and trial courts and agencies. It provides examiners and advocates in cases before the Commission and assists in preparing and presenting Commission views on Legislative proposals. Examiners preside over Commission proceedings, rule on questions of procedure and evidence, and prepare written recommended decisions for the Commission. Advocates organize and present the staff's case before the Commission, cross-examine the cases of other parties, file briefs on the issues, and engage in negotiations with the parties for the settlement of all or some of the issues in a case. Complete legal services are provided by the Division on all legal aspects of matters within the Commission's jurisdiction from major rate cases to individual consumer complaints.

Finance Division. The Finance Division is responsible for conducting financial investigations and analysis of telephone, electric, gas and water utilities, and for conducting other research about Maine utilities. The Division analyzes all applications of utilities to issue stocks, bonds or notes. The Division prepares testimony and other material concerning fuel clauses, cost of capital, rate base, revenues, expenses, depreciation and rate design for rate cases. The Division assists in the preparation of questions for cross-examination on accounting and finance matters, presents direct testimony, evaluates rate case exhibits and advises the Commission on financial and economic issues.

Technical Analysis Division. The Technical Analysis Division analyzes the technical aspects of filings made by utilities. Specifically, the Division analyzes and evaluates rate design exhibits, assists in the preparation of engineering related cross-examination and provides expert witnesses in rate proceedings. The Division prepares and reviews cost allocations and rate studies, reviews plans and specifications on all major utility construction projects, conducts on-site inspection of system improvements, advises the Commission and CAD regarding line extensions, inspects gas pipelines to ensure safe operations and conducts on site investigations of gas explosions and electrical accidents involving loss of human life. Finally, the Division reviews standards of service, utility reports, fuel clauses and fuel generation rates, using computer modeling techniques where appropriate.

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

COMMISSION  
 Chairman  
 Administrative Secretary  
 Commissioners (2)  
 Clerk Steno III

TECHNICAL ANALYSIS DIVISION  
 Director  
 Clerk Steno III  
 Engineering  
 Senior Utility Engineer  
 Utility Engineer  
 Rate  
 Senior Rate Analyst  
 Rate Analyst (2)  
 Planning  
 Senior Utility Planner  
 Utility Planner (3)  
 Programmer Analyst

CONSUMER ASSISTANCE DIVISION  
 Consumer Assistant Supervisor  
 Consumer Assistant Specialist (4)

ADMINISTRATION  
 Administrative Director  
 Clerk Typist III  
 Assistant Administrative Director  
 Clerk III  
 Clerk Typist (2)  
 Accounting Section  
 Administrative Assistant  
 Accountant  
 Word Processing Section  
 Word Processing Supervisor  
 Word Processor (4)  
 Hearing Reporters Section  
 Hearing Reporter (3)

FINANCE DIVISION  
 Director  
 Clerk Steno III  
 Utility Financial Analyst (2)  
 Chief Utility Controller  
 Utility Accountant III (3)  
 Utility Accountant II (2)

LEGAL DIVISION  
 General Counsel  
 Senior Legal Secretary  
 Deputy General Counsel  
 Senior Attorney Examiner  
 Attorney Examiner (15)  
 Examiner Attorney (2)  
 Paralegal Assistant  
 Clerk Typist II  
 Planning & Research Associate (Project)

### III. FISCAL INFORMATION.

The Public Utilities Commission is required by 35 M.R.S.A. §17 to report annually to the Joint Standing Committee on Utilities "on its planned expenditures for the year and on its use of funds in the previous year." The Commission is also required to report to the Committee regarding the Reimbursement Fund, the Purchase Power Fund and the Nuclear Decommissioning Financing Act. This section of the Commission's Annual Report fulfills these statutory requirements and provides additional information regarding the Commission's budget.

The Commission has two major sources of funding, a General Fund appropriation of approximately \$700,000 and a Regulatory Fund of \$1,894,000. The Regulatory Fund is raised through an assessment on utilities pursuant to 35 M.R.S.A. §17. The assessment process is described in Section 5 of this chapter.

All references in this chapter are to fiscal years -- July 1 to June 30. Throughout this report Consulting Services are broken out from All Other because it represents a large portion of the Commission's budget.

#### 1. Fiscal Year 1985.

In FY 85, the Commission expended approximately \$2.5 million regulating 198 utilities with gross revenues exceeding \$905 million. Exhibit A details FY 85 expenditures by line category. Exhibit B summarizes General Fund activity and activity in other funds administered by the Commission.

The Commission was authorized 61 positions in FY 85, 22 in the General Fund and 39 in the Regulatory Fund. Two seasonal Legal Researcher positions were authorized for FY 86.

General Fund. The General Fund allocation for FY 85 was \$700,977. \$596,272 was expended, principally for Personal Services. \$93,639 was lapsed to the General Fund. This lapsed amount represents, in large part, salary savings from vacancies that went unfilled during all or part of FY 85. \$11,066 was brought forward to FY 85 as an encumbered balance.

Regulatory Fund. The Regulatory Fund assessment for FY 85 was \$1,594,000. This assessment was increased by the



Legislature to \$1,894,000 for use in FY 86. In addition to the assessment, a balance of \$79,770<sup>1/</sup> and encumbrances of \$184,539 were brought forward from FY 84. \$1,608,985 was expended. Details of these expenditures are presented in Exhibit A. An encumbered balance of \$161,878 and an unencumbered balance of \$87,446 were brought forward to FY 86. The encumbered balances generally represent ongoing contracts for consulting services.

Decommissioning Fund. 35 M.R.S.A. §3358 [Nuclear Decommissioning Finance Act] states, "Notwithstanding any other provision of law, money received from the filing fee should be segregated, apportioned and expended by the Public Utilities Commission for the purposes stated in this section, with a report to the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs." \$35,000 was originally received by the Commission pursuant to §3358 in FY 83, and \$14,118 of that amount was expended during that year. An encumbered balance of \$20,882 was brought forward to FY 84. During FY 84, \$20,582 was expended, leaving an encumbered balance forward to FY 85 of \$300 as indicated by Exhibit B. All expenditures were for Consulting Services. No funds were expended in FY 85, and the \$300 was brought forward to FY 86.

Purchase Power Fund. Last year's report concluded the activities in this account. There were no balances brought forward, no funds received, nor were there any expenditures. Future filing fees for this purpose will be deposited into the "Filing Fee" section of the PUC Reimbursement Fund.

Reimbursement Fund. 35 M.R.S.A. §18 states, "The Commission shall report annually, before February 1st, to the joint standing committee of the Legislature having jurisdiction over public utilities, on a case by case basis, on the waiver, exemption, receipt and expenditure of any filing fees, expense reimbursements or fines collected under this Title."

1/

Pursuant to 35 M.R.S.A. §17, balances up to 7% of the Regulatory Fund may be brought forward to the next fiscal year. If these funds are to be moved from one line category to another, the approval of the Governor is required. Any amount over 7% must be reallocated by the Legislature or used to reduce the utility assessment in the following fiscal year.

Exhibit B indicates the Reimbursement Fund has been divided into two accounts - - Filing Fees and Expense Reimbursements. During FY 85, \$375,000 was received in connection with the following cancelled plants - - Seabrook II, Pilgrim II and Sears Island. Exhibit C indicates the expenditures and balance remaining at year end. Expenditures from this account totaled \$294,321. All amounts expended were for consulting services. The balance of the filing fees (\$80,678) was brought forward to FY 86. \$63,034 has since been refunded.

During FY 86, \$8,178.30 was received in filing fees from Central Maine Power Company to assist in defraying the cost of considering their petition for the purchase of power and transmission capacity from Hydro Quebec. An additional filing fee from Bangor Hydro-Electric Company in the amount of \$1,778.40 has been received for the same purpose. Expenditures made during FY 86 will be reported next year.

Expense reimbursements consist of funds received for copies of documents such as monthly dockets, agendas and decisions and for other miscellaneous items. \$3,387 was received during FY 84. This amount was brought forward to FY 85. An additional \$13,860 was received during FY 85. The total amount was brought forward to FY 86. It is anticipated these funds will be expended during FY 86.

There were no waivers or exemptions of any filing fees under this Title in FY 85. Nor were any fines collected.

## 2. Fiscal Year 1986.

Exhibit D details the Commission's FY 86 General Fund and Regulatory Fund budgets. The FY 86 budget figures are included in the left hand column. Encumbered and unencumbered balances brought forward from FY 85 are included in Column 2. The right hand column represents the total funds available to the Commission in FY 86 by account and line category. The bottom figure in the right hand column represents the total of all funds available to the Commission in FY 86. This last figure does not include \$9,956.70 the Commission has received in filing fees in FY 86 for Hydro Quebec power purchase and transmission facilities.

## 3. Fiscal Year 1987 Budget.

The Commission is seeking to increase the annual Regulatory Fund assessment by \$145,000 to a total of \$2,084,000 beginning in FY 87. The additional funds will be used to

strengthen the Consumer Assistance Division (CAD) and the Library of the Public Utilities Commission in response to recommendations of the Joint Standing Committee on Audit and Program Review. Four positions are being requested - - two professional positions and a clerical position in CAD, and a Librarian.

Exhibit E details the approved FY 87 Regulatory Fund budget in the left hand column. Column 2 breaks out the requested increase in the budget by line category. The right hand column represents the total of the approved FY 87 budget and the requested increase.

#### 4. The Budget in Perspective.

Exhibit F details the Commission's General Fund and Regulatory Fund budgets for a four-year period. The left hand column and column 2 include amounts actually expended in FY 84 and FY 85. Column 3 includes the budgeted figures for FY 86, including encumbered and unencumbered balances brought forward from FY 85. Column 4 includes the FY 87 budget submission plus the requested increases in the Regulatory Fund.

#### 5. The Regulatory Fund Assessment In Perspective.

Exhibit G details the Regulatory Fund assessments since FY 80. Annual Reports filed by the utilities with the Commission include revenues for the previous year ending December 31st. Calculations are made to determine what percentage of the total reported revenues will provide the amount authorized by statute -- currently \$1,894,000. The factor derived that will raise the authorized amount is applied against the reported revenues of each utility. Pursuant to 35 M.R.S.A. §17(2), on May 1st of each year an assessment is mailed to each utility regulated by the Commission. The assessments are due on July 1st. Funds derived from this assessment are for use during the fiscal year beginning on the same date.

#### 6. Management Audits

35 M.R.S.A. §18 provides that the Commission may require the performance of a management audit of the operations of any public utility in order to determine:

1. The degree to which a utility's construction program evidences planning adequate to identify realistic needs of its customers;

2. The degree to which a utility's operations are conducted in an effective, prudent and efficient manner;

3. The degree to which a utility minimizes or avoids inefficiencies which otherwise would increase cost to customers;

4. Any other consideration which the Commission finds relevant to rate setting under Chapter 3, §§51 and 52.

Section 18 also provides that the Commission may select an independent auditor to perform the audit, require a utility to pay for the cost of the audit and require the utility to execute a contract with the independent auditor. Finally, Section 18 provides the full cost of the audit shall be recovered from the ratepayers, and that the Commission shall consider the impact of the cost of the audit upon the ratepayers.

Pursuant to Section 18, the Commission ordered a management audit of the Maine utilities' investments in the Seabrook Nuclear Power Project. The utilities shared the cost as follows: Maine Public Service Company paid \$30,260, Central Maine Power Company paid \$21,888, and Bangor Hydro-Electric Company paid \$16,852. The work was performed by independent consultants selected by the Commission with the approval of the Contract Review Committee. Invoices submitted by the consultants were reviewed by the Commission staff and forwarded to the appropriate utilities for payment.

Also pursuant to Section 18, the Commission ordered an audit of the quality of service provided by Continental Telephone Company of Maine. This audit was performed in connection with a pending rate case. The cost of the audit was \$23,474.96.

Currently, the Commission has ordered a management audit of the construction planning and service ordering areas of the New England Telephone Company and of Central Maine Power Company's investment in the Millstone Nuclear Power Plant. Additional information on these audits will be available in next year's report.

7. Public Utilities Commission Facilities Fund

35 M.R.S.A. §17, §§7 authorizes two special assessments of \$250,000 each to make necessary improvements in the facilities housing the Public Utilities Commission at 242 State Street, Augusta, Maine.

On October 1, 1985, the first of the two special assessments was mailed. The assessments were due December 1, 1985. Funds are being deposited in the PUC Facilities Fund which is an interest bearing account. No expenditures have yet been made from this fund.

The second and final assessment of \$250,000 will be made in conjunction with the annual Regulatory Fund assessment and will be mailed on May 1, 1986. This assessment is due July 1, 1986. Any funds remaining in the fund after the improvements have been made will be returned to the utilities or used to reduce the following year's Regulatory Fund assessment.

These assessments are considered to be just and reasonable operating costs for amortization, with carrying costs, in the utility's next rate case, provided that case is filed before January 1, 1990.

Additional information on the Commission's renovation project will be included in next year's report.

EXHIBIT A

FY 85 EXPENDITURES

<u>Account Name</u>	<u>Amount</u>
<u>General Fund</u>	
Positions	(22)
Personal Services	559,743
Consulting Services	0
All Other	35,208
Capital	<u>1,321</u>
General Fund Total	596,272
<u>Regulatory Fund</u>	
Positions	(39)
Personal Services	947,214
Consulting Services	265,198
All Other	342,239
Capital	<u>54,334</u>
Regulatory Fund Total	1,608,985
<u>Decommissioning Fund</u>	0
<u>Purchase Power Fund</u> (no longer used)	0
<u>Reimbursement Fund</u>	<u>294,321</u>
All Expenditures Total	<u>2,499,578</u>

PUC FUND ACTIVITY BY ACCOUNT FOR FY 1985

<u>Account Name</u>	<u>Amount</u>
<u>General Fund</u>	
Balance Brought Forward From Previous Year	0
Encumbrances Brought Forward From Previous Year	0
General Fund Allocation	700,977
Less Expended	596,272
Encumbered Balance Brought Forward To FY 1986	11,066
6/30/85 Balance Lapsed To General Fund	93,639
<u>Regulatory Fund</u>	
Balance Brought Forward From Previous Year	79,770
Encumbrances Brought Forward From Previous Year	184,539
Funds Received	1,594,000
Reallocated Balance	0
Refund From Prior Year Expenses	0
Less Expended	1,608,985
Encumbered Balance Brought Forward To FY 1986	161,878
Unencumbered Balance Brought Forward To FY 1986	87,446
<u>Decommissioning Fund</u>	
Encumbrances Brought Forward From Previous Year	300
Funds Received	0
Less Expended	0
Encumbered Balance Brought Forward To FY 1986	300
<u>Reimbursement Fund</u>	
<u>Filing Fees</u>	
Balance Brought Forward From Previous Year	0
Encumbrances Brought Forward From Previous Year	0
Funds Received	375,000
Less Expended	294,321
Encumbered Balance Brought Forward To FY 1986	80,679
Unencumbered Balance Brought Forward To FY 1986	0

Misc. Reimbursements

Balance Brought Forward from Previous Year	3,387
Encumbrances Brought Forward from Previous Year	0
Funds Received	13,860
Less Expended	0
Encumbered Balance Brought Forward To FY 1986	0
Unencumbered Balance Brought Forward To FY 1986	17,247



EXHIBIT C

PUC Reimbursement Fund - Filing Fee Summary

Seabrook II

Maine Public Service Co.	\$75,000.00
Consulting Fees	82,355.98
	<hr/>
Funded by PUC Regulatory Fund	\$ 7,355.98

Seabrook II

Bangor Hydro-Electric Co.	\$75,000.00
Consulting Fees	82,000.00
	<hr/>
Funded by PUC Regulatory Fund	\$ 7,000.00

Seabrook II

Central Maine Power Co.	\$75,000.00
Consulting Fees	76,480.03
	<hr/>
Funded by PUC Regulatory Fund	\$ 1,480.03

Sears Island

Central Maine Power Co.	\$75,000.00
Consulting Fees	33,124.00
	<hr/>
Refunded to Company in FY 86	\$41,876.00

Pilgrim II

Central Maine Power Co.	\$75,000.00
Consulting Fees	53,841.36
	<hr/>
Refunded to Company in FY 86	\$21,158.64

EXHIBIT D

FY 86 BUDGET & ADJUSTMENTS

General Fund

	Budget	Brought Fwd.	Adjusted Budget
Positions	(22)		(22)
Personal Services	\$705,216	0	\$705,216
Consulting	0	0	0
All Other	53,657	0	53,657
Capital	<u>0</u>	<u>\$ 11,066*</u>	<u>11,066</u>
TOTAL	\$758,873	\$ 11,066	\$769,939

Regulatory Fund

Positions	(41)		(41)
Personal Services	\$1,133,825	\$ 10,079**	\$1,143,904
Consulting	370,205	\$ 229,690***	599,895
All Other	367,970	5,291****	373,261
Capital	<u>22,000</u>	<u>3,977*****</u>	<u>25,977</u>
TOTAL	\$1,894,000	\$ 249,037	\$2,143,037 <sup>1/</sup>

<u>Decommissioning Fund</u>		300	300
<u>Purchase Power Fund</u>		0	0
<u>Reimbursement Fund</u>			
Filing Fee		80,679	80,679
PUC Misc Fund	2,000		2,000
TOTAL ALL RESOURCES	<u>\$2,654,873</u>	<u>\$341,082</u>	<u>\$2,995,955</u>

\* Encumbered balance brought forward from FY 1985

\*\* Unencumbered balance brought forward from FY 1985

\*\*\* Includes Encumbered balance of \$152,611 & Unencumbered balance of \$77,079

\*\*\*\* Encumbered balance brought forward from FY 1985

\*\*\*\*\* Encumbered balance brought forward from FY 1985

<sup>1/</sup> Does not include \$9,956.70 in filing fees received in FY 86.

FY 87 REGULATORY FUND BUDGET & PROPOSED INCREASES

FY 87

	Budget	Request	Adjusted
Positions	(41)	(4)	(45)
Personal Services	\$1,183,056	\$117,903	\$1,300,959
Consulting Services	372,769	0	372,769
All Other	374,175	14,987	389,162
Capital	<u>9,000</u>	<u>12,110</u>	<u>21,110</u>
TOTAL	\$1,939,000	\$145,000	\$2,084,000

EXHIBIT F

PUC BUDGET IN PERSPECTIVE

	<u>FY 84 Expended</u>	<u>FY 85 Expended</u>	<u>FY 86 Budgeted</u>	<u>FY 87 Budgeted</u>
<u>General Fund</u>				
Positions	(22)	(22)	(22)	(22)
Personal Services	\$557,143	\$559,743	\$705,216	\$727,001
Consultants	0	0	0	0
All Other	37,199	35,208	53,657	57,143
Capital	<u>0</u>	<u>1,321</u>	<u>11,066*</u>	<u>0</u>
TOTAL	\$594,342	\$596,272	\$769,939	\$784,144
<u>Regulatory Fund</u>				
Positions	(35)	(39)	(41)	(45)
Personal Services	\$759,272	\$ 947,214	\$1,143,904**	\$ 1,300,959
Consultants	389,557	265,198	599,895***	372,769
All Other	311,528	342,239	373,261****	389,162
Capital	<u>11,808</u>	<u>54,334</u>	<u>25,977*****</u>	<u>21,110</u>
TOTAL	\$1,472,165	\$1,608,985	\$2,143,037	\$ 2,084,000
<u>Decommissioning Fund</u>	20,582	0	300	
<u>Purchase Power Fund</u>	4,831	0	0	
<u>Reimbursement Fund</u>				
Filing fees	0	294,321	80,679	
PUC Misc	0	0	2,000	
ALL RESOURCES	<u>\$2,091,920</u>	<u>\$2,499,578</u>	<u>\$2,995,955</u>	<u>\$2,868,144</u>

\* Includes \$11,066 Encumbered balance from FY 1985  
 \*\* Includes \$10,079 Unencumbered balance brought forward to Personal Services  
 \*\*\* Includes \$370,205 from the Budget, \$152,611 of Encumbered balances and \$77,079 Unencumbered balance brought forward.  
 \*\*\*\* Includes Encumbered balance forward of \$5,292  
 \*\*\*\*\* Includes 3,977 Encumbered balance brought forward.

EXHIBIT C

Assessment Detail

For Use in FY	Mailing Date/ Due Date	\$ Annual Revenues Electric	\$ Telecom.	\$ Water	\$ Gas	\$ CBITD	\$ Total Revenues (Utilities)	\$ Assessment Factor	\$ Net Amount Assessed by (PUC)	\$ Gross Assessment
FY 1980	11/79-01/01/80	186,278,293	139,683,694	24,086,603	6,749,736		356,798,326	.00021	74,816 (Nearest \$10)	75,000
FY 1981	05/80-07/01/80	206,762,413	153,652,974	25,465,331	7,374,962		393,255,630	.000381	149,830 (Nearest \$10)	150,000
FY 1982	05/81-07/01/81	216,243,682	165,108,544	28,421,070	8,932,172		418,705,468	.00035824	149,796 (Nearest \$10)	150,000
FY 1982	06/81-08/01/81	216,243,682	165,103,544	28,421,070	8,932,172		418,705,468	.0007165	299,983 (Nearest \$5)	300,000
FY 1983	05/82-07/01/82	462,967,673	182,850,133	32,220,884	14,428,444	803,933	692,471,067	.00187733	1,299,996 (Nearest \$1)	1,300,000
FY 1984	05/83-07/01/83	508,838,895	194,922,674	36,803,237	19,309,123	959,425	760,329,404	.00170366	1,299,999 (Nearest \$1)	1,300,000
FY 1984	06/83-08/01/83	508,838,895	194,922,674	36,939,287	19,308,123	959,425	760,829,404	.0002103	159,984 (Nearest \$1)	160,000
FY 1985	05/84-07/01/84	546,977,166	210,502,523	40,372,798	21,206,118	984,106	820,042,711	.001943801	1,593,904 (Nearest \$1)	1,594,000
FY/1986	05/85-07/01/85	630,565,108	210,877,202	42,290,155	20,517,627	1,080,600	905,330,692	.002092053	1,893,914 (Nearest \$1)	1,894,000

#### IV. ACTIVITIES IN 1985.

##### 1. Caseload.

At the end of calendar year\* 1984, 149 cases were pending on the Public Utilities Commission Docket. During 1985, 254 new cases were docketed. The number of new cases docketed is somewhat higher than 1984 (247). 109 of the 149 pre-1985 cases and 168 of the 254 new cases were closed during 1985. At the end of 1985, 126 cases remained on the Commission's Docket. Thus, in 1985, the Commission closed 277 cases, and its efforts to reduce the case backlog were again successful. (See Exhibits H and I)

Exhibit H breaks down Commission activity in 1985 by type of utility and type of Commission initiated action, i.e., investigations and rulemakings.

Exhibit I further details the types of cases that were docketed during 1985.

The following explanations will assist the reader in interpreting these exhibits:

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\*

All references in this chapter are to calendar year(s) unless otherwise noted.

<u>TERM</u>	<u>EXPLANATION</u>
Rates - General	Pursuant to Sections 64 and 69, <sup>1/</sup> the Commission reviews proposed changes in rates. General rate filings involve general increases in rates that significantly affect the utility's revenues. The Commission may suspend these filings for up to nine months. At the end of nine months, in the absence of action by the Commission, these rates become effective by operation of law.
Rates - Limited	Limited rate filings involve minor adjustments to individual tariffs and do not significantly impact on overall utility revenues.
Rates - Temporary	Section 311 empowers the Commission to temporarily alter existing utility rates. This authority allows the Commission to respond quickly to emergency situations.
Rates - Water District	Under Section 72, rate filings by municipal and quasi-municipal water utilities are effective by operation of law unless a valid petition is received.
Rates - Customer-Owned Electric Utilities	Under Section 75 rate filings by customer-owned electric utilities are effective by operation of law unless a valid petition is received.
Security Issuances	Pursuant to Section 171, the Commission must approve the issuance of securities by utilities.
Agreements/Contracts	Pursuant to Section 64 and Section 103, the Commission must approve contracts between utilities and customers. The 1984 figures in this category include principally interruptible service contracts with commercial customers. These contracts permit the utility to terminate service temporarily at times of high demand and/or limited supply.

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<sup>1/</sup>

Unless otherwise noted, all references in these explanations are to sections of 35 M.R.S.A.

Reorganization/Affiliated Interests	Under Sections 104(3) and 104(3-A), the Commission must approve financial transactions between a utility and an affiliated interest as well as utility reorganizations.
Cogeneration Petitions	Under Section 2326, the Commission is required to resolve certain disputes between cogenerators and utilities.
Commission Rulemakings	Section 3 authorizes the Commission to promulgate all necessary rules.
Commission Investigations	Section 296 authorizes the Commission to investigate a utility whenever it believes any rate is unreasonable or that any service is inadequate or for any other appropriate reason.
Commission Delegations	The Commission delegates to its staff certain duties in order to more efficiently accomplish the purposes of the Commission.
Advisory Rulings	Chapter 11, Section 5 of the Commission Rules provide that any interested person may petition the Commission for an advisory ruling with respect to the applicability of any statute or rule administered by the Commission.
Ten-Person Complaints	Section 291 provides for Commission investigation of written complaints signed by ten or more persons made against any public utility.
Purchase/Sale Petitions	Under Sections 211 and 212, the Commission reviews the purchase and sale of an entire utility system and approves abandonment of property or discontinuance of service.



Public Convenience and Necessity

Pursuant to Section 2301(2), a utility [electric, gas or telephone] must seek Commission approval in order to provide service to a city or town in which another utility is already providing, or is authorized to provide service.

Exemptions/Waivers

Pursuant to Chapters 11 & 12 of the Commission Rules, the Commission may grant exemptions or waivers from certain of the Commission's rules.

Cost of Fuel Adjustments

Section 131 requires an electric utility to seek Commission approval at least annually in order to adjust its charges to customers to reflect increases or decreases in the cost of fuel used in the generation and supply of electricity. A fuel adjustment filing triggers a Section 296 investigation. Concurrent with the filing of cost of fuel adjustments, the electric utility must file short-term avoided costs.

Cost of Gas Adjustments

Pursuant to Section 132, a gas utility must seek Commission approval in order to adjust its gas charges to its customers to reflect increases or decreases in the cost of gas.

Conservation

Pursuant to Section 94, utilities may file to recover reasonable costs associated with the implementation of conservation programs.

2. Rate Case Decisions.

In 1985, the Public Utilities Commission decided 15 general rate cases, in which electric, telephone, and water utilities requested increases totaling \$130 million.\* The Commission granted \$70 million in rate increases and rejected \$60 million. Exhibit J presents overall 1985 rate case decision data by utility type. Exhibits K, L, M, and N present specific data on individual rate cases, grouped by utility type. Exhibit O presents data on total rate increases requested and granted for all regulated utilities since 1980.

The exhibits pertaining to electrical rate increases do not reflect changes in fuel charges passed on to consumers. Nonetheless, a significant portion of total electrical billings represent the cost of fuel. For the major electric utilities fuel adjustment changes are processed in accordance with Chapter 34 of the Commission Rules. As Exhibit P indicates, in 1985 fuel revenues accounted for approximately \$300 million of the approximately \$668 million in gross operating revenues for Central Maine Power Company, Bangor Hydro-Electric Company and Maine Public Service Company combined. This exhibit also charts the historic proportionate ratio of fuel revenue to gross revenues for Maine's three largest electric utilities since 1983.

Also, referring to Exhibit P, in 1985 Northern Utilities cost of gas accounted for approximately \$12 million of its \$18.8 million in gross operating revenues.

A large portion of the Commission's work is generally devoted to a small number of cases, usually involving the larger utilities. Exhibit Q demonstrates this fact. Of 122 days of hearings held by the Commission in 1985, 54 or 45% of them were devoted to 4 cases.

\*\_\_\_\_\_

These figures are for rate proceedings concluded in 1985. Some of these rate cases were actually filed prior to 1985. The figures do not include proceedings filed in 1985 which were not concluded by the end of the year. Also not reflected in rate case decisions are the 19 municipal and quasi-municipal water utility rate filings pursuant to Section 72. A total of \$2,591,821 was requested and received by operation of law under this section. No valid customer petitions were received [see Exhibit N].

EXHIBIT H

1984 CASE SUMMARY

	<u>Electric</u>	<u>Telecommunication</u>	<u>Gas</u>	<u>Water</u>	<u>Water Carrier</u>	<u>Rulemakings</u>	<u>Investigations</u>	<u>Delegations</u>	<u>Misc.</u>	<u>Total</u>
Cases Pending 12/31/83	68	60	12	40	3	4	0	0	2	189
Cases Docketed in 1984	52	70	36	59	1	13	9	6	1	247
Cases Decided in 1984	64	88	31	79	4	8	5	6	2	287
Cases Pending 12/31/84	56	42	17	20	0	9	4	0	1	149

1985 CASE SUMMARY

Cases Docketed in 1985	45	72	24	74	1	18	14	5	1	254
Cases Decided in 1985	64	72	38	72	0	18	8	5	0	277
Cases Pending 12/31/85	37	42	3	22	1	9	10	0	2	126

EXHIBIT I

1985 Cases Docketed

Type	Filings					Comm. Initiated
	Electric	Gas	Telecom.	Water	Water Carrier	
Rates - Limited	8	4	53	10		
Rates - General	3		4	7		
Rates - Temporary						1
Rates - Water District (\$72)				20		
Rates - Customer Owned Electric (\$75)	1					
Securities Issues	10		2	28		
Agreements/Contracts	1	15		1		
Reorganizations/Affiliated Interests	2		2	1		
Cogeneration Petitions	1					
Commission Rulemakings						18
Commission Investigations	1					13
Commission Delegations						5
Advisory Rulings	1					
Ten-Person Complaints	2		3	1		
Purchase/Sale Petitions	1			3		
Public Convenience & Necessity	3		4		1	
Exemptions/Waivers - Rules	3	1	1	2		
Cost of Fuel Adjustments	2					
Cost of Gas Adjustments		3				
Conservation	6	1				
Others	45	24	3	1	1	37
			72	74		
						1
						1
						= 254

EXHIBIT J

PUC Rate Cases Decided in 1985

<u>Category</u>	<u>Cases</u>	<u>Requested</u>	<u>Granted</u>	<u>Difference</u>
Electric	4	\$ 83,382,600	\$52,733,407	\$30,649,193
Telephone	5	45,827,879	16,835,823	28,992,056
*Water (Investor Owned)	6	958,128	776,602	181,526
Gas	<u>0</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Totals	<u>15</u>	<u>\$130,168,607</u>	<u>\$70,345,832</u>	<u>\$59,822,775</u>

\* There were 19 Municipal and Quasi-municipal Section 72 rate filings not included here. They were effective by operation of law in the absence of a valid customer petition. (see Exhibit N)

EXHIBIT K

ELECTRIC RATE CASES DECIDED IN 1985

	<u>Amount Requested</u>	<u>Amount Allowed</u>	<u>Return on Rate Base</u>	<u>Return on Equity</u>
Maine Public Service Docket No. 84-80	\$ 7,346,102	\$ 4,529,060	N/A	N/A
Central Maine Power Docket No. 84-120	58,600,000	\$35,748,862	13.0%	16.0%
Lubec Water & Electric District Docket No. 84-125	36,498	26,485	N/A	N/A
Bangor Hydro-Electric Docket No. 85-190	17,400,000	12,429,000	13.1%	16.0%
	<u>\$83,382,600</u>	<u>\$52,733,407</u>		

EXHIBIT L

TELEPHONE RATE CASES DECIDED IN 1985

<u>Company</u>	<u>Docket Number</u>	<u>Amount Requested</u>	<u>Amount Granted</u>	<u>Overall Return</u>	<u>Return on Equity</u>
Continental Tel. Co.	84-105	\$ 1,474,253	\$ 410,999	9.738	13.697
Hartland & St. Albans Tel.	85-36	99,959	88,444	7.99	N/A
Bryant Pond Tel Co.	85-45	39,667	36,380	13.26	N/A
New England Tel.	85-159	43,498,000	15,700,000	N/A	N/A
New England Tel.	84-244	716,000	600,000	N/A	N/A
		<u>\$45,827,879</u>	<u>\$16,835,823</u>		

EXHIBIT M

INVESTOR OWNED WATER UTILITY  
RATE CASES DECIDED IN 1985

<u>Docket No.</u>	<u>Utility</u>	<u>Amount Requested</u>	<u>Amount Allowed</u>	<u>Return on Rate Base</u>	<u>Equity</u>
84-158	Lucerne Water Co.	\$ 11,333	\$ 11,333	10.00%	10.00%
84-201	Alfred Water Co.	46,363	45,970	12.00%	N/A
85-42	Winter Harbor Water Co. Interim Rates	79,406	67,080	N/A	N/A
85-88	Bucksport Water Co.	145,208	138,885	11.25%	11.75%
84-195	Millinocket Water Co. Decision on Appeal to Supreme Court	596,412	442,912	N/A	N/A
85-42	Winter Harbor Water Co. Final Decision	<u>79,406</u>	<u>70,422</u>	12.95%	12.00%
		<u>\$958,128</u>	<u>\$776,602</u>		



EXHIBIT N

MUNICIPAL & QUASI-MUNICIPAL WATER UTILITIES  
RATE CASES PURSUANT TO §72

Docket No.	Utility	Proposed Revenue	Increase Over Prior Year	% Increase
*85-32	Mexico Water District	\$ 200,400	\$ 32,468	19.33
*85-44	Wilton Water Department	240,000	25,064	11.66
85-58	Norway Water District	192,051	18,510	10.67
*85-61	Bridgton Water District	144,600	33,068	29.65
*85-112	Paris utility District	295,457	71,939	32.20
*85-126	Madison Water District	177,100	58,999	49.96
85-141&85-183	Moscow Water District	26,972	11,744	77.12
*85-140	Anson Water District	58,502	19,425	49.71
85-144	North Haven Water Dept.	46,935	12,941	38.10
85-173	Squirrel Island Village Corp.	7,350	3,725	103.00
*85-185	Winthrop Water District	254,817	48,097	23.30
*85-187	Boothbay Harbor Water System	402,482	103,511	34.62
85-189	Strong Water District	77,412	7,672	11.00
85-208	Stonington Water Company	49,956	12,653	33.92
85-228	Fort Kent Water System	226,573	30,586	15.61
*85-233	Vinalhaven Water District	95,670	26,033	37.40
*85-234	Jackman Water District	85,544	18,051	26.75
*85-235	New Portland Water District	10,000	5,897	144.00
	Total	<u>\$2,591,821</u>	<u>\$540,383</u>	

\* A significant portion of the increase was necessary to finance capital improvements.

EXHIBIT O

PUC RATE CASE DECISION 1980-1985  
(All Utility Categories)\*

<u>Year</u>	<u>Rate Increases Requested</u>	<u>Rates Allowed</u>	<u>Difference</u>
1980	\$ 60.6 million	\$37.4 million	\$23.2 million
1981	\$ 94.2 million	\$60.6 million	\$33.6 million
1982	\$140.5 million	\$75.1 million	\$65.4 million
1983	\$120.5 million	\$39.0 million	\$81.5 million
1984	\$ 61.1 million	\$29.1 million	\$32.0 million
1985	\$130.2 million	\$70.4 million	\$59.8 million

\*

All data pertains to rate cases concluded in years listed. Data presented by years are not directly comparable. Data presented does not include fuel adjustment increases depicted in Exhibit Q.

EXHIBIT P

FUEL IN ELECTRIC RATES  
(\$000)

Company	1983 Gross Revenue	1983 Fuel Revenue	1983 Fuel %	1984 Gross Revenue	1984 Fuel Revenue	1984 Fuel %	% Change in Fuel Revenue	*1985 Gross Revenue	*1985 Fuel Revenue	*1985 Fuel %	% Change in Fuel Revenue
Central Maine Power	\$456,117	\$212,844	46.7	\$515,407	\$250,736	48.6	17.8	\$531,456	\$239,285	45.0	(4.6)
Bangor Hydro-Electric	83,623	37,359	44.7	95,194	46,897	49.3	25.5	97,501	46,856	48.1	(.1)
Maine Public Service	33,007	11,633	35.2	34,206	12,427	36.3	6.8	39,192	14,099	36.0	13.5
	<u>\$572,747</u>	<u>\$261,836</u>	<u>45.7</u>	<u>\$644,807</u>	<u>\$310,060</u>	<u>48.1</u>	<u>18.4</u>	<u>\$668,149</u>	<u>\$300,240</u>	<u>44.9</u>	<u>(3.2)</u>

\* 12 months ended November 30, 1985.

COST OF GAS ADJUSTMENT IN NATURAL GAS RATES  
(\$000)

Company	1983 Gross Revenue	1983 Gas Cost	1983 Gas %	1984 Gross Revenue	1984 Gas Cost	1984 Gas %	% Change in Gas Revenue	*1985 Gross Revenue	*1985 Gas Cost	*1985 Gas %	% Change in Gas Cost
Northern Utilities	\$21,210	\$14,582	68.8	\$20,640	\$13,757	66.7	(5.7)	\$18,779	\$11,924	63.5	(13.3)

\* Preliminary unaudited for 12 months ended November 30, 1985.

EXHIBIT Q

Days of Hearings Held in 1985

New England Telephone Local Measured Service(83-179)	12
Seabrook Investigation (84-113)	19
Central Maine Power Rate Case (84-120)	13
Maine Public Service Investigation (85-92)	<u>10</u>
TOTAL	<u>54</u>
Other	<u>68*</u>
TOTAL	122

\* This figure represents a large number of relatively minor cases, each of which involved minimal hearing time.

3. Consumer Assistance Division.

Customer complaints/contacts received by the Consumer Assistance Division (CAD) vary widely from requests for information to complicated complaints regarding line extensions. Some requests for information may take a relatively short time to resolve, while the more complicated cases may take months, including many hours of staff time. In each case received by the CAD, the staff first directs the customer to contact the utility, if that has not already been done. Second, the staff works with the utility and the customer to resolve each individual problem. If the utility and the customer cannot agree to a resolution, CAD has the authority to dictate a resolution which can then be appealed to the Commission. In addition, the CAD analyzes the cases to identify utility practices that need to be corrected. Problem areas are brought to the attention of the utility for appropriate resolution.

The CAD may provide testimony in rate case or quality of service proceedings with regard to a utility's consumer practices. In addition, the Division may recommend that cases involving willful or reckless violations of the Commission Rules by a utility be taken to Administrative Court pursuant to 35 M.R.S.A. §314. Finally, the Division may recommend the Commission order an audit of a utility's customer services program pursuant to 35 M.R.S.A. §18.

On December 31, 1984, 136 cases were pending in CAD. During calendar year 1985, the Division received 4,351 customer complaints/contacts. 4,319 cases were closed, leaving 168 cases pending on December 31, 1985. A detailed breakdown of these cases is presented in Exhibit R. These cases are not included within the Commission's caseload statistics presented in the previous sections, except in rare instances where an appeal from a CAD decision to the Commission is docketed.

In addition to assisting customers with a variety of service, billing, disconnect, deposit and other concerns, the Division was involved in adjusting/waiving customer charges in 262 cases in calendar year 1985. As a result, the utilities involved returned a total of \$52,594.40 in refunds and credits to customers. A breakdown of this data by type of utility is included in Exhibit S.

Exhibit T reviews the caseload figures since 1980 and the customer charges adjusted/waived since 1981.

Under Chapter 81 of the Commission Rules, electric and gas utilities are prohibited from disconnecting customers who meet certain income eligibility criteria during the winter months, unless permission is granted by CAD. Customers who are unable to pay their bills during the winter months are permitted to enter into a special payment arrangement with the utility and, thereby, spread their payments over the summer months. All back bills must be paid prior to November 1st. A summary of activity under the Winter Disconnect Rule for the winter of 1984-85 is included in Exhibit U. The Division received 872 requests from utilities to disconnect customers. 249 of these requests were granted, generally because the premises were vacated or the customer refused to enter into a payment arrangement. 193 requests were denied, and 430 requests were withdrawn by the utilities.

EXHIBIT R

CONSUMER ASSISTANCE DIVISION  
1985  
TOTAL COMPLAINTS/CONTACTS

I.	<u>Service</u>	
	S1 Request for New Service .....	370
	S2 Request for Service Repairs .....	214
	S3 Service Charges/High Usage .....	351
	S4 Line Extensions .....	113
	S5 Directory Listings .....	46
	S6 Extended Area Service .....	5
	S7 Outages .....	125
	S8 Meter Checks .....	10
	S9 Local Measured.....	35 = 1,269
II.	<u>Billings</u>	
	B1 Payment Arrangements .....	275
	B2 Overbilled .....	35
	B3 Underbilled .....	3
	B4 High Tolls .....	0
	B5 Cost - Aid in Construction .....	2
	B6 Mileage .....	1
	B7 Request for or Granted Rebate .....	9
	B8 Fuel Adjustment .....	0
	B9 Estimated Billings/Budget Payment Plan .....	11 = 336
III.	<u>Disconnect</u>	
	D1 Notices .....	517
	D2 Disconnections .....	327
	D3 Utility Winter Disconnect Waivers .....	873
	D4 Improper Disconnections .....	72 = 1,789
IV.	<u>Deposits</u>	
	P1 Request for Deposit .....	103
	P2 Payment of Deposit .....	5
	P3 Request for Refund of Deposit .....	19 = 127
V.	<u>Miscellaneous</u>	
	M1 General Protest .....	307
	M2 Customer Owned Equipment .....	2
	M3 Request for Waiver .....	15
	M5 General Information .....	319
	M6 Hearing Request .....	0 = 643
VI.	<u>Special Files</u>	
	CLP Conservation Loan Program .....	9
	U Unregulated Areas (cable TV, Sewers, etc.) .....	146 = 155
	Cases Pending 12/31/84	136
	Total Cases Received 1985	4351
	Cases Closed 1985	4319
	Cases Pending 12/31/85	168

CUSTOMER CHARGES ADJUSTED/WAIVED 1985

<u>TELEPHONE:</u>	\$ 28,789.15
<u>ELECTRIC:</u>	20,540.94
<u>WATER:</u>	2,699.05
<u>GAS:</u>	523.86
<u>NON REGULATED (AT&amp;T):</u>	<u>41.40</u>
TOTAL:	\$ 52,594.40



EXHIBIT T

CONSUMER ASSISTANCE DIVISION  
COMPLAINTS/CONTACTS 1980-1985

<u>Year</u>	<u>Number of Complaints</u>
1980	3,359
1981	4,673
1982	4,811
1983	4,428
1984	5,741
1985	4,351

CUSTOMER CHARGES ADJUSTED/WAIVED 1981-1985

<u>Year</u>	<u>Amount</u>
1981	\$ 61,703.71
1982	\$ 60,606.24
1983	\$ 94,934.70
1984	\$123,041.48
1985	\$ 52,594.40

EXHIBIT U

CONSUMER ASSISTANCE DIVISION  
UTILITY WINTER WAIVER REQUESTS

1984-1985

	<u>Waiver Request to Disconnect</u>	<u>Waiver Request Granted</u>	<u>Waiver Request Denied</u>	<u>Waiver Request Withdrawn</u>
Central Maine Power	622	194	100	328
Bangor Hydro-Electric	90	15	59	16
Maine Public Service	8	1	3	4
Kennebunk Light & Power	1	0	1	0
Eastern Maine Electric	89	19	4	66
Northern Utilities	58	20	22	16
Van Buren Light & Power	<u>4</u>	<u>0</u>	<u>4</u>	<u>0</u>
TOTALS	872	249	193	430

4. Telecommunications Equipment Plan for Hearing-Impaired and Speech-Impaired.

35 M.R.S.A. §2361(3)(4), enacted by P. L. 1983, c. 531, creates a "Telecommunications Equipment Fund," which may be used for the purchase, lease, upgrading, installation, maintenance and repair of special telecommunications equipment for the deaf, hearing-impaired or speech-impaired. The Division of Deafness in the Bureau of Rehabilitation in the Department of Human Services is required to develop a plan annually to make special communications equipment available to deaf, hearing-impaired and speech-impaired persons, and to distribute monies from the Telecommunications Equipment Fund. The plan is developed by the Division of Deafness and approved by the Public Utilities Commission annually, no later than January 1st, after appropriate notice and hearing. The law further requires that the Commission include a progress report on this program in its Annual Report to the Joint Standing Committee on Utilities.

On February 4, 1985, the Division of Deafness filed with the Commission a "plan for the dissemination of telecommunications devices for the deaf." A hearing was held on March 7, 1985, to consider whether the Commission should approve the plan as filed or whether revisions should be made. The Division of Deafness was the only formal party to the proceeding; neither the Commission Staff nor any other party intervened. The sole witness at the hearing testified in support of the plan. On March 20, 1985, the Commission issued its Order approving the plan.

The plan approved by the Commission provides for the expenditure of \$47,500 by a contract with the Maine Association for the Deaf. The plan budgeted the \$47,500 for FY 85 as follows:

Personnel	\$ 7,200
Lending	
purchase 51 TDD's* @ \$600	30,600
Cost Sharing	
purchase 25 TDD's @ \$300	7,500
purchase 20 ring signallers @ \$29.50	590
maintenance & repairs	1,000
Postage, supplies & telephone	610
TOTAL	<u>\$47,500</u>

\*

Telecommunications Devices for the Deaf

On December 27, 1985 the Division of Deafness filed its plan for 1986. A hearing on this filing has been scheduled for January 27, 1986. A Commission Order on the plan will be issued shortly thereafter. The plan budget for FY 86 is nearly identical to that for FY 85, set forth above.

In its December 27, 1985 filing the Division of Deafness indicated that 56 TDD's and 53 ring signallers had been ordered, at a cost of \$35,584. 60 TDD's had been delivered and 56 ring signallers had been loaned by September 30, 1985.

Social issues involved in the distribution of funds and equipment under the Telecommunications Equipment Plan are largely beyond the purview of the Commission's economic and service jurisdiction over telephone utilities. The Commission has proposed legislation to terminate its responsibility to conduct a hearing and approve the plan on an annual basis. The proposal, review, hearing and approval of the plan might best be conducted by the Division of Deafness in a rulemaking proceeding.

5. One-Year Prohibition on Rate Filings.

35 M.R.S.A. §64, second paragraph, was amended by P. L. 1983, c. 19 (L. D. 212, "An Act to Clarify the Time During Which a Utility is Restricted From Filing a Rate Case Under the Public Utility Law") to provide that the one-year prohibition on rate filings would not apply where the proceeding initiated by the prior filing was terminated without a final determination of the utility's revenue requirement. The Committee directed the Commission to include in its Annual Report a report on how many cases occurred in which a rate case was dismissed and the utility subsequently refiled within less than one year pursuant to this legislation.

The Commission reports that during 1985 (as in 1983 and 1984) and through the date of this Report, there were no rate case filings initiated by a utility pursuant to L. D. 212 within less than one year of a prior rate filing that was terminated without a final determination of the utility's revenue requirement.

6. Conservation Programs

This section updates the status of conservation programs instituted by Maine's electric and gas utilities and the impact of these programs on ratepayers.

As reported last year, the Commission enacted a new Chapter 37, Energy Conservation Adjustment for Electrical Utilities, which permits utilities to recover retroactively

expenses incurred in connection with the implementation of conservation programs. The rule provides some flexibility for recovery to provide incentives for the utility's effective implementation of the Electric Rate Reform Act. The Commission has recently published a proposed amendment to the Rule, which would strongly encourage utilities to file for conservation adjustments concurrently with rate cases. The Commission expects to have the amendment in place shortly.

As anticipated in last year's report, 1985 was a very active year for the implementation of conservation programs.

Central Maine Power Company. The programs already in place for residential customers at the start of the year had varying degrees of success. The water heater wrap program has been extremely successful, with an estimate that over 60% of eligible customers (those with electric water heaters) have either participated or already had wraps in place. Approximately \$2 million has been expended, with over 57,000 customers participating. The low income energy management assistance program and the conservation loan program have been less successful to date. The energy management assistance program has had a very slow start. The Commission has been in contact with the contractors responsible for these installations, and there apparently has been some greater activity in recent weeks. The loan program has not shown significant activity for some time. Finally, the appliance rebate program, which was relatively inactive for a good part of the year, has recently doubled in activity, probably due to very active marketing on the part of CMP and dealers.

In the summer, the Commission approved the implementation of several pilot programs designed primarily to gain information on the best way to achieve conservation in the residential sector. These programs offered a wide variety of electric conservation measures at a number of different prices to a statistically significant number of customers per program. For example, the packaged weatherization program offers a package of caulking, weatherstripping and sealing to electric heat users. Three groups of 200 participants each have been offered the same package at three different price levels. Results of the pilot program show how much the customer is willing to pay, thereby indicating to the utility the least cost necessary to get the job done. The information gleaned to date from this program (still in its infancy) indicates there is no real significant difference in the interest expressed at each level. Thus, CMP will probably implement a program at the lowest of the three price levels. Other pilot programs

implemented are the energy management rebate program, the shared savings program, an extension of the energy management assistance program to a pilot 200 customers eligible regardless of income category, an extension of the appliance rebate program to dealers, alternative forms of energy audits, a program to encourage the building of energy efficient new homes through certification from CMP, and a study of the feasibility and desirability of installation of radio controlled water heaters.

In the commercial and industrial sector, the Commission approved the implementation of a program available to all commercial and industrial customers which would provide rebates to those customers for the purchase and installation of energy efficient lighting and motors. The lighting rebate program is in place, and the motor rebate program should be in place in the near future, pending final negotiations of its format among Commission staff, the Office of Energy Resources, and CMP. In addition, the same parties have been involved in extensive discussions concerning the implementation of a conservation program designed for the very large customers of CMP which would allow those customers to tailor a program to their particular needs. The final form of this program will either be stipulated or litigated during 1986. These programs are all pilots, and the Commission will review the results following their completion in 1987.

A further program available to commercial and industrial customers is a low interest loan program similar to that available to residential customers. This program has not been markedly successful to date.

The utility's costs associated with each of these programs is theoretically eligible for recovery in rates through the Energy Conservation Adjustment. In determining whether a program is eligible for a conservation adjustment, the Commission must determine whether it benefits the Company's ratepayers. With respect to the full-scale programs implemented to date, the Commission has found that these programs are cost-effective and that all ratepayers, even those who do not participate in the program, benefit through CMP's avoidance of the need to purchase expensive new capacity. With respect to pilot programs, the Commission has found that, while not all programs may in the short term benefit all ratepayers through lower rates, the information gained through the programs is likely to result in lower rates ultimately.

Central Maine Power, pursuant to the stipulation approved in CMP's last rate case, Docket No. 84-120, has been continuing its effort to determine exactly how much conservation

at what price is optimal for the Company's ratepayers. Following the results of this study, the cost-effectiveness of various programs should be more easily determined. The final draft of the study will be filed with the Commission in mid-January.

CMP recovered \$3,585,843 in 1985 in energy conservation expenditures. This recovery was authorized in two dockets, one covering the period June 1, 1984 to May 31, 1985, and one covering the period June 1, 1985 to year end.

Bangor Hydro-Electric Company. BHE was also active in conservation in 1985. Due to the success of its water heater wrap program (similar to CMP's), the Commission approved the extension of the program to an additional 5,000 customers annually.

As a result of the stipulation in BHE's rate case, the Company implemented a commercial-industrial rebate program virtually identical to CMP's, scaled down in size to the Company's limitations and service territory. Furthermore, Bangor has been working on a "demonstration" house located in Bangor which will be available to educate the public about conservation potential for existing dwellings. Finally, BHE has proposed a pilot program to be available to up to six large customers for tailored conservation programs. This program is still in the formative stage.

BHE recovered \$695,431 through the Energy Conservation Adjustment in 1985.

Maine Public Service Company. MPS did not file any new conservation programs with the Commission in 1985. However, its water heater wrap program has been very successful. In addition, a pilot program to control hot water heaters by radio was implemented in early 1985. Results of the program have not been compiled to date. MPS has expressed interest in expanding its conservation efforts, and it is expected that increased activity will take place in 1986. MPS has not yet requested recovery for its expenditures in these programs.

Northern Utilities. Northern continued to provide water heater jackets, piping insulation, and low-flow faucet aerators and showerheads through its Commercial and Residential Hot Water Conservation Programs, approved in 1984 by the Commission. By the end of 1985, 16,086 bill inserts had been mailed, 2,514 orders had been completed, and 532 outstanding orders remained to be completed. Northern recovered \$39,565 in

costs associated with these programs in August, 1985. The Company's request for \$31,351 in additional costs expended in 1985 will be ruled on in late January 1986. These rate increases are conditioned on a demonstration that the costs were reasonably incurred and that Northern Utilities is not earning a return greater than 12.51% overall.

The Commission also approved a program through which the Company gave former gas customers with existing connected gas lines a free gas hot water heater and conservation package instead of terminating their services. This program will allow phasing out the heating of water by inefficient oil and electric water heaters.

7. Violations and Penalties Relating to Disconnection and Deposit Rates

35 M.R.S.A. §314 paragraph 4 provides that the Commission may bring an action in Administrative Court against a public utility that has willfully or recklessly violated Chapters 81, 86, or 87 of the Commission rules. This statute became effective on July 25, 1984. The Commission has notified all Maine utilities subject to its jurisdiction of the existence of this statute and that it will not hesitate to file actions in Administrative Court in instances in which there are sufficient facts to justify doing so. The Commission has also notified the utilities of the standard the Commission will apply in determining whether a violation of Commission rules has been willful or reckless. During calendar year 1985 the Commission staff investigated 20 allegations of willful or reckless violations of Chapter 81. Three of these cases were being prepared for Administrative Court when the utility offered a settlement agreement which was accepted by the Commission.

Although the Commission has some reservations about the effectiveness of 35 M.R.S.A. §314 paragraph 4 in deterring utility violations of Commission rules, the Commission believes it is premature to suggest changes in this provision at this time.

8. Audit and Program Review

In January of 1985 the Joint Standing Committee on Audit and Program Review completed its review of the Public Utilities Commission and reported to the Legislature. The Committee recommended the Commission be continued in order to carry out its Legislative mandate. In addition, the Committee recognized the Commission and its staff "for their diligence and



extra effort in dealing with a tremendous workload." The Committee made 16 Administrative Recommendations, 18 Statutory Recommendations and 3 Findings relating to the Commission. 14 of the 16 Administrative Recommendations were directed to the Commission for implementation. To date, the Commission has implemented 9 Administrative Recommendations and 5 are in the process of being implemented.

The Joint Standing Committee on Audit and Program Review and its staff have performed a diligent and constructive review of the Public Utilities Commission. The Commission has worked closely with the Committee, and believes the process has been beneficial to all parties. The Commission will continue to implement those administrative recommendations now in process and will work with the Legislature with regard to the statutory recommendations made by the Committee.

## V. 1985 IN REVIEW

In 1985, as in 1984, a large portion of the Commission's resources were devoted to the Seabrook Nuclear Power Project and telecommunications. The Commission held 32 days of hearings in the Seabrook Investigation (Docket No. 84-113) and the related Central Maine Power company rate case. (Docket No. 84-120) In addition, 12 days of hearings were held in the Local Measured Service Investigation. (Docket No. 83-179) The current status of these cases and other matters of interest are discussed below.

### Seabrook

In December of 1984, the Commission told the three Maine utilities with investments in Seabrook that they could continue to participate in the project if they could find buyers for their private shares of the project at prices consistent with their testimony in the pending investigation. No credible offers were forthcoming. In January of 1985, the Commission directed the utilities to file plans for disengagement. The Commission indicated that sale continued to be an acceptable form of disengagement.

In the spring of 1985, the Commission staff, the Public Advocate and Central Maine Power Company entered into negotiations in hopes of reaching an agreement that would resolve all of the outstanding Seabrook issues - - those issues being recovery of CMP's investment in the cancelled Seabrook II, continued investment in Seabrook I and recovery of the Company's investment in Seabrook I prior to December 31, 1984.

In May, the parties reached agreement and presented a stipulation to the Commission for its approval. The stipulation disallowed 40% of the costs of Seabrook II and 30% of the costs of Seabrook I prior to 1985. The Commission approved the stipulation. This stipulation served as a model for a similar stipulation between the Commission staff, the Public Advocate and Bangor Hydro that was accepted by the Commission in the fall of 1985.

Meanwhile, the Maine utilities received an offer from Eastern Utility Associates of Massachusetts to purchase their shares of Seabrook. The Commission is now reviewing this offer to determine if it is in the best interest of Maine ratepayers.

### Local Measured Service

In November of 1984, the Commission issued an order in the pending NET rate case approving a rate design that included Local Measured Service in exchanges served by electronic

switches. This plan was to go into effect on July 1, 1985, after 6 months of comparative billing. At the request of the Joint Standing Committee on Utilities, the Commission delayed the effective date of Local Measured Service until February 15, 1986. Meanwhile, the Commission held additional hearings in the affected areas to solicit public opinion on the program. While these hearings were being conducted, the Commission staff, the Public Advocate and NET reached a compromise that was presented to the Commission in the form of a stipulation.

This compromise established an optional measured service program in which customers could choose between two measured options and a flat rate. Additional hearings were held on the stipulation which was finally adopted by the Commission with some modifications.

In December of 1985, the Commission responded to 30 questions posed by the Committee relating to Local Measured Service. This report was updated in January of 1986 to reflect the Commission's decision in the pending NET rate case.

#### Oil Prices

In September of 1985, a cost of fuel adjustment for Central Maine Power Company resulted in a reduction in rates of \$19.4 million or 3% from what they otherwise would have been. About \$12.7 million or 2% amount was due to lower oil prices.

Events in recent weeks indicate that falling oil prices will continue to mitigate the impact of rate increases resulting from the investments of Maine utilities in Seabrook and other nuclear power projects.

#### Staffing

During 1985, the Commission continued to build up its in-house staff capabilities, particularly in the Finance Division. The Finance Division recruited two highly qualified Financial Analysts, both with Ph.D's in economics. The Commission's success in recruiting for these positions is in large part attributable to the legislative action in declassifying these positions earlier in the year. Thus, although recruitment problems remain, substantial progress has been made. Aggressive attempts are being made to fill the remaining vacancies in the Finance Division.

In the Legal Division all but one Staff Attorney position is now filled after a period of rapid turnover. These

positions were also declassified by the Legislature in 1985, and this will assist in resolving the retention problem that has plagued this Division.

The legislative decision to declassify the Staff Attorney and the Financial Analyst positions and the Commission's subsequent success in recruitment has enabled the Commission to do more work in-house, reduce its dependence on consultants and, thus, save the ratepayers money.

#### Stipulations

1985 saw a continued improvement in the tone of the relationship between the Commission and Maine's major utilities, and this has been reflected in more efficient handling of cases. The stipulations the Commission approved in the Central Maine Power, the Bangor Hydro and the NET rate cases, and in Local Measured Service are in part the result of this improved relationship. The stipulations were also facilitated by the participation of the Public Advocate who represented the interests of the ratepayers in these negotiations. These stipulations save the ratepayers money by substantially reducing the cost of litigating these rate cases and by lessening the uncertainty that tends to drive up utility borrowing costs.

#### Caseload

As has been noted earlier in this report, the Commission in 1985 continued to make progress in reducing its case backlog. This was done during one of the Commission's busiest years in which it resolved five major rate cases including Seabrook. The staff of the Commission deserves special credit for the many long hours they put in to achieve this progress. There now remain only 40 pre-1985 cases on the Docket, and the Commission will continue its efforts to close out these cases.

VI. CONCLUSION

In this report we have provided to the Legislature detailed information pertaining to the activities of the Maine Public Utilities Commission over the past year. In Chapter III, the Commission has fulfilled its statutory reporting requirements under 35 M.R.S.A. §§17(2), 18 and 3358. In Chapter IV, the Commission has fulfilled its commitments to provide certain additional information to the Utilities' Committee.

The Commission continues to work closely with the Legislature on issues affecting the Public Utilities Commission and Maine ratepayers, and is prepared to provide any additional information on request.

