

# State of Maine Public Utilities Commission

1999

Annual Report

Submitted

February 1, 2000

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# State of Maine Public Utilities Commission

242 State Street - 18 State House Station - Augusta Maine

February 1, 2000

## Commissioners

Thomas L. Welch  
Chairman

William. M. Nugent  
Commissioner

Stephen L. Diamond  
Commissioner

1999 was an extremely busy year. We completed the work essential for a successful transition to "electric choice" for consumers throughout Maine; initiated statewide plans for the restructuring of our natural gas industry and instituted our pipeline safety program as two major natural gas transmission systems were completed and the construction of the associated distribution systems began; continued to promote intrastate and interstate competition in telecommunications and successfully pursued our goal of ensuring Maine kept a single area code; implemented rules to protect consumers from the practices of "slamming" and "cramming" by some unscrupulous utility companies; continued our efforts to educate the public about electric deregulation to enable individual to participate effectively in the new competitive markets; and worked to ensure that our utilities were fully prepared for any "Y2K" problems.

## Division Directors

Faith Huntington  
(Acting)  
Technical Analysis

Rich Kania  
(Acting)  
Finance

Dennis Keschl  
Administration

Joanne Steneck  
Legal

Matt Thayer  
Consumer Assistance

We successfully met the start of a New Year. Now, as we move to the start of a new millennium, we must continue to work to ensure the success of our developing competitive markets in utility services and to meet the challenges that these changes will create for us. Our goal remains lowering the price of utility services for all Maine consumers, while maintaining or improving the quality and reliability of these services.

The role of the Commission is also changing. We now face new challenges, i.e., overseeing the development of truly competitive markets for utility services, educating and informing the public about these new markets and their responsibility in making these markets work, and protecting consumers from the unscrupulous practices of a few companies.

We believe that the Commission and its staff will successfully meet these new responsibilities now and in the future, reorganizing as necessary to provide Maine consumers lower prices and improving quality and reliability for the utility services they need.

Tom Welch  
Chairman

Bill Nugent  
Commissioner

Steve Diamond  
Commissioner

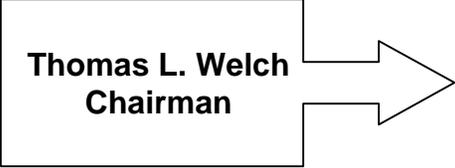
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Austin, Thomas - <i>Utility Analyst</i>	7-5901	Nugent, William - <i>Commissioner</i>	7-3831
Ballou, Peter - <i>Dep General Counsel</i>	7-1388	Paul, Jennifer – <i>Sr Adm. Secretary</i>	7-1360
Beale, Elery - <i>Info. Sys. Support Spec</i>	7-4831	Peaslee, Laurel - <i>Sr. Legal Secretary</i>	7-1386
Bergeron, Denis – <i>Sr. Utility Analyst</i>	7-1366	Pepper, Jenn – <i>Librarian II</i>	7-1560
Bero, Betty - <i>Sr. CAD Specialist</i>	7-3831	Poetzsch, Kathy – <i>CAD Secretary</i>	7-8328
Berube, Cheryl - <i>Clerk III</i>	7-1352	Robichaud, Ray– <i>Assist Admin Director</i>	7-1357
Bragdon, Trina - <i>Staff Attorney</i>	7-1392	Robinson, SueAnn - <i>Sr. Legal Secretary</i>	7-1566
Broad, Mary - <i>Clerk of the Commission</i>	7-1396	Seaman, Valerie – <i>Legal Secretary</i>	7-6078
Buckley, James - <i>Special Counsel/ER</i>	7-1387	Shifman, Joel - <i>Sr. Utility Analyst</i>	7-1381
Carver, David - <i>Utility Analyst</i>	7-1380	Smith, Lucrietia – <i>Utility Analyst</i>	7-1383
Cohen, Chuck – <i>Sr. Staff Attorney</i>	7-1394	Soldano, Rick - <i>CAD Specialist</i>	7-3831
Cook, Ann - <i>Computer System Mgr</i>	7-8519	Steneck, Joanne - <i>General Counsel</i>	7-1390
Cowie, Doug - <i>Sr. Utility Analyst</i>	7-1369	Stratton, Mary - <i>CAD Specialist</i>	7-3831
Cyr, Paula - <i>Clerk III</i>	7-6074	Sukaskas, Joe - <i>Utility Analyst</i>	7-1375
Davidson, Derek – <i>Assist. Director CAD</i>	7-1596	Sutton, Robert - <i>Accountant II</i>	7-1358
Diamond, Stephen - <i>Commissioner</i>	7-3831	Tannenbaum, Mitch - <i>Sr Staff Attorney</i>	7-1391
Dunn, Steve – <i>Sr CAD Specialist</i>	7-3831	Thayer, Matt - <i>Director of CAD</i>	7-1594
Farmer, Gary - <i>Gas Pipeline Specialist</i>	7-1385	Thornton, Sandra - <i>CAD Specialist</i>	7-3831
Fink, Lisa - <i>Staff Attorney</i>	7-1389	Tibbetts, Marilyn - <i>Finance Div Secretary</i>	7-1376
Force, Marjorie – <i>Utility Analyst</i>	7-1365	Welch, Thomas – <i>Chairman</i>	7-3831
French, Tammy - <i>Sr. Legal Secretary</i>	7-6075		
Haefele, Julie – <i>CAD Specialist</i>	7-1398	FAX	7-1039
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Huntington, Faith - <i>Acting Director TA</i>	7-1373		
Kaler, Maralee - <i>Hearings Reporter.</i>	7-1355		
Kania, Rich - <i>Acting Director Finance</i>	7-1379	For all staff phone lines Prefix 7 = 287	
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Leonard, Norman - <i>Utility Analyst</i>	7-1371		
Library	7-1560	Website	
Lindley, Phil – <i>Utility Analyst</i>	7-1598		
MacLennan, Carol - <i>Staff Attorney</i>	7-1393		
Monroe, Angela - <i>Utility Analyst</i>	7-1397		

<http://janus.state.me.us/mpuc/homepage.htm>

## Commissioners' Biographies

**Thomas L. Welch  
Chairman**



Thomas L. Welch was appointed Chairman of the Maine Public Utilities Commission in May of 1993. Chairman Welch was reappointed to a second term in February, 1999. Prior to joining the Commission, Tom was Chief Deputy Attorney General in the Pennsylvania Office of Attorney General, was a General Attorney for Bell Atlantic and Bell of Pennsylvania, and practiced law in San Francisco. Tom has also been Assistant Professor of Law at Villanova University School of Law and Adjunct Professor of Law at Dickinson School of Law. Tom graduated from Stanford University in 1972 and Harvard Law School in 1975.

**William M. Nugent  
Commissioner**



First seated as a Commissioner in October 1991, William M. Nugent was confirmed to a second 6-year term on June 6, 1997. Prior to coming to the Commission, Commissioner Nugent was (in reverse chronological order): President of the Greater Portland Chamber of Commerce, Chief Operating Officer of Envirologic Data, Inc., Commissioner of the Michigan Lottery, Michigan's Deputy Budget Director, an aide to the Governor of Michigan and the Mayor of Detroit, a staff member of a White House Council, a staff assistant in the Office of the Secretary of Defense, a newsman and editor. Commissioner Nugent graduated Phi Beta Kappa from Fordham University, attended the U.S. Military Academy at West Point, and studied as a Heinz Fellow at the University of Pittsburgh.

**Stephen L. Diamond  
Commissioner**



Stephen L. Diamond began his service as a Commissioner on the Maine Public Utilities Commission in October, 1998. He previously served as Legislative Director and Legislative Counsel for United States Senator Susan Collins, Administrator of the Maine Securities Division, an Assistant United States Attorney, and a Deputy Attorney General in the Maine Department of the Attorney General. Mr. Diamond is a graduate of Stanford University and the University of Chicago Law School.

## Past Commissioners



### 1915 - 1999

* Benjamin F. Cleaves	1915-1919	* David M. Marshall	1958-1969
William B. Skelton	1915-1919	* Earle M. Hillman	1962-1968
Charles W. Mullen	1915-1916	* John G. Feehan	1968-1977
John E. Bunker	1917-1917	Leslie H. Stanley	1970-1976
Herbert W. Trafton	1918-1936	* Peter Bradford	1971-1977
* Charles E. Gurney	1921-1927		1982-1987
Albert Greenlaw	1924-1933	Lincoln Smith	1975-1982
* Albert J. Stearns	1928-1934	* Ralph H. Gelder	1977-1983
Edward Chase	1934-1940	Diantha A. Carrigan	1977-1982
* Frank E. Southard	1935-1953	Cheryl Harrington	1982-1991
C. Carroll Blaisdell	1937-1941	David Moskovitz	1984-1989
James L. Boyle	1941-1947	* Kenneth Gordon	1988-1993
George E. Hill	1942-1953	Elizabeth Paine	1989-1995
Edgar F. Corliss	1948-1954	Heather F. Hunt	1995-1998
* Sumner T. Pike	1954-1955	William M. Nugent	1991- Present
Frederick N. Allen	1954-1967	* Thomas L. Welch	1993-Present
Richard J. McMahon	1955-1961	Stephen L. Diamond	1998-Present
* Thomas E. Delahanty	1955-1958		

\* Chairman

## **Regulatory Process**

The Maine Legislature created the Public Utilities Commission in 1913, and the Commission began operation on December 1, 1914. The Commission has broad powers to regulate more than 632 utility companies and districts that generate more than \$1.7 billion per year in electric, telephone, water and gas utility revenues. The Commission also responds to customer questions and complaints, grants utility operating authority, regulates utility service standards and monitors utility operations for safety and reliability.

Like a court, the Commission may take testimony, subpoena witnesses and records, issue decisions or orders, hold public and evidentiary hearings and encourage participation of all affected parties, including utility customers. The Commission also initiates investigations and rulemakings, resolves procedural matters, investigates allegations of illegal utility activity and responds to legislative requirements.

The Commission continues its efforts to streamline the regulatory process, encourage competition and protect and inform consumers in all the utility areas it regulates. During the past year, the transition to a restructured electric industry culminated in a number of important milestones. The Commission approved the generation assets sale for MPS; the CMP and BHE “megacases” regarding stranded costs and rate design entered their last phase; the standard offer bidding process was completed; and twenty competitive electricity providers were licensed to provide electricity in Maine.

The natural gas industry began to receive and distribute natural gas from Canada over the new pipelines constructed in Maine. The three local distribution companies in Maine are now competing for customers, including new natural gas-fired power plants.

The telecommunications industry in Maine has seen growth in the numbers of providers (both toll and Local) while experiencing a dramatic decrease in toll rates. The Commission also completed “slamming” and “cramming” rules to protect consumers. Through a Commission sponsored education program, more than 5,000 more low-income telephone customers were able to participate in the Lifeline and LinkUp programs.

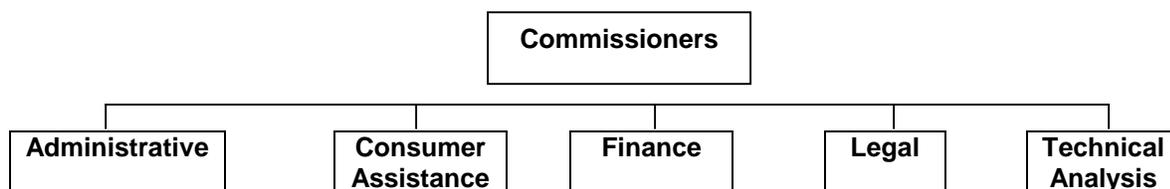
In addition to rulemakings, the commission began a number of other adjudicatory proceedings affecting electric, telecommunications and natural gas utilities. The Commission continues to assign its staff to act only as advisors to the Commission, rather than assigning some staff as advisors and some as advocates. The advisors have taken an active role in these cases, including cross-examining witnesses and issuing data requests. This approach to staffing our cases allows the Commission to extend its resources while assisting the Commissioners in developing the record evidence needed to make its decisions.

## Regulatory Process

<b>Cases Opened in 1999</b>	
<b>Reporting Categories</b>	<b>Disposition Date 1/1/99 to 12/31/99</b>
CAD Appeals	9
Communications	673
Electric	156
Gas	14
Multi-Utility	0
Rulemakings	7
Water	60
Water Common Carrier	0
<b>Totals</b>	<b>919</b>

<b>Cases Closed in 1999</b>	
<b>Reporting Categories</b>	<b>Disposition Date 1/1/99 to 12/31/99</b>
CAD Appeals	9
CAD Remands	0
Communications	624
Electric	150
Gas	12
Rulemakings	16
Water	68
Water Common Carrier	1
<b>Totals</b>	<b>880</b>

## Organizational Chart



The three full-time **Commissioners** are nominated by the Governor, reviewed by the Utilities and Energy Committee of the Maine Legislature and confirmed by the full Senate, for staggered terms of six years. The Governor designates one Commissioner as Chairman. The Commissioners make all final Commission decisions.

The Commission's staff includes accountants, engineers, lawyers, financial analysts, and administrative and support staff. The Commission is divided into five operating divisions:

**The Administrative Division** is responsible for fiscal, personnel, contract and docket management, physical plant, computer operations and the Information Resource Center. This division provides support services to the other divisions and assists the Commission in coordinating its activities.

**The Consumer Assistance Division (CAD)** is responsible for providing information to business and utility customers to help them resolve their disputes with utilities. The CAD processes complaints and in response to those complaints determines what utility practices, if any, should be corrected. The CAD is also responsible for educating the public and utilities about consumer rights and responsibilities and other utility-related consumer issues, and for evaluating utility compliance with State statutes and Commission rules.

**The Finance Division** is responsible for conducting financial investigations and analyses of telephone, electric, gas and water utilities operations. This division analyzes all applications by utilities to issue securities. Finance staff advises the Commission on issues such as rate base, revenues, expenses, depreciation, and cost-of-capital issues.

**The Legal Division** is responsible for providing hearing officers in cases before the Commission and assists in preparing and presenting Commission views on legislative proposals. This division also represents the Commission before federal and state appellate and trial courts.

**The Technical Analysis Division (TA)** is responsible for advising the Commission on questions of engineering, rate design, energy science, statistics and other technical elements of policy analysis for all utility areas.

## **Commission Website**

As a public service agency, accessibility to the Commission and its resources is a high priority. The ability of the public, utility companies, interveners, researchers, and other interested parties to have access to all available information is important for the operation of the Commission. Public information and education are particularly crucial for the operation of emerging competitive markets. The Commission's website has been the primary tool for the increased public accessibility.

More than 65,000 visitors have accessed the Commission's website since its creation in 1996, more than 25,000 in 1999 alone. The average number of visits, to date, is over 107 per day. The website is updated daily and continually enhanced with more information and features. The website provides current information on Commission activities – often posted the same day as they occur – to users of the Internet *world wide* and, more importantly, to the growing numbers of Maine Internet users. The site is available to all Mainers, who can access it through their public libraries and schools, courtesy of the Maine School and Library Network.

The Commission's website contains information on deliberative session agendas, current docketed cases, recent decisions and orders, press releases and other time-sensitive information. The site also contains lists of regulated utilities, staff contact information, Commission Rules and State Statutes.

The ongoing electric restructuring process accounts for much of the increased activity on the website and shows the importance of keeping information current. There is world wide interest in what Maine is doing and many users of the website have commented (through e-mail) that accessing the Internet to get information on Maine restructuring issues has been the easiest and most comprehensive of all the available sites. The site also features an electronic application for competitive energy providers, lists of those providers and links to their websites.

The recent request for bids for the electric "Standard Offer" provider was posted on the website. The complete bid packages were available for each service territory (<http://janus.state.me.us/mpuc/rfb.htm>), with company specific load profiles and billing units, as well as continuously updated Request for Bids (RFB) information and changes to company data. Prospective bidders were encouraged to check the website frequently for the latest information. This particular page was accessed over 800 times before the bids were due.

Providing information about the Commission's inquiry into the readiness of utilities for the Year 2000 on the web has been particularly useful for Maine's citizens in determining the level of preparation necessary. Each utility's Y2K response is available,

## **Commission Website**

as well as information on contingency planning and schedules for public workshops – “Community Conversations.”

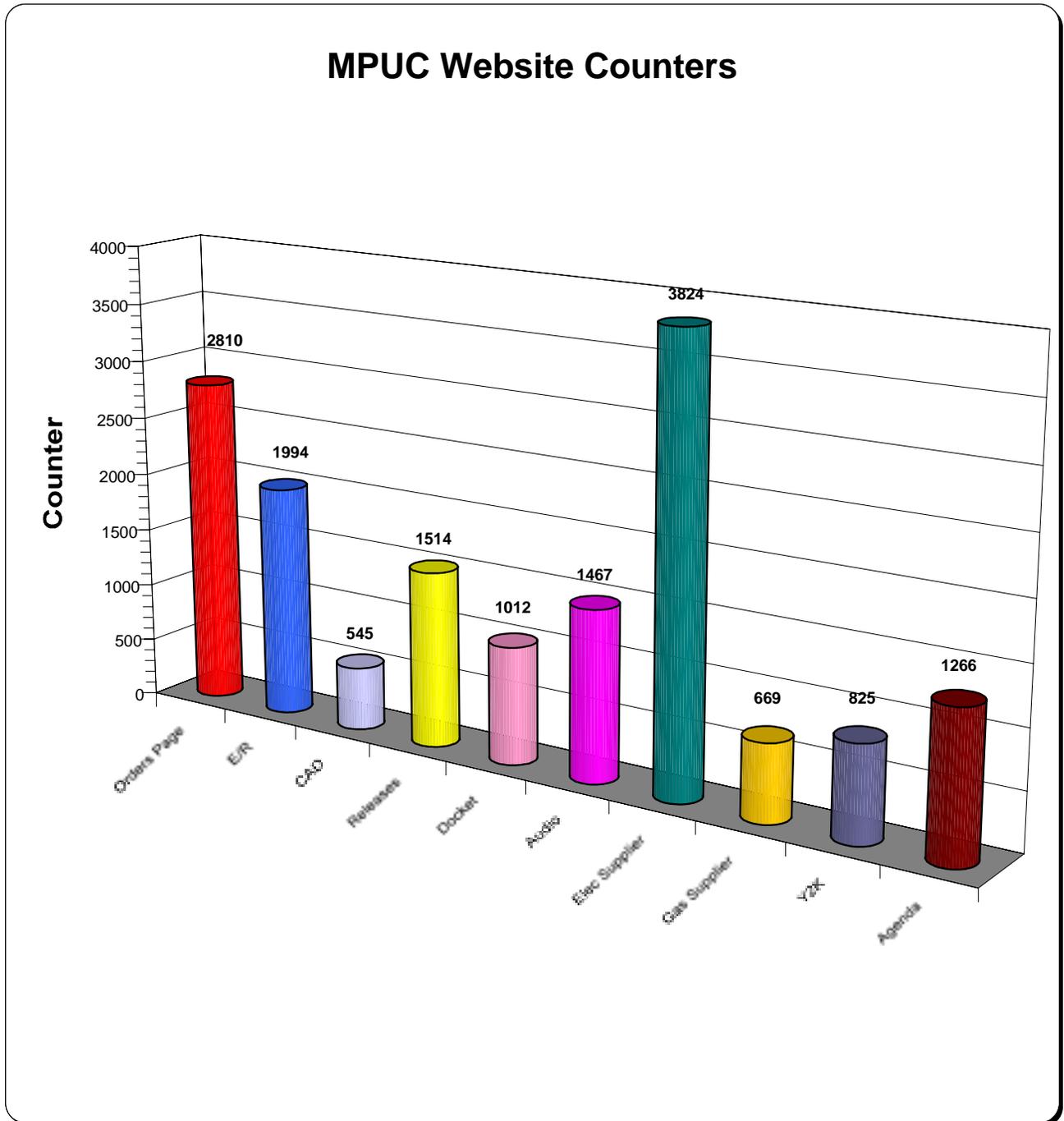
The website includes individual sections for different facets of the Commission’s activities. The Consumer Assistance Division section contains consumer bulletins, consumer tips, contact information and a “fill-in-the-blanks” electronic utility complaint form. There are separate pages for telecommunications, energy, natural gas, water utilities, electric industry restructuring, legislative issues, and year 2000 information. All Commission Orders back to 1993 are accessible; those decided beginning in 1997 have been converted to Adobe™ “PDF” format for ease of use. The website includes the ability to electronically file case specific comments with the Commission, access to all utility tariffs, and live audio from the Commission’s deliberative sessions.

The live audio (using RealAudio™) feature is particularly useful and very popular. Anyone (anywhere!) with an appropriately equipped computer and a modem is able to listen to Commission decisions being made. All of the Commission’s deliberative sessions, as well as most other hearings conducted in the hearing room, are broadcast over the Internet and archived for access after the session is completed.

The Commission website also links to the Maine Office of Geographic Information Systems (OGIS) mapping functions. Those links lead to service territory maps for the different utilities in Maine. Maps for telecommunications companies and electric companies are up-to-date and can be ‘zoomed’ in to view fine detail.

A number of enhancements and improvements are planned for the website: live video broadcasts of hearings and meetings; a secure electronic filing capability for complete utility cases, including pre-filed testimony, appendices and exhibits; and a search engine for all the information on the website.

Commission Website



## **Year 2000 Activities**

The Year 2000 problem, frequently termed “Y2k” or the “millennium bug” problem, could have impaired some utility services if timely mitigating actions had not been taken. Because of the large number of computer applications, relatively advanced technologies and embedded systems in use by some utilities in Maine, even well prepared utilities might have experienced minor failures in some elements of their systems.

The Commission wanted to ensure that all Maine utilities were as prepared as possible for possible Y2k events, and that they had prudent contingency plans in place. In September 1998, the Commission opened an Inquiry into these issues, in Docket No. 1998-650. In that proceeding, the Commission conducted three public conferences in October 1998, May 1999 and November 1999, at which senior representatives of Maine’s largest public utilities and related organizations described the state of their readiness for possible Y2k events, in October 1998, May 1999, and November 1999. The Commission made transcripts and recordings of those conferences available on its Y2k website, together with status information on Y2k readiness reports submitted by Maine utilities and references to other Y2k information sources. The Commission Staff met with all utility sectors frequently throughout 1999 to assist utilities in their preparedness efforts.

The Commission actively cooperated with the National Infrastructure Protection Center (NIPC), Maine Emergency Management Agency (MEMA) in the Department of Defense, Veterans, and Emergency Management (DVEM), and Maine’s county emergency management directors regarding utilities’ Y2k readiness, contingency planning, and situation reporting mechanisms. The Commission also participated on the Governor’s Year 2000 Readiness Task Force, and communicated on various Y2k issues with the Legislature’s Joint Standing Committee on Utilities and Energy and the Joint Select Committee on the Year 2000 Committee Problem.

During the year-end Y2k rollover from December 31, 1999 to January 1, 2000, Commission Staff were present in the State’s Emergency Operations Center to assist DVEM/MEMA in assessing the status of utility services. Utilities’ preparations resulted in Y2k having essentially no impact on Maine businesses and residents.

Y2k events may still be encountered during the coming year, however, as complex systems are upgraded and as maintenance that was deferred to avoid complicating Y2k preparations is performed. Based on utility experience during the year-end rollover, it is highly unlikely that these potential problems will have any serious consequences. The Commission will continue to work with Maine utilities to ensure that they are as prepared as possible, not only for any continuing Y2k event that may occur, but for all events, whether human-caused or natural in origin, that may challenge the delivery of utility service to Maine customers.

## **Consumer Assistance**

The Consumer Assistance Division (CAD) is the Commission's primary link with utility customers and is charged with ensuring that customers, utilities, and the public receive fair and equitable treatment through education, complaint resolution, and evaluation of utility compliance with consumer protection rules. As part of this mission, the CAD is responsible for educating the public and utilities about consumer rights and responsibilities and other utility-related consumer issues; for investigating and resolving disputes between consumers and utilities; and for evaluating utility compliance with State statutes, Commission rules, and the utilities' Terms & Conditions for service.

### ***Reorganization of the CAD***

The number of CAD customer contacts has increased steadily since 1996 (see Figure 1). The trend of increasing customer contacts is expected to continue due to the changes, uncertainties, and complexity of the utilities industry. For example, competition in the long distance telephone market, the reapportionment of rates between local and toll services, and the rapidly growing Internet industry, have all contributed to the need for rapid dissemination of information to customers. With competition coming in March of 2000 in the electric industry, the need for rapid dissemination of information to customers will be even greater.

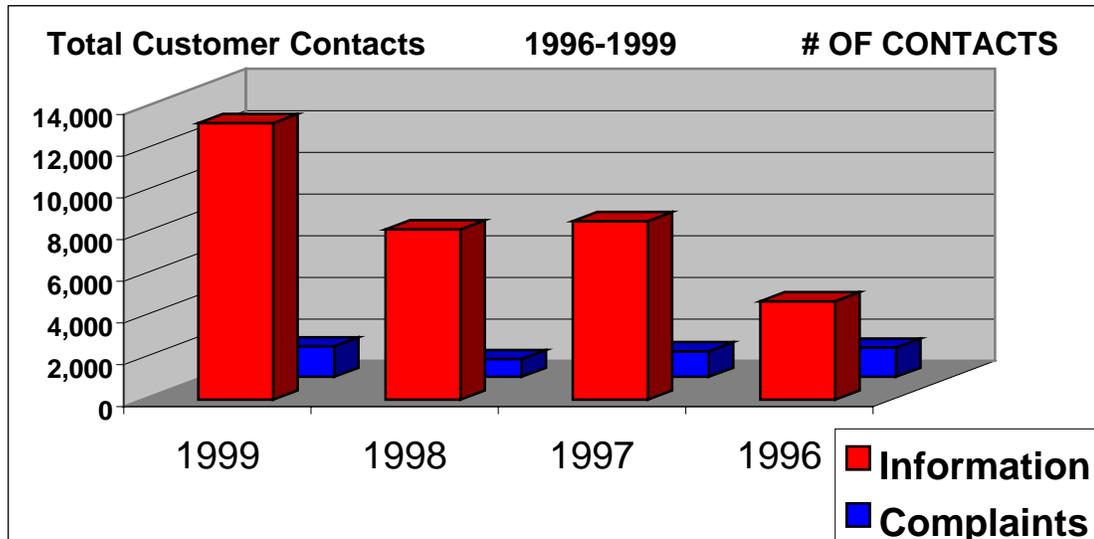
To address this need and to be responsive to customers, the CAD has moved over the past three years from a formal complaint process based on a detailed review of written customer and utility information, to a consumer-friendly process based on mediation, consensus, and immediate resolution of complaints. To accomplish this transition, the Commission purchased a new computer system that allows immediate access to real-time customer information, moved from a consumer-hotline system with a single staff person taking calls and disseminating cases to a system where all CAD specialists take customer calls live, and redesigned its work area to a "call center" structure to facilitate taking customer calls live. The redesign of the CAD workspace was the final step in the transition plan and was accomplished during the latter part of 1999. These actions have allowed the CAD to significantly increase the number of customers it assists, as well as the speed at which customer complaints are resolved.

### ***Customers Assisted in 1999***

The new CAD organizational structure allowed the CAD to assist a total of 14,725 customers in 1999, the largest number in CAD history. This is a 63% increase over the 9,021 customers assisted in 1998, a 50% increase over the 9,789 customers in 1997, and a 141% increase over the 6,119 customers assisted in 1996. The new structure also allowed the CAD to answer over 95% of all customer calls received during 1999 live. This is a drastic change from a few years ago, when the majority of

## **Consumer Assistance**

customer calls were taken by a machine and returned later by staff. The new structure significantly decreased the time it takes to resolve customer complaints, thereby significantly increasing the number of customers that the CAD is able to assist. By taking calls live, many of the complaints received by the CAD are resolved immediately over the phone.

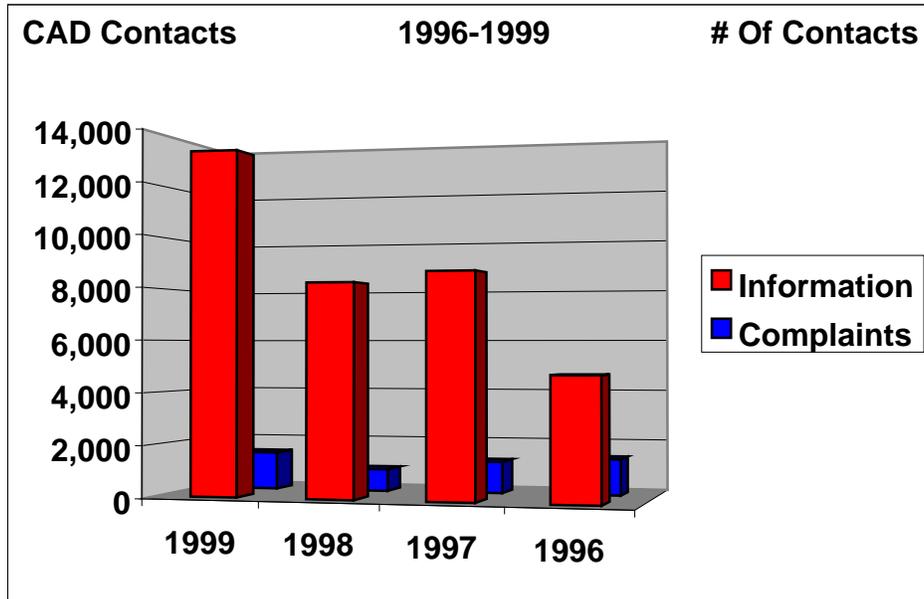


## ***Consumer Complaints***

Customer contacts are recorded as either information contacts or complaints. Information contacts are calls or letters where the CAD provides information to a customer or resolves a customer problem over the phone, without the need for taking a complaint. Complaints are calls or letters where a customer has a dispute with a utility that the customer has been unable to resolve. Information contacts accounted for 87% of the total number of customer contacts received in 1999. Complaints accounted for 10% of the total number of customer contacts received in 1999 and winter disconnection requests accounted for the remaining 3%. As seen in Figure II below, the number of complaints received in 1999 was significantly higher than the number of complaints received in 1998 and the number of complaints received in 1997. The two primary reasons for this increase were the ice storm of 1998 and the large number of customer calls taken during 1999. The ice storm disrupted collection efforts by electric utilities during 1998; that, in turn, caused electric utilities to increase their collection efforts in 1999. Typically, when collection efforts are increased by utilities, the number of complaints the CAD receives from customers also increases. The increase in

## Consumer Assistance

complaints can also be attributed to the overall increase in the number of customer calls received.



## **Electric**

### ***Highlights***

- ➡ The Commission continued to implement Maine's comprehensive electric industry restructuring law in preparation for retail competition to begin in March, 2000. Major milestones this year included:
- ➡ The Commission selected companies to provide standard offer service at reasonable prices for the majority of electricity consumers in Maine
- ➡ Maine's three investor-owned utilities sold their power plants and entitlements
- ➡ The Commission established the principles for setting rates, including stranded costs, for all transmission and distribution utilities in the State
- ➡ The Commission finalized all rules necessary to implement electric restructuring beginning March 1, 2000
- ➡ The Commission conducted a major public outreach campaign to inform and educate consumers about retail competition
- ➡ Electric competition in the New England wholesale market continued to develop, and participants in northern Maine developed and implemented wholesale market rules and structures
- ➡ Central Maine Power Company sought and received approval to merge with Energy East Corporation
- ➡ Under their multi-year rate plans, the rates for customers of Central Maine Power Company and Maine Public Service Company did not change; rates for customers of Bangor Hydro-Electric Company increased by 1.36%

### ***Preparing for Competition***

In 1999, the Commission completed many of the steps necessary to implement Maine's electric industry restructuring law. The law, enacted in 1997, separates electricity service into two products: supply and delivery. The law has required Maine's electric utilities to sell their power plants and entitlements, and restricts their involvement in electric power sales. Beginning in March 2000, utilities in Maine will generally provide only delivery service; consumers will buy their electricity supply service from one or more companies in the market that may compete for their business, or consumers will receive standard offer service.

## **Electric**

Maine is now on the threshold of retail competition. Because of the efforts of all involved, the State is well-prepared for the market to open. The major milestones achieved in 1999 are described below.

### ***Standard Offer Service***

During this year the Commission solicited proposals from companies seeking to provide standard offer service for customers of CMP, BHE and MPS. Maine's consumer-owned utilities conducted similar bid processes for their customers. When retail competition begins, standard offer service will be available, and provided by default, to any customer that does not choose a supplier or that is dropped by a supplier. As a result of these solicitations, there will be retail standard offer service from suppliers selected by bid available to over 80% of the electricity customers in Maine. For the remaining customers, their utilities will provide standard offer service at prices set by the Commission until the Commission again solicits for retail providers.

The Commission selected two standard offer providers for customers of MPS: WPS Energy Services, Inc. and Energy Atlantic. WPS-ESI and Energy Atlantic will supply standard offer service to MPS customers at prices ranging from 4.2906¢/kWh for residential and small business customers, to 4.0038¢/kWh for MPS's largest business and industrial customers. The Commission also selected Energy Atlantic as the standard offer provider for CMP's residential and small business customers. Energy Atlantic will provide standard offer service to these CMP customers for 4.089¢/kWh.

The Commission did not receive acceptable standard offer service bids for the customers of BHE, nor for the medium and large non-residential customer groups in CMP's service area. Nonetheless, these customers will have standard offer service available to them. To ensure this, the Commission directed BHE and CMP to obtain the necessary power on the wholesale market and set standard offer prices to be 4.089¢/kWh for CMP customers and 4.5¢/kWh for the BHE customers. The Commission is currently reviewing whether these Commission-set stranded offer prices will need to be increased to reflect the cost of the supply likely to be incurred by the utilities.

### ***Sales of Power Plants and Entitlements***

CMP, BHE and MPS completed the sales of their power plants and, during 1999, the plants were transferred to their new owners. CMP sold its hydro-electric, fossil and biomass plants to FPL Energy Maine, Inc. in 1998 for \$858 million. However, in 1998 FPL filed suit in Federal District Court in New York to invalidate the contract. The Court upheld the contract and CMP and FPL finalized the transaction in April, 1999. Also in 1999, BHE sold its hydro-electric and fossil generation plants and certain transmission and development rights to PP&L Global, Inc. for \$89 million. MPS sold its plants, also consisting of hydro-electric and fossil facilities, to WPS Power Development, Inc. for \$37.4 million.

## **Electric**

In addition to selling their physical power generating assets, in 1999 CMP, BHE and MPS also sold their contractual entitlements to electric power. These entitlements were sold for a two-year period beginning March 1, 2000, and will be periodically resold as required by statute. CMP's entitlements were purchased by two different companies: Engage Energy US, L.P. and Select Energy, Inc.. BHE's entitlements were purchased by Morgan Stanley Capital Group, Inc., and MPS's entitlements were purchased by WPS Energy Services, Inc. The revenue from these entitlement sales, as well as the proceeds from the asset sales described above, will directly benefit ratepayers by reducing stranded costs.

### ***Delivery Service Rates***

During 1999, the Commission held adjudicatory proceedings to set the allowed revenues, including stranded costs, and the rate design for every electric utility in the State. As a result of these proceedings, rates for electricity will be fully unbundled into supply and delivery components as of March 1, 2000: customers will pay delivery service rates to their utility and supply rates to their retail competitive provider or for standard offer service.

The Commission established an overarching principle in these proceedings that no consumer should face higher electricity costs because of unbundling. This "no losers" principle guided the Commission's decisions on many issues, including revenue allocation among various customer groups and the design of rates for backup or standby service. Although actual delivery service rates have not yet been finally calculated, it appears that most consumers in Maine will receive electricity rate decreases in March.

### ***Electric Choice Consumer Education Program***

Consumers must be informed about electric restructuring to make wise purchasing decisions, and informed consumers are important for the development of an efficient market and the success of restructuring.

During 1999, the Commission continued implementation of its electric restructuring consumer education program. The program, launched in 1998, satisfies both a Legislative mandate that the Commission provide education about Electric Choice and the Commission's own desire to ensure that consumers are informed about upcoming changes in the industry before they make electricity supply purchasing decisions.

The education program provides information to residential, small commercial and municipal consumers, and is designed to increase consumer awareness of electric choice, facilitate informed decision-making, and provide an objective and credible source of information for consumers. The program uses a variety of complementary educational methods in an integrated fashion, to reach the broadest audiences. A

## **Electric**

broad-based public advisory panel is assisting in the program design and implementation.

During 1999, the Commission completed the implementation of the second phase of the program, focusing on the introduction of itemized billing in January 1999. This phase included release of a new brochure on Electric Choice, creation of an Electric Choice information line and website for consumers, a press briefing and other media relations activity, and meetings with community leaders. In July, the Commission and advisory panel also completed the Comprehensive Plan for the remainder of the program.

The Commission launched several additional components of its Electric Choice education program in the autumn. The timing of the rollout of these components was designed to take advantage of heightened consumer interest as Electric Choice nears, and as Standard Offer rates were announced, in an effort to make the most effective use of these consumer education activities.

In November, the Commission began advertising on TV, radio and in newspapers to raise general awareness of restructuring. Several brochures addressing aspects of Electric Choice were developed for consumers, including brochures on small business issues, aggregation and renewable power sources. Outreach activities by selected community-based organizations began in December. During the past year, the Commission's Speakers' Bureau has spoken about electric choice to more than 80 groups across the state, reaching nearly 2,000 consumers. Direct mail reference guides on Electric Choice have been prepared and will be sent to all residential and small commercial consumers in Maine in early January 2000. This is when the Commission expects that the majority of electric consumers in Maine will be looking for information about what electric choice will mean to them.

People, who want information about Maine's move to provide consumers' choice in their electricity provider, should call the toll-free PUC Electric Choice Information Line at 1-877-PUC-FACT (1-877-782-3228) or visit the PUC Electric Choice website at [www.pucfact.com](http://www.pucfact.com).

### ***Wholesale Market***

During 1999, there were several key developments in the regional wholesale market. The New England Power Pool (NEPOOL) continued to undergo change with respect to its structure and function. Thus, there were many changes to NEPOOL's rules and governing Agreement. The Commission monitors this activity and often participates at FERC in related proceedings. This year, the Commission participated in

A number of FERC proceedings involving NEPOOL's rules for the new bid-based markets and for its governance.

## **Electric**

In addition, the Commission monitors the newly-formed Independent System Operator of New England (ISO-NE). Record high temperatures in June sent New England's energy demand soaring and provided a serious test of the ISO-NE's operation and market rules. This experience revealed some serious problems that the ISO quickly sought to remedy. The Commission closely followed these events and met several times with ISO personnel during the summer of 1999 regarding potential supply shortages and high prices.

During the year, there was also much focus on a congestion pricing plan that would prioritize access to the regional transmission system and provide proper economic incentives for locating new power plants. NEPOOL must file the details of a congestion pricing plan with the FERC by December 31, 1999. The Commission has been involved in the negotiations of this plan, and will participate in the related FERC proceedings and subsequent implementation of congestion pricing.

Finally, although most utility systems in Maine are connected with the New England System, the northern portions of Maine are electrically separate from New England. Thus, in 1999, participants in the northern Maine markets developed their own market rules and structures. The Commission was involved in this effort that, ultimately, resulted in the formation of the northern Maine Independent System Administrator and the market rules that will govern the northern Maine wholesale power market.

### ***CMP/Energy East Merger***

In late December, 1999, the Commission approved the merger of Central Maine Power Company with Energy East Corporation. The merger approval is subject to certain conditions including, maintaining service quality; strict limits on recovery of any acquisition premium, access to books and records, and continuing authority over transactions among CMP affiliates.

### ***Multi-Year Incentive Rate Plans***

Multi-year incentive rate plans continued in effect for CMP, BHE and MPS. Under BHE's rate plan, the Commission allowed BHE to increase its rates effective June 1, 1999 by 1.36%. For CMP and MPS, the Commission approved stipulations that addressed various issues, but which did not result in any change to CMP's or MPS's rates.

## Telecommunications

### **HIGHLIGHTS**

- ➡ Bell Atlantic's intrastate access rates were reduced and are now equal to its interstate access rates
- ➡ Independent telephone company (ITC) access rates were also reduced
- ➡ In-state toll rates have come down
- ➡ The Commission received additional authority from the FCC to conserve numbers, which should delay the need for an additional area code for several more years
- ➡ The FCC has ordered that Bell Atlantic receive an additional \$6 million in federal high-cost funds during 2000; the money must be used to ensure that rates for all subscribers remain affordable and be reasonably comparable to rates in more urban areas of the country
- ➡ The Commission has implemented rules prohibiting slamming and cramming
- ➡ A recent consumer education campaign resulted in a significant increase in the number of households taking advantage of the Lifeline and Linkup programs
- ➡ The Bell Atlantic AFOR ends in 2000
- ➡ GTE/Bell Atlantic Merger

### **INTRASTATE ACCESS RATES**

As required by 35-A M.R.S.A. §7170-B, the Commission has established intrastate access rates for Bell Atlantic that are equal to the Company's interstate rates. The final step in the process of reducing the intrastate rates to the interstate level became effective on May 30, 1999, with a simultaneous increase in basic exchange rates of \$2.00 per line per month. The basic rate increase was designed to allow the Company to recover a portion of the revenue that was lost due to the access rate cuts. The lost revenue comes from two sources: a reduction in the access rates themselves, and a reduction in Bell Atlantic's toll revenues due to competition as interexchange carriers (IXCs) (other than Bell Atlantic) responded to these access rate reductions and reduced their in-state toll rates.

### **INDEPENDENT TELEPHONE COMPANY (ITC) ACCESS RATES**

Intrastate access rates charged by independent telephone companies (ITCs), i.e. non-Bell Atlantic, were also decreased to a level that is equivalent to the amount of revenue each company receives through the interstate access settlement process, which consists of

## **Telecommunications**

a nationwide pool of costs and revenues by the smaller companies. The Commission determined that this access level is consistent with the statutory requirement for equivalence between interstate and intrastate access rates. The Commission has continued to examine the access rates and earnings of the independent companies, and has approved several agreements that will further reduce intrastate access rates in 2001, but will allow the companies to seek increases in other rates if their earnings situation after May, 2001 warrants an increase. This process is ongoing, and the Commission expects to complete action on determining the future access rates of all independent companies early in 2000.

### ***IN-STATE TOLL RATES***

In response to the reduction in intrastate access rates, many carriers have reduced their in-state toll rates to a level that has dramatically reduced the disparity between interstate and intrastate long distance charges. While most carriers have not yet equalized their rates for in-state and out-of-state calling, there are calling plans available that have a differential of only one or two cents per minute. The goal of the Commission is to bring equivalency to rates for in-state and out-of-state long distance calling. The Commission would like to see this accomplished through competitive market forces, but the Commission is currently investigating the relationship between intrastate toll and access rates, as required by Section 7101-B (3), in order to determine if effective competition exists in the intrastate interexchange market. This inquiry will be completed early in 2000, and the Commission will take appropriate action if it concludes that effective competition is not present.

### ***CONSERVING NUMBERS***

Congress granted the FCC the authority over the distribution of telephone numbers to carriers for use by their customers. For several years telephone numbers were given out inefficiently, i.e., in blocks of 10,000, leading to the proliferation of area codes in many states. This inefficient use of a scarce resource (telephone numbers) created some unpleasant and frustrating consequences, such as requiring customers in affected states to change their phone numbers and use ten-digit dialing, even for local calls. The Maine Commission recognized these potential problems and initiated efforts to conserve telephone numbers in order to avoid the disruption and inconvenience that would result from adding a second area code. The Commission petitioned to and received from the FCC additional authority to implement number conservation measures, including the ability to distribute numbers in blocks of 1,000. The Commission has undertaken a vigorous effort to get these measures in place as quickly as possible, while still allowing carriers the ability to expand their operations as much as their marketing efforts allow. Further, the Commission has attempted to keep the costs of implementing these measures reasonable.

The Commission believes that these actions will result in extending the life of the 207 area code for several more years. The Commission will continue to work at both the state and federal levels to keep Maine a single area code state.

## **Telecommunications**

### ***THE BELL ATLANTIC AFOR***

The Alternative Form Of Regulation (AFOR) that the Commission instituted for Bell Atlantic during 1995 will end during 2000, and the Commission has issued a Notice of Inquiry (NOI) to begin the process of determining whether to extend, modify or terminate the plan. The Commission is currently seeking input from interested persons on the issues that must be considered and the most efficient process to be employed in reaching this decision. This proceeding will occupy a significant amount of the Commission's telecommunications-related activities in 2000.

### ***BELL ATLANTIC MERGER WITH GTE***

On December 2, 1999, the Commission approved the proposed reorganization of New England Telephone and Telegraph Company (NET) d/b/a Bell Atlantic-Maine resulting from a proposed merger between Bell Atlantic Corporation and GTE Corporation. Bell Atlantic Corporation is the parent corporation of NET, the operating telephone utility in Maine. Our approval is subject to the condition that Bell Atlantic-Maine must follow the Service Quality Assurance Plan that was filed in this docket on September 30, 1999 and that we have access to books and records of the merged corporation that are relevant to the activities of Bell Atlantic-Maine.

The service quality assurance plan includes provisions for ensuring that::

Service installation and repair appointments will be scheduled without undue delay and that such appointments will be met,

When scheduled appointments cannot be met, customers will be notified in advance,

Installations will not be scheduled by customer service personnel unless they know that sufficient facilities exist in the customers' locations,

The Company has the capability to quickly diagnose and repair calling anomalies,

Customers will not experience incorrect services, installations or repairs because of errors introduced by one or more of the Company's automated service order processing systems,

When a serious service problem occurs, the Company will make available to the Commission, on short notice, the Company personnel best qualified to explain the reason(s) for the problem and how it will be corrected, and

## **Telecommunications**

Switches, line units, switch module links, umbilicals, and trunks will not become overloaded.

The plan includes one additional element due to our concern that Maine may receive less attention in this larger market. Specifically, it establishes generally applicable procedures under which the Commission, when confronted with future service quality problems, will be able to secure prompt action from the Company officials empowered to authorize the measures needed to remedy the problem. The plan sets forth clear lines of accountability and specific protocols to ensure that service quality problems will be addressed quickly and competently. The Commission's goal in approving the merger is that there be no doubt in the minds of Bell Atlantic's Maine ratepayers that the merger will in no way jeopardize their right to an acceptable level of telephone service.

### **CONSUMER PROTECTIONS**

#### **“Slamming”**

Consumers in Maine can choose the company they want to have carry their instate, as well as their out-of-state long distance calls. Maine currently has over 250 companies certificated to offer toll service (though many choose not to). A few unscrupulous companies have thwarted customer choice by switching a customer's presubscribed toll carrier "PIC" without first obtaining the customer's authorization. This practice is commonly referred to as "slamming".

The Legislature enacted Title 35-A, section 7106 to enable the Commission to protect customers from being slammed, as well as to penalize companies that engage in slamming. This past September, the Commission adopted an anti-slamming rule, chapter 296, to implement section 7106. The rule prohibits telecommunications carriers from changing a customer's preferred carrier without first receiving the customer's authorization. The rule also requires new telecommunications carriers to whom service is being switched to verify the customer's authorization to change carriers, prescribes methods for such authorization, and prescribes penalties for carriers that violate the rule. Finally, the rule establishes requirements for imposing and lifting preferred carrier freezes.

#### **“Cramming”**

The nature and variety of goods and services charged on customer telephone bills have changed dramatically over the past few years. Along with these changes, customers have become increasingly confused about the charges on their telephone bills. Unscrupulous companies can take advantage of this confusion by adding unauthorized charges to a customer's bill. This practice is commonly referred to as "cramming." Due to

## **Telecommunications**

the complexity of the bill, it is often difficult for customers to notice a new charge that may have been crammed onto their phone bills.

The Legislature enacted Title 35-A, section 7107 to enable the Commission to protect telecommunications customers from the misleading and abusive marketing practices associated with cramming. Section 7107 establishes a registration system for entities that place charges on customers' telephone bills. These registered entities are required to obtain explicit customer authorization for all charges that will appear on the customer's telephone bill. If the registered entities or the billing agents fail to comply with requirements of the rule, the Commission is authorized to impose administrative penalties of up to \$1,000 per violation and to revoke the registration of the service provider or billing aggregator.

To implement the new legislation the Commission adopted a rule during the latter part of 1999 that prohibits service providers from placing a charge for a good or service on a customer's local telephone bill without first obtaining the customer's express authorization. Service providers may obtain the customer's authorization in writing through a "Letter of Agency," or orally over the phone through an "independent Third Party Verifier." The rule also requires that billing aggregators and service providers be registered with the Commission prior to placing charges for goods or services on a customer's telephone bill, and prescribes a process for such registration. The rule also requires that billing agents comply with the FCC's "Truth-In-Billing" rule. That rule requires that customers' telephone bills be organized clearly, highlighting new charges or changes in service, fully describe all charges, identify service providers, and clearly and prominently disclose sufficient information so that customers can inquire about charges on their bills.

Finally, the rule establishes a process for resolving customer complaints associated with cramming and prescribes penalties for violations of the rule.

### **"Lifeline"**

This past fall, the Commission assisted the Maine Telecommunications Education Board (MTEB) with an education effort aimed at increasing the public's awareness of the Lifeline and Link-Up programs in Maine.

According to statistics gathered in 1991, approximately 108,500 telephone customers in Maine are eligible to receive Lifeline and Link-Up. Of these customers, approximately 60% currently participate in the Lifeline program (65,500 customers). To reach the remaining 40%, the MTEB sent a personalized letter to individuals known to be eligible for the Lifeline and Link-Up programs notifying them of their eligibility. Pursuant to the Commission's Lifeline and Link-Up rule (Chap. 294), people eligible to receive Temporary Assistance for Needy Program (TANF), food stamps, Social Security Income (SSI) (disability), Medicaid, and Home Energy Assistance Program (HEAP) benefits are

## **Telecommunications**

also eligible to receive Lifeline and Link-Up. The Department of Human Services administers all the non-HEAP programs; the Community Action Program (CAP) agencies administer the HEAP program. To reach the non-HEAP customers, 97,000 personalized letters were sent to TANF, food stamp, SSI, and Medicaid recipients through the Department of Human Services. To reach the HEAP recipients, 37,000 flyers were sent to HEAP recipients through the state's (CAP) agencies. A total of 134,000 letters/flyers were sent to customers eligible for the Lifeline/Link-Up programs.

The statistics were not available at the time this report was drafted to evaluate the effectiveness of the mailing; however, preliminary figures for the Link-Up program show a 45% increase in the number of participants between September and October (when the first batch of letters were mailed). The monthly variation for participation in the Link-Up program before the letters were sent out (between January and September) was  $\pm 2\%$ . This suggests that at least 43% of the increase was attributable to the MTEB effort. Preliminary figures for the Lifeline program show a 7.2% increase in the number of customers enrolled between September and October. The monthly variation for participation in the Link-Up program before the letters were sent out (between January and September) was 0.2%. This indicates that at least 7% of the increase was attributable to the MTEB effort. This number is expected to increase significantly in November and December.

The Commission's Consumer Assistance Division received over 5,000 calls from customers who received the letter inquiring about the Lifeline and Link-Up programs. Many of these customers had been disconnected in the past for non-payment of toll charges, and believed that they could not receive telephone service until they paid off the toll arrearages.

The CAD assisted them with obtaining service, signing up for Lifeline, and establishing an affordable payment arrangement for outstanding basic service charges. If not for this mailing, many of these customers would have gone without phone service.

## **Natural Gas**

### ***HIGHLIGHTS***

- ➡ Two major natural gas pipelines complete construction and begin service to Maine spurring the development of new gas customers and energy sources
- ➡ Construction began on five new natural gas-fired electricity generators, totaling more than 1,600 megawatts
- ➡ Pipeline Safety Program initiated
- ➡ The Commission authorizes CMP Natural Gas, L.L.C. to serve Calpine Corporation's gas-fired electric generation facility in Westbrook
- ➡ All Maine gas utilities offer transportation service to commercial and industrial customers
- ➡ Commission initiates statewide policy proceedings for gas industry restructuring

### ***Natural Gas Pipelines Begin Serving Maine and New Energy Developments***

The Portland Natural Gas Transmission System (PNGTS) went into service March 10, 1999, bringing Western Canadian gas supplies to Maine. Natural gas supplies carried by the PNGTS/Maritimes & Northeast Pipeline, L.L.C. (Maritimes) Joint Facilities extending from Westbrook, Maine to Dracut, Massachusetts will fuel a new 540 MW gas-fired turbine electric generator in Westbrook, Maine, currently scheduled to begin producing electricity in 2000. Calpine selected, and the Commission authorized, CMP Natural Gas to construct and operate a lateral pipeline spur to deliver gas to its facility. This selection was made from a field of interstate pipeline and distribution utility competitors eager to provide this natural gas service.

The Maritimes pipeline went into service December 1, 1999 bringing natural gas supplies from new reserves located off Nova Scotia to the Maritimes, Maine, and New England. Bangor Gas Company, L.L.C. has laid an extensive system of distribution pipelines in the communities of Bangor in anticipation of beginning service in the summer of 2000. Bangor Gas has also secured a contract to provide natural gas service to the Champion Paper plant located in Bucksport, Maine. Other new generators are in Veazie, Jay and Rumford.

### ***Pipeline Safety***

Recognizing the projected growth of the natural gas infrastructure in this state, the Commission initiated a pipeline safety program. Its purpose is to require that all new and existing gas mains and services be constructed, operated and maintained in compliance

## **Natural Gas**

with federal and state safety standards. Frequent inspections of the utilities' construction and audits of their procedures and records began early this year. Jurisdictional liquefied petroleum gas (propane) facilities are also included in this program.

The Commission knows that gas is important energy resource for Maine. Our responsibilities are to ensure that it is delivered to residential, commercial and industrial consumers in a safe and economical manner.

### ***Gas Industry Restructuring: Competitive Gas Supply Markets Emerge***

These new pipelines bring the prospect of gas supply competition to Maine consumers. In preparation for this change, the Commission approved new service tariffs authorizing all Maine local distribution companies to provide transportation-only service to all commercial and industrial customers within their service territories as well as alternative rate plans designed to prepare utilities for this market change.

Additionally, the Commission initiated an inquiry into policies and rules necessary to fully develop and take advantage of competitive supply markets that are beginning to emerge throughout New England and the nation. The Commission proposes to begin its inquiry by reviewing policies developed by our close New England neighbor states – New Hampshire and Massachusetts – and to consider how Maine policies may be designed to reflect Maine's unique characteristics as well as to tap beneficial regional gas supply market development. The Commission review of gas restructuring will continue through 2000 and is expected to parallel efforts made to deregulate the electric generation model.

### ***Energy Choice Expanded to Gorham***

Consistent with its recent policy allowing competition among local distribution companies in municipalities in Maine where service is not currently provided, the

Commission has authorized CMP Natural Gas, in addition to Northern Utilities, to provide service to Gorham. CMP Natural Gas is currently providing service in Windham under rate schedules approved earlier this year. The Commission will continue to consider plans and proposals to authorize multiple local distribution companies to bring the benefits of natural gas distribution competition to municipalities when submitted.

### ***Northern Utilities, Inc. Redesigns Rates and Classes for Competition***

The Commission approved redesigned rates and classes for Northern Utilities that better reflect the cost of serving customers. In addition, the Commission authorized Northern to provide transportation service to commercial and industrial customers. These changes position Northern and its customers to participate in the competitive gas supply markets that are emerging to serve to Maine consumers, including, ultimately, residential customers.

## Water

### HIGHLIGHTS

- ➡ Commission allowed rate changes for 6 investor-owned water utilities, 4 municipal water departments, and 10 water districts.
- ➡ Commission continues to monitor and minimize regulatory duplication in order to reduce the regulatory burden on the utilities and customers.

During 1999, the Commission continued staff-assisted rate cases for small water utilities lacking the expertise or funds to prepare a rate case. Several water utilities were provided with assistance. The Staff worked with representatives of the Farmington Falls Water Company, the Sandy Point Water Company and the Hebron Water Company to analyze their revenue requirements and, when necessary, assisted in the preparation of the necessary exhibits and rate sheets to be filed for Commission review. The Staff continued to assist employees of the Maine Rural Water Association working with small water utilities on rates, revenue requirement, main extension and service line issues. Staff also guided and assisted the accountants for the Moscow Water District and the Vinalhaven Water District in the preparation of rate cases. Commission Staff also provides assistance to utilities, representatives of municipal governments, customers, and the general public in response to telephone inquiries.

Commission Staff participated on the Department Defense, Veterans, and Emergency Management Drought Task Force. Staff conducted a survey of the water utilities and provided weekly water supply status reports to the Drought Task Force. All but 21 of the 157 water systems surveyed filed at least one monthly report in response to the survey. This enabled the Staff to keep the Maine Emergency Management personnel advised of those systems having water supply shortage. Because we are seeing water supply shortages/emergencies the Commission Staff is drafting a new rule to enable water utilities to impose mandatory water use restrictions. The proposed rulemaking should be started early in 2000.

Commission staff were a part of the Department of Human Services, Division of Health Engineering work group charged with developing the "Capacity Development: criteria required by the U.S. Environmental Protection Agency's rules. The workgroup completed work on the requirements for new water systems and, on November 4, 1999, began working on requirements for existing systems. It is anticipated that some of the required information will be available from reports the utilities must file with the Commission. We will be working with DHS to insure that duplication of filings is minimized.

**Water**

**MUNICIPAL & QUASI-MUNICIPAL WATER UTILITIES**

RATE CASES FILED PURSUANT TO §6104 THAT WERE INVESTIGATED AS A RESULT OF CUSTOMER PETITIONS OR PROCEDURAL ERRORS

FILED OR COMPLETED IN 1999

Docket No.		Filed	Revenue	Allowed Revenues	Increase	Allowed	Effective Date
=	=	=	=	=	=	=	=
99-127	KENNEBEC WATER DISTRICT ***	4/10/99	\$4,194,593	\$4,194,593	\$208,711	5.24%	05/12/99
99-139	PITTSFIELD WATER WORKS ***	4/15/99	\$326,637	\$326,637	\$78,867	31.83%	05/15/99

\*\*\*FAILED DUE TO PROCEDURAL ERRORS BY DISTRICT

\* FAILED DUE TO CUSTOMER PETITION

MUNICIPAL & QUASI-MUNICIPAL WATER UTILITIES  
RATE CASES PURSUANT TO SECTION 6104  
COMPLETED IN 1999

Docket No.	Utility Name	Utility Proposed Revenue	Increase Over Prior Year	% Increase Over Prior Year	Effective
98-823	VINALHAVEN WATER DISTRICT	\$211,570	\$63,958	43.33%	01/16/99
98-966	WINTER HARBOR WATER DISTRICT	\$154,752	\$47,898	44.82%	10/01/99
99-020	MOUNT DESERT WATER DISTRICT	\$734,054	\$212,805	40.83%	04/01/99
99-257	MOSCOW WATER DISTRICT	\$44,787	\$5,658	14.46%	11/01/99
99-404	STONINGTON WATER COMPANY	\$96,129	\$5,760	6.37%	10/01/99
99-427	PRESQUE ISLE WATER DISTRICT	\$1,052,381	\$46,878	4.67%	11/01/99
99-605	BOWDOINHAM WATER DISTRICT	\$110,868	\$39,602	55.57%	04/01/00
99-606	WEST PARIS WATER DISTRICT	\$91,845	\$17,035	22.77%	04/01/00
99-731	YARMOUTH WATER DISTRICT	\$1,179,672	\$198,373	20.22%	01/01/00
99-732	DIXFIELD WATER DEPARTMENT	\$265,480	\$65,580	32.80%	01/01/00

**Water**

**INVESTOR OWNED WATER UTILITIES AND WATER DISTRICT**

**RATE CASES PURSUANT TO SECTION 307  
COMPLETED IN 1999**

Docket No.	Utility Name	Date	Utility Proposed	Commission	Allowed	% Increase	Effective	Test Year	Utility	Commission
									Requested	Allowed
		Filed	Revenue	Allowed Revenue	Increase	Allowed	Date	Return	Return	Return
96-739	CONSUMERS MAINE WATER CO.-BUCKSPORT DIV.	7/28/99	\$520,560	\$520,560.00	(\$32,326.00)	-5.46%	8/06/99	N/A	6.10%	6.099%
96-739	CONSUMERS MAINE WATER CO.-HARTLAND DIV.	7/28/99	\$183,162	\$183,162.00	(\$8,663.00)	-4.52%	8/06/99	N/A	8.01%	8.014%
98-181	SANDY POINT WATER COMPANY - PHASE 1	3/09/98	\$7,000	\$7,000.00	\$4,555.00	186.30%	4/08/99	-	7.17%	11.00%
98-181	SANDY POINT WATER COMPANY - PHASE 2	9/28/99	\$14,271	\$14,271.00	\$7,271.00	103.87%	1/01/00	-	7.17%	11.00%
98-520	WALDOBORO WATER COMPANY	7/07/98	\$203,207	\$201,403.00	\$33,387.00	19.90%	3/01/99	-	1.80%	10.00%
98-924	PORTLAND WATER DISTRICT	1/21/99	\$17,525,731	\$17,340,731.00	(\$1,700,649.00)	-8.97%	5/01/99	N/A	N/A	N/A
98-930	HEBRON WATER COMPANY	5/27/98	\$125,000	\$125,000.00	\$118,909.00	1952.20%	3/01/99	N/A	N/A	N/A
99-090	BAR HARBOR WATER COMPANY	1/11/99	\$748,295	\$745,761.00	\$59,872.00	8.73%	7/01/99	7.53%	9.30%	9.300%

\* Calculated by dividing utility test year after-tax income by test year rate base

## **Regional and Federal Activities Affecting Maine**

### ***ELECTRICITY***

In 1999, the FERC (Federal Energy Regulatory Commission) approved a settlement of the major litigation regarding the premature shutdown of Maine Yankee. In December, 1998, the Commission had voted to join the settlement in the FERC proceeding, including a Maine-only settlement of prudence issues. By the settlement, FERC reduced Maine Yankee's allowed return on equity from 10.65% to 6.5%. The Maine owners of Maine Yankee agreed to reduce stranded costs if, through 2004, the cost of replacement power is higher than the owners assumed in Maine Yankee's shutdown analysis. Maine Yankee reduced its proposed annual decommissioning collection rate (half of which comes from Maine ratepayers) from \$36.4 million to \$33.4 million. As part of the agreement, the annual collection rate was reduced to \$26 million after the Maine Legislature enacted legislation in 1999 that permits Maine Yankee to use money already collected from ratepayers and deposited in the Spent Fuel Trust Fund and the Low Level Radioactive Waste Facility Fund, to build a dry cask storage facility for the storage of spent nuclear fuel.

The dry cask storage facility is necessary because the United States Department of Energy (DOE) did not begin to remove spent fuel stored at Maine Yankee beginning in 1998 as called for in the contract between DOE and Maine Yankee. DOE is not expected to begin to actually move spent fuel until 2010 at the earliest. Maine Yankee has sued DOE in the Federal Court of Claims for breach of contract, claiming damages related to the additional costs caused by DOE's delay, including the expenses associated with the dry cask storage facility. During 1999, the Commission, joined by the Office of the Public Advocate, participated in settlement discussions and filed legal briefs in support of Maine Yankee's positions before the Court of Claims. The Commission will seek to intervene in the Court of Claims proceeding if it appears that formal participation will best protect the interest of Maine's ratepayers in the matter.

The Commission actively participates in various NEPOOL committees and subcommittees involved in the formation of wholesale electricity markets, including setting the rules for those markets. The independent system operator (ISO) will implement and administer these market rules, after the rules are approved by the FERC. The Commission likely will participate in any FERC proceeding, either individually or collectively with the other New England states as part of NECPUC, in order to protect the interests of competition in Maine and in New England.

### ***Natural Gas***

The Commission continues to monitor several proceedings before the FERC regarding the two interstate pipelines, newly constructed, Maritimes and Northeast and Portland Natural Gas Transmission System, and the ratemaking consequences of Northern Utilities cancellation of the liquefied natural gas facility proposed for location in Wells, Maine.

## **Regional and Federal Activities Affecting Maine**

### ***TELEPHONE***

Chairman Welch serves as a member of the Federal Communications Commission (FCC) as part of the Federal-State Joint Board on Separations. That Joint Board deals with the allocation and assignment of a telecommunications company's costs to either the state or federal jurisdiction. For Maine, that allocation involves hundreds of millions of dollars of investment. Even a small change in that allocation could reduce or increase the level of rates needed in Maine by millions of dollars. Recently activities have focused on ensuring that new uses of the network, including the Internet, do not create revenue requirement shifts that would adversely affect ratepayers.

The Maine Commission has also been actively involved with universal service issues at the federal level. We have taken the position that § 254(b) of the Federal Telecommunications Act of 1996 requires that a Federal Universal Service fund be established that is sufficient in size to allow rates in rural Maine to be comparable with those rates in urban area of the United States. We have taken a leading role in developing a plan, which we believe accomplishes that objective. Recently, the FCC adopted a plan substantially modeled after the plan we proposed, that would grant \$6 million in additional support to Maine.

The Commission has begun a collaborative process to devise a plan for the use of the money that will allow it to provide the required certification to the FCC. The money may be used to provide explicit support for affordable and comparable rates in high-cost areas, or it may replace support that is currently implicit in the rates established by the Commission. The Commission has invited interested parties to provide input regarding the use of the money and believes that a plan that complies with the FCC requirements can be formulated in time for the Commission to submit the required certification by April 1, 2000.

**Summaries Of Relevant New Laws Enacted In The 1st Regular Session Of The 119<sup>TH</sup> Legislature**

***I. ELECTRIC***

- Ch. 178  
(LD 270) Authorizes counties to serve as aggregators for any electricity consumers located within the county.
- Ch. 193  
(LD 665) Establishes voluntary goals for the removal of electric transformers contaminated by PCBs and owned by a public utility. For transformers located close to schools or surface waters, the goal is October 1, 2005. The goal is October 1, 2011 for other transformers.
- Ch. 231  
(LD 704) Authorizes the Maine Municipal Bond Bank to serve as an aggregator of electricity service for governmental units and nonprofit corporations.
- RESOLVE  
Ch. 47  
(LD 767) Approves the final adoption of the major substantive rule, Ch. 311 the Renewable Resource Portfolio rule. Also see Ch. 398.
- RESOLVE  
Ch. 37  
(LD 768) Approves the final adoption of the major substantive rule, Ch. 301 the Standard Offer Service rule, with amendments. Also see Ch. 398.
- RESOLVE  
Ch. 36  
(LD 769) Approves the final adoption of the major substantive rule, Ch. 304 the Standards of Conduct rule, with amendments.
- RESOLVE  
Ch. 42  
(LD 790) Prohibits the final adoption of the major substantive rule, Ch. 380 the Energy Conservation Rule. See Ch. 336.
- Ch. 237  
(LD 1214) Repeals the requirement that a competitive electricity provider obtain written permission to receive customer-specific information from a T&D utility. Permission must be evidenced by a method to be specified by Commission rule.
- Ch. 286  
(LD 1278) Amends the sales tax treatment of net energy billing arrangements.

**Summaries Of Relevant New Laws Enacted In The 1st Regular Session Of The 119<sup>TH</sup> Legislature**

- Ch. 336 (LD 1398) Requires the State Planning Office to develop a statewide energy policy, including policies to guide implementation of energy conservation programs by T&D utilities pursuant to Commission rules. A special assessment is levied upon T&D utilities to fund an additional staff position at the SPO.
- Ch. 513 (LD 1456) Authorizes FAME to fund the construction of the Northern Maine Transmission Line and provides funds for a study to see if it's feasible.
- Ch. 102 (LD 1481) Increases the contingency reserve fund percentage applicable to consumer-owned electric utilities to reflect the loss of generation revenue.
- Ch. 372 (LD 1649) Permits the use of the voluntary Renewable Resource Fund to fund demonstration community projects using renewable energy technologies and specifies that the State Planning Office will administer the Fund.
- RESOLVE Ch. 38 (LD 1683) Approves the final adoption of the major substantive rule, Ch. 307 the Sale of Capacity and Energy rule, with amendments. Also see Ch. 398.
- RESOLVE Ch. 34 (LD 1684) Approves the final adoption of the major substantive rule, Ch. 306 the Uniform Disclosure and Informational Requirements rule, with a single amendment.
- RESOLVE Ch. 43 (LD 1998) Exempts certain land transfers associated with CMP's divestiture transactions from subdivision review.
- Ch. 398 (LD 2154) Omnibus restructuring law "correction" bill; it did the following: (1) updated Title 35-A to reflect the changes made by the Electric Industry Restructuring Act; (2) authorized Northern Maine T&D utilities to enter into agreements with Canadian utilities to promote retail competition; (3) adjusted the Commission's assessment rates to reflect lost generation-related revenue; (4) delayed the deadline for adoption of competitive billing and metering rules to March 1, 2001; (5) enacted an exception from electric restructuring for island utilities; (6) authorized the Commission to require T&D utilities to provide standard offer service in the event of unsatisfactory bids;

**Summaries Of Relevant New Laws Enacted In The 1st Regular Session Of The 119<sup>TH</sup> Legislature**

(7) increased penalties for violations of standards of conduct by a T&D utility; (8) required conforming modifications to the Commission's Standard Offer rule, Chapter 301; (9) tied Commissioner salaries to the judicial pay scale; (10) redefined "renewable" resources as "efficient" resources, established efficiency requirements for qualifying co generators and specified the use of the "product approach" in counting renewable resources; (11) required conforming modifications to the Commission's Renewable Resource rule, Chapter 311; (12) required T&D utilities to renegotiate discount power contracts with customers and specified the formula used to calculate the new T&D rate; (13) extended the deadline for completion of the "megacases" to December 1, 1999; (14) expanded employee transition benefits to cover part-time employees; (15) authorized a T&D's retention of generation-related business activities if that retention would reduce the utility's stranded costs and repealed the requirement that retained generation assets be placed in a separate subsidiary; and (16) required conforming modifications to the Commission's Sale of Capacity and Energy rule, Chapter 307.

***II. TELECOMMUNICATIONS***

- |                                |   |
|--------------------------------|---|
| Ch. 60<br>(LD 541)             | Clarifies the Commission's jurisdiction over wireless carriers for the limited purposes of assessing carriers for a state universal service fund and requiring compliance with central office code conservation measures. |
| Ch. 59<br>(LD 570)             | Prohibits the practice of cramming. The Commission may not enforce the prohibition until it adopts rules to implement the statute.  |
| Ch. 488<br>(LD 1130)           | Amends the taxation of telecommunications services and equipment.   |
| RESOLVE<br>Ch. 32<br>(LD 1194) | Requires the Commission to develop proposals to expand single-exchange local calling areas and to report on its efforts to the Utilities Committee by December 31, 1999.  |
| Ch. 227<br><br>(LD 1563)       | Clarifies and makes permanent the assessment mechanism to fund the Telecommunications Equipment Fund for deaf persons.  |
| Ch. 209<br>(LD 1695)           | Limits the liability of telecommunications carriers that provide service as part of the E-911 system.   |

## **Summaries Of Relevant New Laws Enacted In The 1st Regular Session Of The 119<sup>TH</sup> Legislature**

Ch. 409  
(LD 2164) Extends authorization for the School and Libraries Program beyond the year 2001 through a statewide assessment on telecommunications carriers; requires integration of the Program with the State Universal Service Fund, and establishes priorities for the use of the funds.

### ***III. NATURAL GAS***

P&SL  
Ch. 7  
(LD 333) Amends the charter of the Town of Madison's Department of Electric Works to authorize the Department to provide natural gas service to customers within its service territory.

Ch. 143  
(LD 661) Requires natural gas marketers selling at retail to Maine consumers to register with the Commission. It also requires the Commission to consider adopting major substantive rules to implement natural gas unbundling in the State.

Ch. 346  
(LD 1929) Authorizes the use of the Court Alternative Dispute Resolution Service for the voluntary mediation of disputes concerning property damage arising from construction of operation of a natural gas pipeline.

### ***IV. WATER***

P&SL  
Ch. 5  
(LD 64) Amends the charter of the Mexico Water District to change the date that District trustees take office.

P&SL  
Ch. 4  
(LD 109) Amends the charter of the Mars Hill Utility District to expand the District's service area to include the entire Town of Blaine.

Ch. 77  
(LD 1125) Requires each community water system to provide annual reports on water quality to its customers and clarifies calculation of the term of bonds issued for construction of public water systems.

P&SL  
Ch. 8  
(LD 1265) Amends the charter of the Tenants Harbor Standard Water District to clarify its service territory.

**Summaries Of Relevant New Laws Enacted In The 1st Regular Session Of The 119<sup>TH</sup> Legislature**

P&SL Ch. 15 (LD 1364)	Amends the charter of the Hallowell Water District to permit the District to transfer ownership of storm drains to the City of Hallowell.
P&SL Ch. 27 (LD 1391)	Amends the charter of the Dover-Foxcroft Water District to transfer operation of the fire department to the Town of Dover-Foxcroft.
P&SL Ch. 20 (LD 1650)	Confirms the validity of the charter of the Addison Point Water District.
P&SL Ch. 18 (LD 1723)	Amends the charter of the East Pittston Water District to clarify the eligibility requirements to serve as District trustee.
P&SL Ch. 21 (LD 1977)	Creates the Farmington Falls Standard Water District.
P&SL Ch. 30 (LD 2040)	Amends the charter of the Norridgewock Water District to clarify the eligibility requirements to serve as District trustee and to increase the compensation for trustees and the treasurer.
P&SL Ch. 22 (LD 2044)	Repeals the charter of the Pleasant River Standard Water District.
P&SL Ch. 23 (LD 2091)	Amends the charter of the Richmond Utilities District to authorize increases in the District's debt limit.
P&SL Ch. 24 (LD 2193)	Permits the dissolution of the Fort Kent Utility District and the assumption of its services by the Town of Fort Kent.
RESOLVE Ch. 43 (LD 2189)	Approves the final adoption of DHS's major substantive rule, Ch. 231, Rules relating to Drinking Water.

**Summaries Of Relevant New Laws Enacted In The 1st Regular Session Of The 119<sup>TH</sup> Legislature**

***V. GENERAL UTILITY-RELATED***

- Ch. 158  
(LD 1276) Clarifies that the prohibition on undue competitive advantages gained by utility affiliates refers to violations of the Commission's affiliate transaction rules only and prohibits the use of a presumptive value of good will where the affiliate is regulated by the commission.
- Ch. 332  
(LD 2066) Regulates the disposal of slash along utility corridors.

***VI. ADMINISTRATIVE/STATE EMPLOYMENT***

- Ch. 446  
(LD 180) Requires any state agency that requires filings from businesses or the public must have the filing forms available on the Internet by June 1, 2000. By December 1, 2000, each state agency must report on the availability of forms on the Internet and describe the agency's plans for accepting electronic filing.
- Ch. 489  
(LD 267) Amends various provisions of the retirement laws, including an increase in the retirement age from 60 to 62 years for certain employees and reduces the vesting period to five years.
- Ch. 144  
(LD 437) Clarifies the confidentiality of labor negotiations conducted by public bodies.
- RESOLVE  
Ch. 19  
(LD 581) Permits the Commission to carry over unexpended surplus into FY 1999-00 and FY 2000-01 and authorizes continued funding of the gas pipeline safety position for that same period.
- Ch. 456  
(LD 1148) Provides immunity to governmental entities for Y2K-related damages.
- Ch. 259  
(LD 1423) Authorizes three new positions at the Office of the Public Advocate and increases the salary schedule for current OPA employees.
- Ch. 261  
(LD 1705) Amends the Administrative Procedure Act to specifically authorize the adoption of standard codes by reference.
- Ch. 242  
(LD 1920) Requires executive branch employees to disclose any potential conflict of interest with regard to any legislation on which the employee appears before the Legislature.

**Summaries Of Relevant New Laws Enacted In The 1st Regular Session Of The 119<sup>TH</sup> Legislature**

Ch. 307      Establishes guidelines for the use of collaborative rulemaking  
(LD 2131)      processes by state agencies.

***VII. RADIOACTIVE WASTE/NUCLEAR***

Ch. 174      Repeals emergency planning requirements for the Maine Yankee  
(LD 1301)      Nuclear Plant

Ch. 173      Authorizes the use of certain state trust fund money to reduce the  
(LD 1407)      cost of decommissioning Maine Yankee.

Ch. 366      Requires notice to a municipality in which nuclear decommissioning  
(LD 1516)      waste is to be disposed and extends the life of the Advisory  
                         Commission on Radioactive Waste.

## **Summary Of Commission Rulemakings For 1999**

### ***Chapter 294, Lifeline and Link Up Service Programs***

This rule establishes eligibility criteria for Maine's Lifeline and Link Up programs to assist low-income customers pay for telephone service. In addition, the rule addresses the level of discounts and verification of eligibility.

### ***Chapter 296, Selection of Primary Interexchange and Local Exchange Carriers***

This rule prohibits telecommunications carriers from changing a customer's preferred telecommunications carrier without first receiving the customer's authorization (i.e., "slamming") and allows customers to "freeze" their preferred carrier selections. The rule establishes requirements for soliciting, imposing, and lifting preferred carrier freezes and establishes penalty procedures for violations.

### ***Chapter 304, Standards of Conduct for Transmission and Distribution Utilities and Affiliated Competitive Electricity Providers***

This rule establishes standards of conduct applicable to both large and small investor-owned distribution utilities and affiliated competitive providers, a method of tracking the retail sales made by an affiliated competitive provider within the service territory of its affiliated distribution utility and a requirement that consumer-owned utilities notify the Commission of any wholesale generation sales.

### ***Chapter 305, Licensing Requirements, Annual Reporting, Enforcement and Consumer Protection Provisions for Competitive Provision of Electricity***

This rule establishes licensing requirements for competitive electricity providers, which include marketers, brokers and aggregators. It includes procedural rules governing application for licensing, revocation and enforcement, and annual reporting provisions. It also establishes consumer protection rules applicable to competitive electricity providers.

### ***Chapter 306, Uniform Information Disclosure and Informational Filing Requirements***

This rule contains requirements for competitive electricity providers to disclose price, contract, resource mix, and emissions information to customers in a uniform format. It also contains requirements for informational filings by competitive providers.

### ***Chapter 307, Sale of Capacity and Energy; Extensions for Divestiture of Assets***

This rule governs the sale of capacity and energy of generation assets and generation-related business activities that are not divested by investor-owned electric utilities.

## **Summary Of Commission Rulemakings For 1999**

### ***Chapter 311, Eligible Resource Portfolio Requirement***

This rule establishes requirements and standards for implementing the renewable resource portfolio requirement.

### ***Chapter 322, Metering, Billing, Collections, And Enrollment Interactions Among Transmission And Distribution Utilities And Competitive Electricity Providers***

This rule establishes terms and standards governing metering, billing and collections by transmission and distribution utilities and by competitive electricity providers operating in Maine. The Chapter also establishes procedures governing customer enrollment for generation service, transfers among generation service providers, and termination of generation service.

### ***Chapter 323, Electronic Business Transaction Standards***

This rule governs the transfer of data between transmission and distribution utilities and competitive electricity providers.

### ***Chapter 380, Energy Conservation Programs By Electric Transmission And Distribution Utilities***

This rule establishes the funding levels for energy conservation programs for electric transmission and distribution utilities and for assessing funding for the State Planning Office duties associated with conservation programs.

### ***Chapter 520, Unscheduled Tour, Charter And Water Taxi Services In Casco Bay***

This rule establishes rules governing unscheduled tours, charters and water taxi services.

## **Fiscal Information**

The Public Utilities Commission is required by 35-A M.R.S.A. § 120 to report annually to the Joint Standing Committee on Utilities and Energy on its planned expenditures for the year and on its use of funds in the previous year. This section of the report fulfills this statutory requirement and provides additional information regarding the Commission's budget.

The Commission had two sources of funding in FY99, a Regulatory Fund of \$4,918,000 and a balance forward of \$939,755. The Regulatory Fund is an assessment on utilities pursuant to 35-A M.R.S.A. § 116 and the encumbered balance from FY99 of \$939,755 is pursuant to Resolve 1999, Ch19. Any accumulated unencumbered balance, either from the \$939,755 we received pursuant to resolve 1999, Chapter 19, or unspent money from FY1999, FY2000 or FY 2001, will be returned to ratepayers in the form of a reduced assessment of utility revenues at the appropriate time.

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

The Commission was authorized 63.5 full-time positions in FY99.

1. A. Fiscal Year 99

In FY99, the Commission spent approximately \$4.96 million, regulating 178 utilities with gross revenues exceeding \$1.73 billion. Attachment 1 summarizes Regulatory Fund activity and activity in other funds administered by the Commission. Attachment 2 details FY99 expenditures by line item.

B. Regulatory Fund

The authorized Regulatory Fund assessment for FY99 was \$5,553,000. In addition to the assessment, an unencumbered balance of \$388,314 and encumbrances of \$366,166 were brought forward from FY98. The Commission spent \$4,963,527. Expenditure details are presented in Attachment 2. An encumbered balance of \$404,249 and an unencumbered balance of \$939,755 were brought forward to FY00. The encumbered balances generally represent ongoing contracts for consulting services.

C. Filing Fees

In FY99 the Commission received \$2,012 in filing fees and spent \$20.

D. Miscellaneous Reimbursements

Miscellaneous reimbursements consist of funds received for copies of documents such as monthly dockets, agenda and decisions and for other miscellaneous items. \$129 was brought forward from FY98. An additional \$6,122 was received during FY99. \$6,248 was expended and an unencumbered balance of \$3. was brought forward to be expended during FY00. In FY99, no fines were collected by the Commission.

E. Public Law 1997, Chapter 691 and Chapter 302 of Commission Rules approved by the Legislature in 1998, establishes the Public Utilities Commission Education Fund.

## Fiscal Information

This fund authorizes that a total of \$1.6 million dollars be collected from Electric Utilities and used to educate Maine's consumers as to choices they may make in selecting electricity providers beginning March 1, 2000. The fund is allocated as follows: \$200,000 for FY98, \$600,000 for FY99, \$600,000 for FY00 and a final \$200,000 for FY01. Pursuant to State Bureau of Purchases rules, a Request for Proposal process selected N.L. Partners of Portland, Maine, to carry out the Consumer Education Program under the direction of the Commission with assistance and input from the Public Advisory Panel. Expenditures are shown on Attachment 2.

### 2. Fiscal Year 00

Attachment 3 details the Commission's FY00 Regulatory Fund budget. Encumbered and unencumbered balances brought forward from FY99 are included. The right hand column represents the total funds available to the Commission in FY00 by account and line category.

### 3. The Budget in Perspective

Attachment 2 details the Commission's budget for a 3-year period. The left hand column includes amounts actually expended in FY99. Column 2 contains the FY00 expenditure plan. Column 3 contains the FY01 approved Budget.

### 4. The Regulatory Fund Assessment in Perspective

Attachment 4 details the Regulatory Fund assessments since FY80. Annual Reports filed by the utilities with the Commission include revenues for the previous year ending December 31. Calculations are made to determine what percentage of the total reported revenues will provide the amount authorized by statute. The factor derived that will raise the authorized amount is applied against the reported revenues of each utility. Pursuant to 35-A M.R.S.A. § 116, on May 1 of each year an assessment is mailed to each utility regulated by the Commission. The assessments are due on July 1. Funds derived from this assessment are for use during the fiscal year beginning on the same date.

### 5. Management Audits

35-A M.R.S.A. § 113 provides that the Commission may require the performance of a management audit of the operations of any public utility. In FY99 no management audits were ordered by the Commission

**Fiscal Information**

***PUC Fund Activity By Account For FY 1998***

ACCOUNT NAME	AMOUNT
-----	
<b>REGULATORY FUND</b>	
-----	
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY 98	388,314
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY 98	366,166
FUNDS RECEIVED DURING FY 99	5,553,000*
LESS EXPENDED DURING FY 99	(4,963,527)
ENCUMBERED BALANCE BROUGHT FORWARD TO FY 2000	(404,249)
ADD POSTING ERROR AND REFUND	51
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 2000	939,755
<b>REIMBURSEMENT FUND</b>	
-----	
FILING FEES	
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY 98	0
ENCUMBRANCES BROUGHT FORWARD FROM FY 98	0
FUNDS RECEIVED DURING FY 99	2,012
LESS EXPENDED DURING FY 99	20
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 2000	1,992
MISC. REIMBURSEMENTS	
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY 98	129
FUNDS RECEIVED DURING FY 99	6,122
LESS EXPENDED DURING FY 99	6,248
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 2000	3
<b>PUC CONSUMER EDUCATION FUND</b>	
-----	
ASSESSMENT	
FUNDS RECEIVED DURING FY 99	800,000
LESS EXPENDED DURING FY 99	239,008
ENCUMBERED BALANCE BROUGHT FORWARD TO FY 2000	560,992
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 2000	0

\*One time increase in assessment of an additional \$635,000 authorized by PL. 1997 Chapter 586.

**Fiscal Information**

Attachment 2

***PUC Budget In Perspective***

	<b>FY99 ACTUAL EXPENDITURES</b>	<b>APPROVED FY2000 BUDGET</b>	<b>APPROVED FY01 BUDGET</b>
<hr/>			
<b>REGULATORY FUND</b>			
<hr/>			
POSITIONS	(64)	(64)	(69)
PERSONAL SERVICES	3,608,545	4,134,366	4,205,668
CONSULTANTS	551,266	1,202,558 #1	30,909
ALL OTHER	785,649	722,021 #2	681,423
CAPITAL	18,067	203,059 #3	0
	<hr/>	<hr/>	<hr/>
TOTAL	4,963,527	6,262,004	4,918,000
BUDGET	4,918,000	4,918,000	4,918,000
<b>REIMBURSEMENT FUND</b>			
FILING FEES	20	0	0
MISC. REIMBURSEMENT	6,248	0	0
<b>PUC CONSUMER EDUCATION FUND</b>			
ALL OTHER	239,008	1,160,992 #4	200,000
<hr/>			
<b>TOTAL</b>	<b>5,208,803</b> =====	<b>7,422,996</b> =====	<b>5,118,000</b> =====

#1 ENCUMBERED BALANCE OF \$202,009 AND UNENCUMBERED BALANCE FORWARD FROM FY99 OF \$939,755 PURSUANT TO RESOLVE 199, CH 19, ALL BALANCE FORWARD IS MADE AVAILABLE TO FY2000 AND FY2001.

#2 ENCUMBERED BALANCE OF \$17,181 IS BROUGHT FORWARD FROM FY99.

#3 CAPITAL RENOVATIONS AND MISC. EQUIPMENT ENCUMBERANCES OF \$185,059 ARE BROUGHT FORWARD FROM FY99.

#4 ENCUMBERED BALANCE OF \$560,992 BROUGHT FORWARD FROM FY99.

**Fiscal Information**

Attachment 3

***FY2000 Budget & Adjustments***

	<b>BUDGET</b>	<b>ADJUSTMENT</b>	<b>ADJUSTED BUDGET</b>
<b>REGULATORY FUND</b>			
POSITIONS	(64)	(0)	(64)
PERSONAL SERVICES	4,134,366	0	4,134,366
CONSULTING	60,794	1,141,764 *1	1,202,558
ALL OTHER	704,840	17,181 *2	722,021
CAPITAL	18,000	185,059 *3	203,059
<b>TOTAL</b>	<b>4,918,000</b>	<b>1,344,004</b>	<b>6,262,004</b>
<b>REIMBURSEMENT FUND</b>			
FILING FEES	0	1,992 *4	1,993
MISC. REIMBURSEMENT	0	3 *5	5
<b>PUC CONSUMER EDUCATION FUND</b>			
ALL OTHER	600,000	560,992 *6	1,160,992
<b>GRAND TOTAL</b>	<b>5,518,000</b>	<b>1,906,991</b>	<b>7,424,991</b>

\*1 INCLUDES ENCUMBERED BALANCE FORWARD OF \$202,009; UNENCUMBERED BALANCE FORWARD OF \$939,755 FROM FY99.

\*2 ENCUMBERED BALANCE FORWARD OF \$17,181.

\*3 ENCUMBERED BALANCE FORWARD OF \$185,059.

\*4 UNENCUMBERED BLANCE FORWARD OF \$1,992.

\*5 UNENCUMBERED BALANCE FORWARD OF \$3.

\*6 ENCUMBERED BALANCE FORWARD OF \$560,992.

**Fiscal Information**

Year	Electric Revenues	Telecom Revenues	Water Revenues	Gas Revenues	Water Carriers Revenues	Total Utilities Revenues	Factor	Amount Billed	Amount Authorized
FY80	186,278,293	139,683,694	24,086,603	6,749,736		356,798,326	0.0210%	74,816	75,000
	206,762,413	153,652,974	25,465,331	7,374,962		393,255,680	0.0381%	149,830	150,000
FY82	216,243,682	165,108,544	28,421,070	8,932,172		418,705,468	0.1074%	449,779	450,000
	462,967,673	182,850,133	32,220,884	14,428,444	803,933	693,271,067	0.1875%	1,299,996	1,300,000
FY84	508,838,895	194,922,674	36,803,237	19,309,123	959,425	760,833,354	0.1919%	1,459,983	1,460,000
	546,977,166	210,502,523	40,372,798	21,206,118	984,106	820,042,711	0.1944%	1,593,904	1,594,000
FY86	630,565,108	210,877,202	42,290,155	20,517,627	1,080,600	905,330,692	0.2368%	2,143,913	2,144,000
	670,908,924	238,902,099	43,400,274	19,213,032	1,211,241	973,635,570	0.2392%	2,328,989	2,329,000
FY88	645,757,051	275,047,659	45,215,835	17,911,730	936,922	984,869,197	0.2253%	2,219,000	2,219,000
	721,684,049	286,419,434	48,176,192	17,744,522	1,035,357	1,075,059,554	0.2219%	2,386,000	2,386,000
FY90	783,537,776	312,154,685	50,659,705	18,555,805	1,214,007	1,166,121,978	0.2266%	2,642,845	2,696,000
	837,377,145	349,185,418	52,855,076	21,928,319	1,536,596	1,262,882,554	0.2562%	3,235,117	3,378,000
FY91	927,601,155	358,682,900	58,784,656	26,182,164	1,537,296	1,372,788,171	0.3103%	4,259,985	4,473,000
	1,052,609,125	343,341,527	64,223,522	24,997,942	1,569,023	1,486,741,139	0.2848%	4,233,807	4,918,000
FY93	1,064,245,073	354,876,542	68,315,387	28,108,038	1,919,595	1,517,464,635	0.2806%	4,257,758	4,918,000
	1,097,614,456	371,037,052	74,793,749	30,505,910	1,284,905	1,575,236,072	0.2914%	4,590,198	4,918,000
FY95	1,093,553,536	384,936,867	81,529,938	32,091,988	1,697,223	1,593,809,552	0.3086%	4,918,000	4,918,000
	1,118,124,742	392,623,445	87,230,402	31,365,288	1,924,520	1,631,268,397	0.2622%	4,276,900	4,918,000
FY97	1,131,080,875	410,824,795	87,549,280	36,068,309	2,098,648	1,667,621,907	0.2568%	4,283,000	4,918,000
	1,153,567,578	415,265,192	91,340,130	42,553,204	2,187,844	1,704,913,948	0.3257%	5,553,000	5,553,000*
	1,153,567,578					1,153,567,578	0.0693%	800,000	800,000**
FY99	1,144,803,899	456,312,932	92,952,562	35,354,982	2,259,826	1,731,684,201	0.2838%	4,918,000	4,918,000
	1,144,803,899						.0524%	600,000	600,000

\* One time increase by \$635,000 pursuant to PL 1997 Chapter 585.

\*\*Authorized by PL 1997 Title 35-A M.R.S.A. Section 3217 and Chapter 302 of Commission Rules to Fund a Consumer Education Program

## Acronyms

AFOR	Alternative Form of Regulation	NEB	Canadian National Energy Board
BHE	Bangor Hydro Electric Company	NEPOOL	New England Power Pool
CAD	Consumer Assistance Division	NOI	Notice of Inquiry
CAP	Community Action Program	NU	Northern Utilities
CMP	Central Maine Power Company	OGIS	Maine Office of Geographic Information Systems
DEP	Dept of Environmental Protection	OPA	Office of Public Advocate
DHS	Department of Human Services	PERC	Penobscot Energy Recovery Co
FAME	Finance Authority of Maine	PNGTS	Portland Natural Gas Transmission System
FCC	Federal Communications Commission	PUC/MPUC/Commission	Maine Public Utilities Commission
FERC	Federal Energy Regulatory Commission	QF	Qualifying Facility
FY	Fiscal Year	RFB	Request For Bid
HEAP	Home Energy Assistance Program	SSI	Social Security Income
ISO	Independent System Operator	TA	Technical Analysis
IXC	Interexchange Carriers	TANF	Temporary Assistance For Needy
LD	Legislative Document	T&D	Transmission and Distribution
LDC LNG	Local Distribution Company Liquefied Natural Gas	TELRIC	Total Element Long-Run Incremental Cost
MPS	Maine Public Service	TROs	Temporary Restraining Orders
M&NP	Maritimes and Northeast Pipelines	WPS-ESI	WPS Energy Services, Inc
MRSA	Maine Revised Statutes Annotated		
MTEB	Maine Telecommunications Board		
MWUA	Maine Water Utilities Association		

## Glossary

 **Access Charges:** The rates that a long-distance carrier pays to local telephone companies for connecting to the local network. Access charges are a key element of toll rates.

 **Bill Unbundling (Itemized Billing):** The separation of Electricity Supply charges from Delivery Service charges on Maine consumers' electric bills beginning in January 1999.

 **Billing Aggregator:** "Aggregator" means an entity that gathers individual customers together for the purpose of purchasing electricity, provided such entity is not engaged in the purchase or resale of electricity directly with a competitive electricity provider, and provided further that such customers contract for electricity directly with a competitive electricity provider

 **Competitive Electricity Provider:** A marketer, broker, aggregator or any other entity selling electricity to the public at retail.

 **Cramming:** The practice of adding fees or charges to a consumers telephone bill for services that were either never provided or for services that the customer did not register for (see also Slamming).

 **Delivery Service:** The transmission and distribution of electricity to Maine consumers by a PUC-regulated Distribution Company.

 **Distribution Company:** A PUC-regulated utility that, after March 2000, will provide only Delivery Service.

 **Electric Restructuring:** The redesign of the state's electric utility industry giving Maine consumers the right to choose their Electricity Supplier. The result of a law passed by the Maine Legislature in 1997.

 **Electric Supply:** Electricity that is sold or resold by a PUC-licensed Electricity Supplier, or provided under the Standard Offer.

 **Electricity Utility:** Current monopoly utility that, until March 2000, provides both Electricity Supply and Delivery Service. In March 2000, Electric Utilities will become Distribution Companies.

 **Federal High-Cost Funds:** Universal service support mechanisms that have helped make telephone service affordable for low-income consumers and consumers who live in areas, typically rural, where the cost of providing service is high.

## Glossary

✚ **Independent Telephone Company:** This term is often used to refer to all incumbent local exchange carriers companies other than Bell Atlantic. There are 23 of these companies in Maine, although some are owned by the same parent holding company.

✚ **Independent Third Party Verifier:** A third party used to verify preferred carrier changes. The third party must be qualified and independent, and must obtain the customer's oral authorization to submit the preferred carrier change that includes appropriate verification data (e.g. the customer's date of birth or social security number).

✚ **Intrastate Access Rates:** "Access charges" and "access rates" are those charges and rates that an interexchange carrier must pay to a local exchange carrier in order to provide intrastate interexchange service in Maine.

✚ **Letter of Agency:** A "letter of agency" is a document containing a customer's signature that authorizes a change to a customer's preferred carrier selection.

✚ **LEC:** An acronym for Local Exchange Carrier. These companies provide basic local service. Subsets of LECs include incumbent local exchange carriers (ILECs) and competitive local exchange carriers (CLECs). The incumbents are the existing monopoly providers and competitive carriers are the new entrants in those markets. An ILEC can be a CLEC in a region outside of its existing monopoly service area.

✚ **Lifeline & Link-Up:** These programs assist low-income consumers in obtaining and affording telecommunications services.

✚ **NPA / NXX:** NPA is an acronym that essentially stands for area code. In Maine's case, the entire state falls within the 207 NPA. NXX is the abbreviation for the three digit sequence following the area code. For instance, if a person's telephone number was (207) 555-1234, the NPA would be 207 and the NXX would be 555. If Maine runs out of NXX codes, then a new NPA may be needed.

✚ **Prescribed Toll Carrier "PIC":** The carrier to which a customer has presubscribed for local, intrastate, interstate, or international telecommunications service.

✚ **RBOC:** An acronym for Regional Bell Operating Company. In Maine's case, the incumbent RBOC is Bell Atlantic.

## Glossary

 **Retail Electric Competition:** A system under which more than one competitive electric provider can sell to retail customers and retail customers are allowed to buy from more than one provider.

 **Section 271:** The section of Federal Telecommunications Act of 1996 that addresses the conditions for Regional Bell Operating Company entry into the interstate market. Section 271 is also sometimes known as the “competitive checklist.”

 **Slamming:** The illegal practice of switching a consumer’s telephone carrier or electrical supplier without obtaining proper consent (see also Cramming).

 **Standard Service Offer:** Electric generation service provided to any electricity consumer who does not obtain electric generation service from a competitive electricity provider.

 **Stranded Costs:** the term "stranded costs" means a utility's legitimate, verifiable and unmitigable costs made unrecoverable as a result of the restructuring of the electric industry required by 35-A M.R.S.A. Chapter 32 determined by the commission as provided in this Subsection 3208.

 **Unbundled:** Electric utility bills that state the current cost of electric capacity and energy separately from transmission and distribution charges and other charges for electric service.

 **Universal Service:** Ensures that all Americans can afford at least a minimal level of basic telephone service.

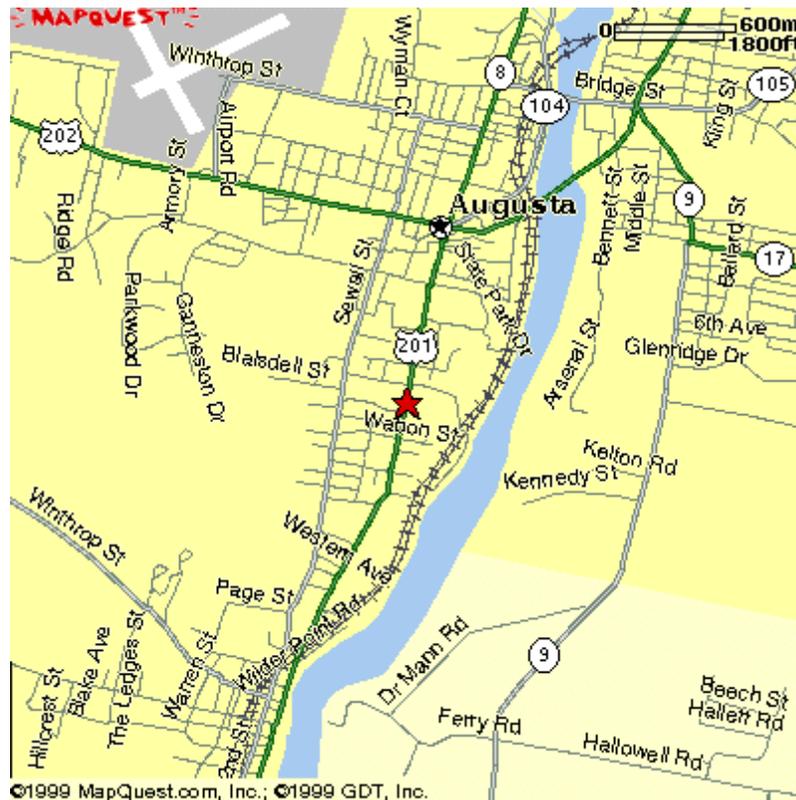
## Map Location of Commission

### DIRECTIONS TO THE MPUC

FROM NORTH: I-95 Exit 30A (Augusta) to Western Avenue toward downtown Augusta.

FROM SOUTH: I-95 Exit 30 (Augusta/Winthrop) to Western Avenue toward downtown Augusta. Then east on Western Avenue (Routes 202/11/17/100) 1.3 miles to Augusta Rotary.

FROM EAST: Routes 3, 27 or 201 to Augusta - Cross Kennebec River to Augusta Rotary. From Augusta Rotary, go south on State Street (past State Capitol) (Routes 27 and 201) 0.3 miles to Manley Street (bottom of the hill). COMMISSION is on the right (242 State Street, tel. 287-3831), with ample parking and handicap accessible.



**PUC 1999 Annual Report Evaluation Form**

We ask you to give us feedback on the content and format of this annual report, by filling out the following short questionnaire and mailing it (postage already paid) back to us.

1. What is your overall evaluation of this report? (check one)

very informative\_\_\_ somewhat informative\_\_\_\_\_ not informative\_\_\_\_\_

2. Please rate each of the following report sections according to how they helped you further understand utility issues and events.

(1 = very helpful 2 = somewhat helpful 3 = not helpful)

Telecommunications	_____	Y2K	_____	Public Access	_____
Electric	_____	Acronyms	_____	Appendices	_____
Water	_____	Consumer Assistance	_____	Rulemakings	_____
Gas	_____	Ice Storm	_____		
Telephone List	_____	Legislative	_____		

3. How can we improve this report to better meet your information needs? If appropriate, please specify particular sections.

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4. What did you like best about this report? (check those items that you liked)

format \_\_\_\_\_  
writing style \_\_\_\_\_  
cover \_\_\_\_\_  
content \_\_\_\_\_  
ease in reading \_\_\_\_\_  
other \_\_\_\_\_

**THANK YOU!**

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18 State House Station  
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## **Maine Public Utilities Commission**

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We welcome feedback on how we can improve next year's report. Send your comments to Phil Lindley at 207-287-1598 or [phil.lindley@state.me.us](mailto:phil.lindley@state.me.us)

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