



**State of Maine
Public Utilities Commission
242 State Street - 18 State House Station - Augusta Maine**

February 1, 2002

Commissioners

Thomas L. Welch
Chairman

William. M. Nugent
Commissioner

Stephen L. Diamond
Commissioner

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(Acting)
Technical Analysis

Rich Kania
(Acting)
Finance

Dennis Keschl
Administration

Mitchell Tannebaum
(Acting)
Legal

Derek Davidson
Consumer
Assistance

The destruction of the World Trade Center and the extensive damage to the Pentagon that occurred as a result of the terrorist attack against the United States on September 11, 2001, touched each of us. While we are thankful that no one at the Maine Commission lost any relatives or close friends in the attack, we extend our sincere condolences to all of those who did. As the scale of destruction and tragedy caused by this horrific event unfolded, we were all brought closer together, with a unity of spirit unprecedented in recent times. Our Commission is working to ensure the security of Maine's utility infrastructure in the event of any similar future occurrence.

During 2001, the Commission continued its efforts to enhance competitive markets in Maine for electricity, telecommunications and natural gas services, while maintaining the necessary protections for consumers who DO not yet use competitive alternatives.

Competitive electric suppliers now directly serve almost 45% of our electric load, the highest market penetration rate in the country. We held successful bids for residential and small business standard offer for Central Maine Power and Bangor Hydro-Electric customers, securing reasonable rates for the next three years. In actions before ISO New England and the Federal Energy Regulatory Commission (FERC) we focused on improving the regional wholesale electric market.

We approved a new, five-year rate plan for Verizon to build on the success of the original Alternative Form of Regulation plan approved in 1995. The plan should encourage competition in telecommunications markets and result in lower instate toll rates, while holding local service rate increases at or below the inflation rate.

We also adopted a state Universal Service Fund (USF) rule to help rural local telecommunication provider maintain affordable rates. The USF program became necessary as local providers decreased access charges to help lower instate toll rates.

We took measured steps to continue the introduction of competition for larger commercial and industrial consumers. Natural gas distribution also expanded to several areas including portions of Bangor, Brewer, Brunswick, Topsham and Sanford.

In addition, we implemented a new Dig Safe enforcement program, a responsibility recently transferred to us, and launched a public education campaign about Dig Safe funded primarily through \$200,000 in competitive grants awarded by the U.S. DOT.

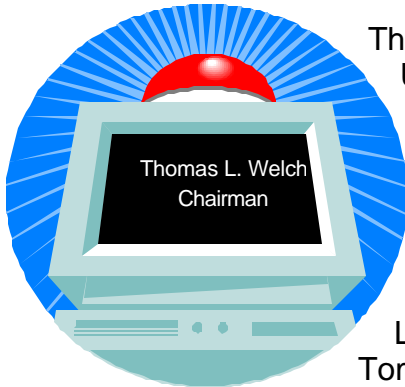
We intend to further enhance competition, while helping our monopoly providers continue to offer quality service at the lowest possible rates, in the coming year.

Thomas L. Welch
Chairman

William M. Nugent
Commissioner

Stephen L. Diamond
Commissioner

Commissioners' Biographies



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. Current term expires in 2005.



First seated as a Commissioner in October 1991, William M. Nugent was confirmed to a second term in 1997. Previously, 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. Currently, Commissioner Nugent is the President of the National Association of Regulatory Public Utility Commissioners. This important leadership position provides Maine with a significant voice at the national and regional levels on issues impacting public utility policy. Current terms expires in 2003.



Stephen L. Diamond began his service as a Commissioner on the Maine Public Utilities Commission in October 1998. Commissioner Diamond was reappointed to serve a full six-year term in March 2001. 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. Current terms expires in 2007.

The Maine Commission

Mission Statement:

The Maine Public Utilities Commission regulates utilities to ensure that safe, adequate and reliable utility services are available to Maine customers at rates that are just and reasonable for both customers and public utilities.

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 383 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.

The three full-time Commissioners are nominated by the Governor, reviewed by the Legislature's Joint Standing Committee on Utilities and Energy 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 the day-to-day operational management of the Commission, including fiscal, personnel, contract and docket management, physical plant, computer operations and the Information Resource Center. This division also 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 and assistance to 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 such matters 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.

During the past year the Commission processed the following caseload:

Cases Closed in 2001	
Reporting Categories	Disposition Date 1/1/01 to 12/31/01
CAD Appeals	13
Communications	560
Electric	206
Gas	14
Rulemakings	9
Water	75
Water Common Carrier	1
Total	878

Cases Opened in 2001	
Reporting Categories	Disposition Date 1/1/01 to 12/31/01
CAD Appeals	10
Communications	539
Electric	204
Gas	18
Multi-Utility	4
Rulemakings	11
Water	83
Water Common Carrier	1
Total	870

Public Information and Access to the Commission

The Maine Public Utilities Commission has continued to make the Commission more open and accessible to the public. The successful implementation of the many structural changes that began taking place in the mid-1990s to move the provision of utility services from a highly regulated approach to a more "free market" approach required an informed and educated public. While we initiated an intensive public outreach and educational program, using our in-house "speaker's bureau," we recognize that this effort by itself is not enough. The *Commission's vision – to make the Commission and its processes as open and accessible to citizens living in Presque Isle (or anywhere else) as it is to those who live in Augusta* – required a significant expansion of our use of technology.

On the Web:

Throughout its history, the Commission has aggressively kept pace with many of the new technologies that entered the workplace to improve performance and productivity. In 1996, we began a relatively modest effort to provide basic information about the Commission, its staff, and processes and procedures on the Internet. With the development of a "world wide web (www) presence," our homepage was among the first such sites for state utility regulatory commissions and proved to be enormously successful. With each new upgrade, we received more positive feedback and requests to provide even more services "on-line." We quickly recognized that this was a crucial tool for achieving the Commission's vision.

At the same time that we were developing our web presence, actions taken by the Commission established the "Maine School and Library Network" ("MSLN") program. This program makes the web accessible to anyone living in Maine, including those who do not have Internet access in their homes. The MSLN is a key component to ensure citizen access to the Commission, its documents, and processes and procedures. According to a recent Department of Commerce report, over 42 percent of Maine households have Internet access. However, all Mainers have access through all public libraries and K-12 public schools, using the now fully operational Maine School and Library Network.

The Commission's website contains information on deliberative session agendas, current docketed or active cases, recent decisions and orders, news releases and other time-sensitive information. The site also contains lists of regulated utilities and their tariffs, staff contact information, Commission rules, State statutes, and live audio from the Commission's deliberative sessions.

Live Audio on the Web:

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

Public Information and Access to the Commission (Cont.)

Maine PUC has been on the Internet since 1997 with live and archived recordings of deliberative sessions and hearings – the first and only Maine state agency to do so.¹ While we have experienced problems with making this feature a stable part of the site, our work with the Bureau of Information Services (BIS) has resulted in marked improvement.

Electronic Documents via the Web:

There continues to be significant interest in what Maine is doing regarding electric industry restructuring, and we provide extensive information to accommodate this interest. Our website features an electronic application for competitive energy providers, lists of those providers, and links to their websites. Requests for bids for the electric "Standard Offer" provider are posted on the website. The complete packages for the most recent bids were available for each service territory at <http://www.state.me.us/mpuc/supplier.htm>. The site provides access to the Commission's restructuring consumer education program at <http://www.pucfact.com/> and 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, and legislative issues. All Commission Orders back to 1993 are accessible and beginning in 1997, orders have been converted to Adobe™ "PDF" format for ease of use.

Two recent additions to the website have increased public accessibility to the Commission. The first is our "Virtual Case File" (<http://mpuc.informe.org/>). All documents for all currently active and recently closed cases are available. Documents are either provided electronically or are scanned in PDF format. Any document in the case file, including hand-written ones or those with signatures, is available. As a result, anyone – anywhere in Maine can follow any case.

The Commission has also initiated a pilot program for secure electronic filing of complete utility cases, including pre-filed testimony, appendices and exhibits. Participating companies file rate cases, tariff change requests or official documents on a secure FTP site that is password-protected. Our Case Management Unit receives automatic electronic notice of new filings, recording the electronic date stamp as the official filing time. These electronic documents are then put directly in the "virtual case file" *without* the need for scanning or conversion to PDF format. Commission staff members are able to access relevant parts of any case and print only necessary sections on new high-speed printers. Prior to this capability, utilities had to file multiple paper copies of cases and all staff members assigned to a case received all of the

¹ [Mainers Lack Online Access to Government](#), Bangor Daily News, by Mal Leary, September 20, 2001.

Public Information and Access to the Commission (Cont.)

paper documents filed in a case, whether or not it was necessary for an individual's piece of the case analysis. We plan to implement this capability fully within the next several months.

More recently, the Commission began providing all orders and case decisions back to 1980, where electronic versions exist, on a compact disc for a small fee. The orders are in the format as originally created, which means, for the earlier orders, older versions of WordPerfect and Lotus WordPro. Orders from the last few years were created in MS Word. A CD of Adobe Acrobat version of orders is also available beginning with 1997 orders. This is useful for those who need to have many of these documents available quickly without waiting to access each of the documents via the Internet. It provides them with a mini-database of this information that is available "off-line."

A report by the U.S. Department of Commerce observes that the Internet is becoming an increasingly vital tool in our information society.² We believe that the Commission's website is one of those important tools. Our web presence allows the public, utility companies, interveners, researchers, and other interested persons worldwide to have access to the Commission. In this period of increasingly competitive utility services, public information and education is crucial for the successful operation of emerging markets. A competitive market cannot exist without an informed consumer. The Commission's website has been the primary instrument in providing activities, thus helping us achieve the Commission's vision.

We also have developed a daily "PowerPoint" presentation shown on our lobby computer monitor to provide information to the public on the daily events at the Commission, as well as information on issues of interest to utility customers. This saves time for our customers and reduces the number of questions that our receptionist has to answer, freeing her up for other tasks.

While not a primary goal, other benefits to our aggressive use of this new technology are the real savings that we have generated in terms of both time and money, travel costs, reduced pollution related to travel to the Commission's offices, and the reams of paper *saved*, not only for our agency, but for all of those who interact regularly with the Commission.

² Falling Through the Net: Toward Digital Inclusion, October 2000, U.S. Dept. of Commerce.

Post 9/11/01 Infrastructure Security in Maine

The terrorist attack against the United States on 9/11/01 immediately created a national interest in our "critical infrastructure" security. The Commission has jurisdiction over public utilities providing the intrastate components of four of eight "critical infrastructures" identified by Federal Executive Order 13010 as warranting special protection. Those four are telecommunications, electric power, natural gas, and drinking water. Because the attack had a significant and immediate impact on the telecommunication utility infrastructure in New York City, impacting the entire east coast, people in Maine and throughout the nation wanted to know if those critical utility infrastructures we rely on to carry on with our daily lives were secure. Answers to many of the questions posed were easy to give, because we were asked similar questions during the Year 2000 preparations. Other questions were more difficult.

While each of these industries has primary responsibility for critical infrastructure protection, the federal government has oversight responsibility. The Maine Commission is an indirect participant, providing support to utilities, local and regional industry organizations, federal agencies, and to other state agencies such as the Maine Emergency Management Agency (MEMA) in the Department of Defense, Veterans & Emergency Management.

In late summer 2001, prior to the terrorist attack, MEMA added the Commission as a member of the State's Emergency Response Team (ERT). The purpose was to provide advice and support to the Governor and the State's emergency managers during disasters or emergencies. Since September 11, the Commission has expanded its communications channels with utilities, and expedited annual updates of emergency contact and reporting protocols. We now collect information about key utility facilities where utilities may need assistance if emergencies occur and communicate that information to MEMA. In October, we adopted a new rule that requires those public utilities that we regulate to file detailed information about their key infrastructure in both paper and electronic Geographic Information System (GIS) formats. The rule also provides that initial filings of this information will be considered confidential pursuant to P.L. 2001, Ch. 135.

We continually communicate with Maine's public utilities on infrastructure security issues, even though many are receiving security advice and direction directly from federal agencies or through their national associations. We also routinely cooperate with the Federal Bureau of Investigation, National Infrastructure Protection Center, and New England Governors' Conference regarding potential threats to utility infrastructure or services in Maine. We have been in contact with the Drinking Water Program (DWP) managers housed in the Department of Human Services to enhance joint effectiveness (the DWP has jurisdiction over the quality of drinking water provided by public water systems including water utilities, while the Commission's jurisdiction relates more to

Post 9/11/01 Infrastructure Security in Maine (Cont.)

the reasonableness of water utilities' infrastructure and corresponding rates charged to consumers for water). We have reached out to entities that provide utility-like services but are not regulated public utilities in the state (e.g., wholesale fiber optic carriers and interstate natural gas pipeline companies) in our effort to support MEMA and State Police efforts.

The Commission continues to consider other security issues relevant to the utility infrastructure in Maine. Various Factors make utility security particularly challenging. These are:

- Utility infrastructure is usually highly visible and thus not a hidden target.
- Utilities increasingly use modern technology, including the Internet, to monitor and control their facilities, and the Internet is not highly secure and is accessible globally.
- High-tech approaches are increasing the interdependence among utility services (e.g., for reliable operation, some water utilities may depend on telephone utility communications circuits that in turn depend on electric power to operate).
- To minimize inadvertent or unnecessary dissemination of sensitive information about critical infrastructures, Federal agencies are restricting information flow to states, complicating state and local roles as the levels of government that would be needed for initial response to an incident that challenges local infrastructure.

Our goal is to ensure that, even in times of an extreme or unanticipated emergency, the utility services that Maine relies on will continue to be available.

Consumer Assistance

- In 2001, the CAD received 2,212 complaints, more than any other year in its history
- The 337 “slamming” complaints received in 2001 represents a nearl 400% increase over the number taken in 2000, and led to Commission enforcement action against violators
- CAD released six “Consumer Bulletins” to increase consumer understanding of a rapidly changing telecommunications market

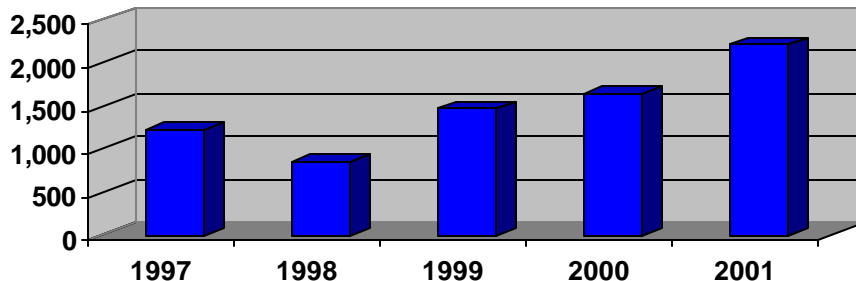
The Consumer Assistance Division (CAD) is the Commission's primary link with utility customers. The CAD is charged with ensuring that customers, utilities, and the public receive fair and equitable treatment through education, complaint resolution, and evaluation of utility compliance with consumer protection 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 utility's terms and conditions for service.

Consumer Complaints

In 2001, the CAD received the highest number of complaints in its history. Complaints are calls or letters involved a dispute with a utility that the consumer has been unable to resolve. As shown in Figure I, the CAD received 2,212 consumer complaints in 2001. This is a 34% increase over the 1,645 complaints received in 2000 and a 51% increase over the 1,464 complaints received in 1999.

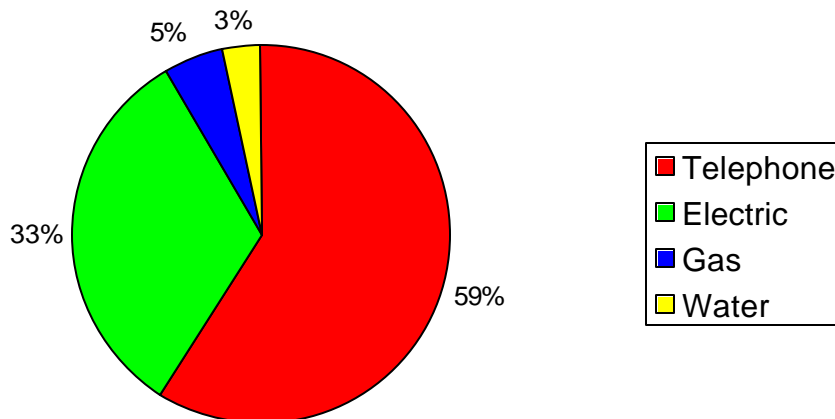
Consumer Assistance (Cont.)

Figure I
Consumer Complaints 1997-2001



The primary reason for the increase in complaints received in 2001 was the large number of complaints received against telecommunications carriers. As shown in Figure II, telecommunications complaints accounted for nearly 60% of all complaints received by the CAD.

Figure II
Complaints Received in 2001



Consumer Assistance (Cont.)

The majority of telecommunications complaints concerned services provided by competitive local exchange carriers (CLECs), and alleged slamming by local or interexchange carriers. The increased number of complaints associated with CLECs primarily involved billing problems or problems associated with the conversion from LEC to CLEC service. "Slamming" is the unauthorized change of a customer's local or long distance carrier. The CAD received 337 complaints of slamming in 2001, compared to 69 we received in 2000. Of the slamming complaints received in 2001, 75 alleged an unauthorized change of in-state services, 42 alleged an unauthorized change of out-of-state services, and 220 alleged an unauthorized change of both in-state and out-of-state services. The table below lists the telecommunication carriers against whom the CAD received five or more slamming complaints in 2001.

Company	No. of Complaints
AT&T	54
Fairpoint Communications	5
Log On America, Inc.	50
MCI WorldCom	37
OneStar Communications	5
Qwest Communications	8
Sprint Communications	10
Talk America, Inc.	9
WebNet Communications	97
World Communications Satellite Systems	26

As a result of information obtained during the investigation of these complaints, the CAD cited violations of the Commission's slamming rule (Chapter 296) in 76 cases. The table below reflects the number of violations cited for each telecommunications carrier.

Company	No. of Violations
1Com	3
AT&T	6
Fairpoint Communications	2
Log On America, Inc.	53
MCI WorldCom	9
Qwest Communications	1
Sprint Communications	2

Consumer Assistance (Cont.)

Log On America agreed to pay a \$20,000 administrative penalty to settle all outstanding violations of Chapter 296 associated with slamming complaints received by the Commission from consumers between October 10, 2000, and November 29, 2001.

Additional enforcement actions against telecommunication carriers for violations in 2001 of the Commission's slamming rule will likely take place in the upcoming year.

Other Customer Contacts

Calls or letters where the CAD provides information to a consumer are tracked as information contacts. Likewise, requests by electric or gas utilities to disconnect a customer during the winter period (November 15 to April 15) are tracked as information contacts. The CAD assisted 9,110 customers in 2001. While this is a decrease from the number of customers assisted in 2000, the number of calls received by the CAD in 2000 was unusually high due to the large number of customers calling with questions about electric restructuring.

The CAD answered live over 95% of all consumer calls received during 2001. This is a dramatic change from a few years ago when the majority of consumer calls were taken by a machine and returned by staff at a later time. By taking calls live, many of the complaints received by the CAD were resolved immediately over the phone.

Consumer Education Activities

The CAD released six Consumer Bulletins in 2001 to help consumers better understand a variety of telecommunications issues. Topics addressed by Consumer Bulletins included the steps involved in changing long distance carriers, new monthly charges for the convenience of receiving long distance charges on local telephone bills, ways to save money when using a calling card, how to avoid long distance charges when connecting to the Internet, new access number for Telecommunications Relay Services, and how to get the best long distance telephone rates. Consumer Bulletins are sent to all in-state media services (newspapers, radio, television), social service agencies, the Congressional delegation and the Governor's office.

Electric

- The Commission continued to focus on promoting a healthy competitive retail marketplace for electricity in which consumers can exercise choice and receive electricity at the lowest possible price
- Maine remained “first in the nation” with approximately 44% of Maine’s electric load served by competitive providers in 2001, up from 38% in 2000
- Activity in Maine’s electric market has been greatest among the larger consumers, with little activity in the “residential” or “green” markets
- Standard Offer solicitations in 2001 culminated in the selection of Constellation Power Source Maine as the standard offer provider for both the CMP and BHE residential and small non-residential classes for 3 years beginning March 1, 2001 at very competitive, market-based prices
- A statewide Low-Income Assistance Plan (LIAP) was adopted in July, to make electric bills more affordable for qualified low-income customers
- The Commission increased its involvement in restructuring issues at the regional and national levels to protect Maine ratepayers interests

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

During 1998 and 1999, the Commission used rulemaking procedures and stakeholder groups to develop the rules and procedures that would govern the activities of T&D utilities and competitive electricity providers after restructuring occurred. In addition, we conducted a consumer education campaign to prepare customers for restructuring. Finally, we disaggregated the existing vertically integrated utilities into their delivery and generation functions, determined rates for the future T&D utilities, and approved the sale or auction of Maine’s generating facilities. Because of the comprehensive preparation, entities operating in Maine avoided some of the technical and procedural problems encountered in many other states.

During 2000, we began operating under restructuring rules and procedures following the onset of restructuring on March 1, 2000. We monitored and revised the

Electric (Cont.)

standard offer selection process and licensed, monitored and advised competitive electricity providers. Finally, we significantly increased our participation in regional wholesale market and transmission activities, as it became apparent that regional and national activities significantly influenced the price of electricity for Maine's consumers.

During 2001, we continued to implement restructuring consistent with the legislation. Our primary focus has been to promote a healthy competitive retail electricity marketplace in which consumers can exercise choice and receive electricity at the lowest possible rates. In doing so, we increased our regional participation, further refined the standard offer bidding process, and helped competitive electricity providers operate in Maine by offering guidance and maintaining a stable, reliable regulatory environment.

Retail Market Activity – Year 2

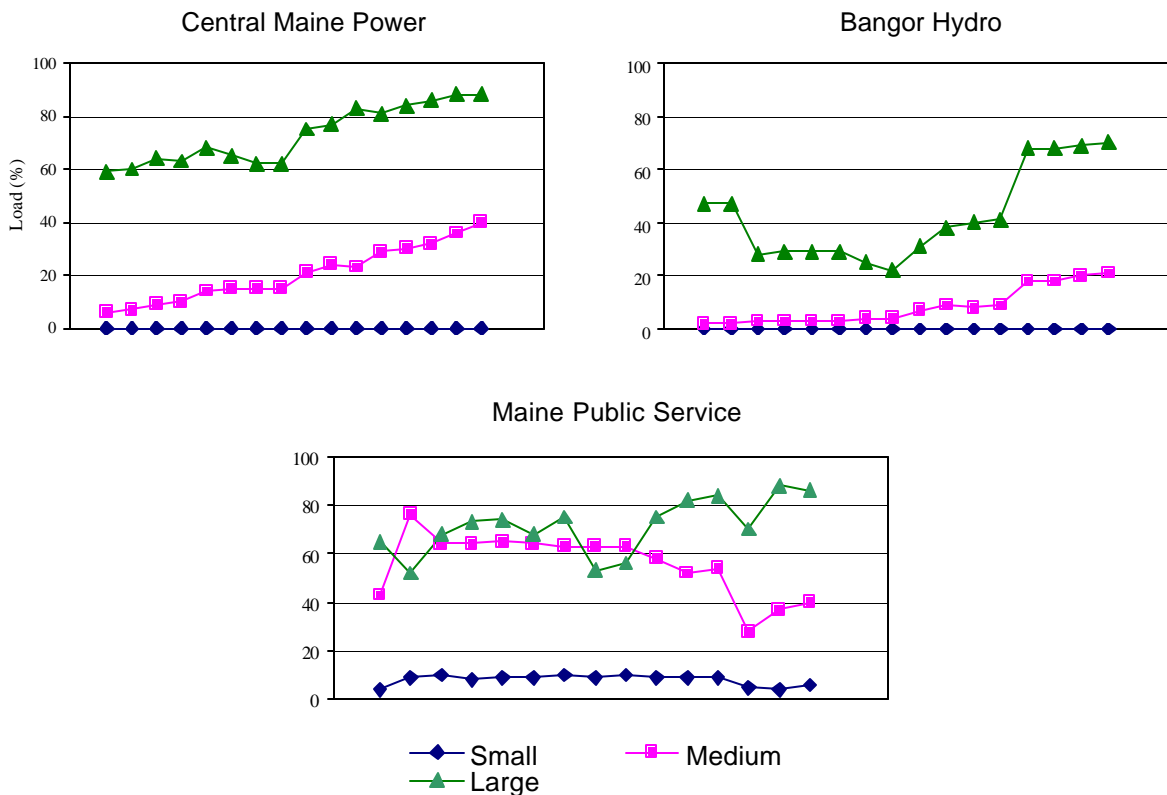
After almost two years of operation, Maine's retail market continues to gain strength. All prices for energy supply are determined by the competitive market, as Maine's restructuring law envisioned. The "load" represented by customers who have migrated from the standard offer to an open market supplier far outstrips migration in any other state. There is a modest diversity of retail suppliers for commercial and industrial customers, while residential and small commercial customers have the benefit of vigorous competition among standard offer bidders. Wholesale energy prices have recently decreased. For residential customers and for non-residential customers who are willing to shop for generation, "all-in" electric prices are generally lower than or comparable to prices before restructuring. The business interaction among retail entities (utilities, suppliers, and customers) is efficient and effective. The development of regional market rules has been fraught with discord, but there appears to be some progress toward an efficient market. No "green" market has developed, but suppliers have observed the mandated 30% portfolio requirement. Finally, no retail market for residential customers has yet developed.

As anticipated, migration to open market suppliers began with the state's largest customers and is extending to smaller customers over time. At the beginning of 2001, the majority of large industrial customers were purchasing power from an open market supplier, but most mid-sized customers still purchased standard offer service. Calendar year 2001 saw a significant increase in migration among the medium customers. By the end of 2001, almost half of the medium customer load had migrated, as well as additional large customer load.³ The migration of medium customers accelerated during the summer of 2001, when energy prices decreased substantially below standard

³ MPS migration statistics differ significantly from CMP's and BHE's. In MPS territory, there are fewer suppliers offering generation service. However, far more customers migrated to those suppliers early in the restructuring process, and a far higher percentage of residential and small customers have migrated.

Electric (Cont.)

offer rates and remained relatively stable. Migration rates are shown in the charts below.



Percentage of kWhs Served by Competitive Suppliers, December 2001

	CMP	BHE	MPS
Residential/ Small	<1%	<1%	7%
Medium	42%	22%	56%
Large	88%	73%	89%
All Maine Customers	48%	26%	41%

Number of Customers Served by Competitive Suppliers, December 2001

	CMP	BHE	MPS
Residential/ Small	161	133	1281
Medium	2908	225	130
Large	238	18	14
Total	3307	376	1425

Total State Percentage: 44%

This high level of migration can in part be attributed to a sharp increase and subsequent decline in generation market prices. In fall 2000, natural gas prices rose to historically high levels. This price spike was reflected in the prices electric suppliers bid for standard offer service. When natural gas prices and generation market prices

Electric (Cont.)

subsequently declined, the earlier effect remained embedded in standard offer prices, offering competitive suppliers an attractive opportunity to sell to Maine consumers.

Maine's migration rates can also be attributed in large part to aggregation. Aggregators in Maine have focused customers' attention on purchasing generation, have educated customers about generation issues, and have provided a mechanism whereby suppliers and customers may connect. The number of licensed aggregators increased from 16 in 2000 to 18 in 2001. Four active aggregators recruited large and medium customers during 2000 and expanded their recruitment to additional medium customers during 2001. Less formal groupings accomplished similar results. An additional aggregator is well along in its efforts to obtain power for its members, and two new aggregators have begun investigating sources and prices of generation supply for its members. In addition to aggregation, competitive providers directly solicited some individual large customers as well as companies with multiple branches.

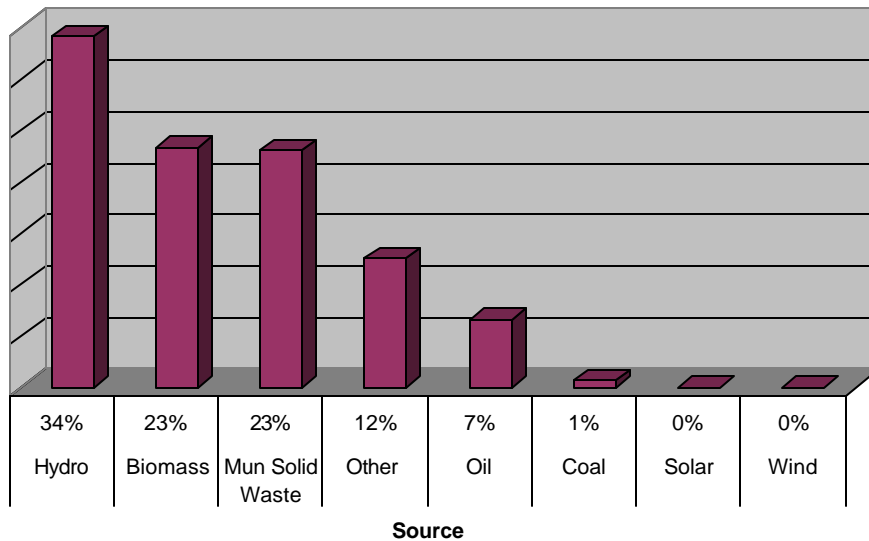
Another measure of restructuring's impact is the all-in cost of electricity, which is a function of both Transmission and Distribution (T&D) utility rates and generation prices. Prices attributable to T&D rates (including stranded costs) fell when restructuring occurred and remained relatively stable throughout 2000 and 2001. Consequently, all-in price changes were driven by changes in the generation market. For residential and small commercial customers purchasing standard offer generation, all-in average prices dropped on March 1, 2000. BHE's residential and small commercial prices increased by 15% during 2001, but will lower again in March 2002 to a level comparable to the all-in pre-restructuring price, while CMP's all-in prices are still below pre-restructuring prices. Larger non-residential customers' all-in price depended upon the source of each customer's generation. The prices for larger customers receiving standard offer service increased during 2001, in some cases significantly. However, in 2000, the all-in prices for the larger customers purchasing generation from open market suppliers generally decreased to a lower level than prices to standard offer customers. While we do not know the open market generation prices for the larger customers during 2001, it is likely that customers generally retained the benefits of lower prices. In addition, the number of customers purchasing from open market suppliers doubled during 2001, so the benefit of lower retail market prices extended to those customers as well.

During 2001, the Commission considered the condition of the renewables market in Maine. One means of establishing a renewables market is through Maine's 30% portfolio requirement enacted as part of the restructuring law. Suppliers' 2000 Annual Reports and our own experience with individual suppliers confirm that suppliers are complying with the portfolio requirement. The portfolio requirement guarantees that "eligible" resources generate at least 30% of generation sold in Maine. Eligible resources include renewables and efficient cogeneration. In 2000, eligible fuels generated at least 38% of generation sold

Electric(Cont.)

in Maine.⁴ Of that amount, almost 60% was generated from traditional renewables (wood biomass and hydro), while the remainder was generated by trash or by efficient cogeneration facilities burning oil, coal, or fuels such as tires and sludge. The resources need not be located in Maine, and we estimate that approximately half of the portfolio requirement was met by out-of-state generation. The following chart shows the fuels used to meet the 30% portfolio requirement in 2000.

Fuels that Satisfy Maine's Eligible Portfolio Requirement



Over the past two years, we have monitored the effect of the 30% portfolio requirement on retail prices and believe that it has increased the cost of generation in the range of 1% to 10%, or 1 to 5 mils.

Standard Offer

In accordance with Maine's restructuring statute, the Commission must ensure that standard offer service is available to all customers through at least February 2005. Customers automatically receive standard offer service if, for whatever reason they are not served by an open market supplier. Standard offer service is the only type of default service in Maine. The model that Maine has followed for standard offer service, wherein standard offer prices are set to reflect the prevailing market cost of generation, is a key factor underlying the high migration statistics described earlier. Furthermore, because standard offer is "all requirements" service for which the supplier bears the load risk, it

⁴ 38% understates the percentage of renewables used to serve Maine's customers because suppliers were only required to report the sources that comply with the 30% requirement.

Electric (Cont.)

carries a cost premium that is reflected in standard offer prices. As a result, other suppliers have been able to compete against the standard offer in the larger customer sectors. Whether this remains true during periods when standard offer prices are relatively low is something the Commission intends to monitor closely.

Under Maine's standard offer model, suppliers must provide service at retail except in cases where the retail bids are insufficient or unacceptable. In that case, wholesale suppliers provide standard offer service through contracts with the T&D utility. In either case, suppliers are chosen through a competitive bidding process in which proposals are evaluated primarily on price. The winning bid prices determine the standard offer prices that retail customers pay. If a wholesale supplier is chosen, retail prices are set to reflect both the costs of the wholesale supply and other costs that would be borne by a retail supplier, such as line losses, customer billing, and uncollectible bill expense. If a retail supplier is chosen, prices are set equal to the winning bid(s). Standard offer prices are also reset periodically, thus allowing them to follow market conditions.

Maine's market-based standard offer service remains key to the continued success of our retail market. Even in the residential and small commercial sectors where there has been little out-migration, suppliers that competed for the right to serve their loads serve all of these customers. Thus, these customers are benefiting from competition as well.

Standard Offer Solicitations in 2001

On July 18, 2001, the Commission decided to proceed with a standard offer solicitation for the residential and small non-residential class in the CMP and BHE territories,⁵ while deferring such action for the medium and large classes, the Commission also directed CMP and BHE to conduct a wholesale bid solicitation so that standard offer power supply could be obtained if no acceptable retail bids were received. The Commission stated that it would allow both retail and wholesale bids that are contingent on the purchase of utility entitlements at specified prices by the bidders.

On July 23, 2001, the Commission issued Requests for Proposals (RFPs) to provide all-requirements standard offer service for the CMP and BHE small classes. At the same time, the utilities requested bids for all-requirements wholesale service. Upon the conclusion of discussions on non-price terms with a sufficient number of bidders, we asked for final, binding bids to be presented on September 18, 2001.

After review of all the bids, the Commission concluded that a proposal by Constellation Power Source Maine (CPS Maine) to provide standard offer service on a retail basis and to have its affiliate acquire the CMP and BHE purchased power entitlements provided the most value to customers. The Commission designated CPS Maine the standard offer provider for both the CMP and BHE residential and small non-

⁵ During 2000, the Commission selected a standard offer provider for the MPS territory for a 3-year term. As a result, the Commission did not conduct a standard offer solicitation for the MPS area this year.

Electric (Cont.)

residential classes for a 3-year period beginning March 1, 2002. The prices for the 3-year period were set equal to CPS Maine's bid prices: \$0.0495 per kWh for CMP customers and \$0.05 per kWh for BHE customers.

In November, the Commission issued RFPs to provide all-requirements standard offer service for the CMP and BHE medium and large classes. On January 14, 2002, the Commission chose winning bidder(s), at bid prices that averaged between 4¢ and 4.2¢, lowering the standard offer rate by as much as 50% for some customer groups.

Stranded Costs

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

Stranded cost rates were initially set for CMP, BHE and MPS effective March 1, 2000 for a 2-year period coinciding with the 2-year sale terms of the utilities' entitlements. During 2001, the Commission initiated formal proceedings to reset stranded cost rates for the period beginning March 1, 2002 for BHE, CMP and MPS. Major issues include: expected entitlement sales; treatment of a \$20 million insurance termination disbursement received by Maine Yankee; expected revenue from special contracts; asset sale gain account amortization; and allocation of stranded costs among customer classes

On December 21, we approved a stipulation that resolves the CMP stranded cost case. Under the terms of the stipulation, the stranded cost component of T&D rates will decrease for residential and small commercial customer classes. Medium and large non-residential customers currently receive a rate mitigation of 0.8 cent per kWh, funded through an amortization of the ASGA. This mitigation will cease on March 1, 2002. As a result, these customers' stranded cost rates will increase on March 1. For the largest customers receiving transmission level service, the Commission approved continuation of mitigation at a level of 0.45 cents per kWh, resulting in a smaller increase in rates for those customers.

CMP's stranded cost rates vary by rate class. The residential stranded cost rate is about 1.4 cents per kWh, which is 20% of the total T&D rate for those customers.

Electric (Cont.)

Stranded costs will be levelized over a three-year period to maintain rate stability. CMP's ASGA will have a balance of about \$125 million as of March 1, 2002 and will be amortized over four years. At the end of the four-year period, the ASGA will be gone, but remaining stranded costs will decline at that time as some QF contracts expire.

BHE's stranded cost rates also vary by rate class. The residential stranded cost rate is about 3.1 cents per kWh, which is roughly 1/3 of the total T&D rate for those customers.

Stranded costs will be levelized over a period of four years to maintain rate stability. BHE's ASGA will have a balance of about \$12.5 million as of March 1, 2002, and will be amortized over two years. At the end of the two-year period, the ASGA will be gone, but stranded costs will remain stable, and then decline.

MPS's stranded cost rate is about 2.2 cents per kWh on average over all customers. MPS's ASGA will have a balance of about \$2.8 million as of March 1, 2002 and will be gone after one year. However, MPS's stranded costs will remain stable over the next decade.

Low Income Program

The Restructuring Act directs the Commission to oversee the implementation of a statewide assistance program for low-income electricity customers. 35-A M.R.S.A. § 3214.

On July 31, 2001, the Commission adopted the Statewide Low-Income Assistance Plan. The new plan, Chapter 314 of the Commission's rules, required each of Maine's T&D utilities to create or maintain a LIAP for its customers, though it permits utilities with existing programs to continue those programs. Chapter 314 created a central fund to finance the statewide plan and apportioned the fund to each utility based on the percentage of LIHEAP eligible persons residing in that utility's service territory.⁶ Chapter 314 designated the Maine State Housing Authority (MSHA) to administer the Plan and the individual LIAPs. Under Chapter 314, each utility contributes money to the central fund based upon the number of residential customers in its service territory. The funds are then redistributed to the utilities by the MSHA based upon the number of customers that are eligible for LIHEAP in each utility's service territory. In this manner, the plan ensures that each utility receives the funds necessary to address the need that exists in its service territory. In addition, the plan ensures that each utility contributes approximately the same amount per residential customer to the fund and receives the same amount per eligible person from the fund. The overall amount of the fund is approximately \$5.7 million and should provide the necessary revenue to assist over 42,000 eligible customers. For the first time in Maine, every eligible

⁶ LIHEAP is the "Low-Income Home Energy Assistance Program," which is a federally funded program that provides financial assistance grants to needy households for home energy bills and is implemented by the Maine State Housing Authority.

Electric (Cont.)

person, regardless of where he or she lives, has access to an assistance program created to make electric bills more affordable.

Voluntary Renewable Resource Fund

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

The results of the program to date have been disappointing. As of September 30, 2001, the utilities have collected approximately \$21,000. However, the administrative costs to the utilities to obtain the contributions almost equals the total amount of contributions and SPO has not yet funded any projects. To improve the effectiveness of this program, the Commission and other stakeholders are working to increase public awareness of the fund and its purpose.

Transmission Issues

The transmission component of retail rates is established each year through a FERC-approved formula. The transmission portion is approximately 8% to 14% of the T&D rates of CMP, BHE and MPS. As a result of the annual FERC proceedings in 2001, increases to transmission rates caused T&D rates in CMP's territory to increase by approximately 2% on average. Because the transmission component comprises a higher portion of the delivery rate for customers receiving transmission level service, T&D rates for those customers increased by approximately 15%. In BHE's and MPS's territories, the Commission approved off-setting the small FERC-approved transmission rate increases with the asset sale gain account, resulting in no retail T&D rate changes.

Wholesale Market and Transmission Issues

Because wholesale electric prices significantly impact the prices of Maine's electricity consumers, the Commission participates in proceedings at the Federal Energy Regulatory Commission (FERC) and the New England Power Pool (NEPOOL). The Commission's active role in proceedings affecting New England's wholesale electric markets fulfills our statutory obligation to intervene and participate at FERC and other federal agencies to promote competition and the interests of Maine consumers and specifically to advocate for and promote the interests of Maine consumers in matters relating to development, operations, conduct and governance of the Independent Systems Operator (ISO). The Commission also is guided by the Restructuring Act's finding

Electric (Cont.)

that in order for retail competition to function effectively, the governance of the independent system operator must be “fully independent of influence by market participants.” This section of the report describes how we are fulfilling our obligations under 35-A M.R.S.A. § 3215.

NEPOOL:

The New England Power Pool (NEPOOL) is a voluntary organization of market participants who interact with one another and with ISO New England (ISO or ISO-NE) according to a set of rules embodied in the NEPOOL Agreement, the NEPOOL regional transmission tariff and the NEPOOL market rules. Our staff regularly participate in the meetings of the NEPOOL committees that formulate the market rules, reliability requirements, and transmission tariffs. Our participation at this level enables us to hear directly the views of all market sectors their views on the advantages and disadvantages of the current rules or proposed amendments to those rules. If we perceive that the current rules or proposed changes threaten the ISO’s independence, the market’s competitiveness, or system reliability, we are able to intervene and provide informed comment at the FERC consistent with our obligations under section 3215 of Title 35-A.

Though we are not market participants or members of NEPOOL, our participation on NEPOOL working committees helps us understand market issues as they evolve and anticipate how they will affect the markets. During these meetings, we explain to market participants and the ISO any negative effects the proposed rules may have on Maine’s ratepayers. When necessary, we request that either NEPOOL itself, or ISO New England modify the rules to eliminate potential negative consequences for consumers. If our concerns are not addressed at this informal level, we proceed to develop formal filings to the FERC, the final arbiter of all market rules. We work collaboratively with other New England states to build a consensus position as we develop the filings. Whenever possible, our comments are filed jointly with the other state public utility commissions through the New England Conference of Public Utility Commissioners (NECPUC). Our collaboration with other New England public utility commissions increases the efficiency of our participation in FERC proceedings by saving money on legal fees and by presenting a unified regulatory position to the FERC.

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

Electricity (Cont.)

Independent System Operator (ISO) New England:

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

We have worked hard this year to improve our communications with the ISO. Commissioners have met with members of the ISO Board of Directors and with the ISO's market monitoring department to discuss issues regarding the competitiveness of the markets. In addition, we have participated with ISO New England and the Massachusetts Attorney General's Office in an independently commissioned study of the wholesale market. Finally, NECPUC staff participate in biweekly conference calls with ISO staff, which helps NECPUC keep current on significant issues facing the ISO.

We also successfully supported the ISO's efforts to preserve and enhance its independence from market participants. In a number of different proceedings, the FERC has identified the ISO, rather than market participants, as the entity that should propose market rules and oversee transmission planning efforts. In spite of the FERC's rulings on these matters, the ISO's independence continues to be challenged by different market participant interests. Consistent with our legislative directive, we will continue to advocate for increased ISO or RTO independence from market participants because competitive markets must have efficient, timely and impartial decision-making, goals that, at least in our experience with NEPOOL, seem to elude organizations governed by market participants.

Federal Energy Regulatory Commission (FERC):

A third and newly aggressive force driving change in the wholesale markets is the activity of the Federal Energy Regulatory Commission. Recent leadership changes at FERC have resulted in an agency that appears to be more proactive in its approach to developing the wholesale markets. As discussed below, the FERC has taken a "hands-on" approach to eliminating impediments to trading across large regions and addressing issues such as methods for ensuring adequate capacity and the most effective way of reducing opportunities to exercise market power.

FERC's increased pro-activeness under its new Chairman is increasing the amount and influencing the pace of the work we must do to meet our statutory obligations. Under past leadership, the FERC opened up the transmission system to independent power producers with Order 888. When it perceived that it would be necessary to do more to encourage wholesale competition, FERC issued Order 2000, requiring transmission-owning utilities to form Regional Transmission Organizations (RTOs). In just this past year, the

Electric (Cont.)

FERC has twice acted aggressively to drive the RTO process, and it has directed certain geographic regions of the country to form RTOs. The FERC even directed the utilities within the regions to file their proposals by a date certain. In addition, the FERC has initiated rulemakings intended to standardize the process of interconnecting independent generators to the transmission system. The agency also initiated a rulemaking geared towards developing its own "Standard Market Design."

The increase in FERC proceedings translated into an increase in our involvement in FERC cases. A brief summary of the most important FERC proceedings and regional initiatives in which we participated is provided below.

1. Standard Market Design

Early in the year, ISO New England announced that it had decided to adopt market settlement software being used by PJM (Pennsylvania, New Jersey, and Maryland), another ISO. ISO-NE had determined that the multi-settlement and congestion management (MSS/CMS) rules that it had developed collaboratively with NEPOOL were untried and would take too long, cost too much, and engender too much risk to translate into software. ISO determined that PJM's market settlement software, which has been in use for over two years, could be used as a platform to support New England's markets and that it could be operational sooner, at lower cost and at reduced risk, than a totally new software package. The two ISOs agreed to work jointly to enhance the software so it could be adapted to New England's markets and labeled this effort the "Standard Market Design" (SMD). ISO-NE approached the Maine PUC and other New England regulators seeking support for this change in course early in its negotiations with PJM. NECPUC agreed that the adoption of SMD offered a better prospect for getting CMS/MSS in place sooner than the original system developed jointly with NEPOOL and endorsed the ISO's SMD initiative both at NEPOOL and the FERC.

The ISO projects that the new rules implementing a multi-settlement system and congestion management system will be in place early in 2003. A well-designed multi-settlement system should reduce the daily volatility of electricity prices and increase market liquidity by facilitating trading with surrounding regions. The implementation of a congestion management system should reduce costs for Maine consumers because our state has an oversupply of generation, and because the CMS system is a prerequisite for eliminating Maine's payments for transmission congestion costs in southern New England. In 2001, these transmission congestion costs amounted to approximately \$95 million for New England consumers.

2. Regional Transmission Organizations (RTOs)

The new FERC Chairman has placed much greater emphasis on the development of RTOs. The FERC initiated a 45-day mediation process that it hoped would result in the

Electric (Cont.)

development of a Northeastern RTO. NECPUC participated in this proceeding by jointly funding the cost of having our FERC attorney participate in the mediation discussions. We held weekly conference calls to discuss the progress of the meetings and to decide our negotiation strategy. Both NECPUC and the Maine PUC filed comments responding to the Mediators Report that was issued at the end of the mediation process.

Subsequent to the mediated RTO discussions, FERC conducted a weeklong technical conference in which it invited representatives with diverse viewpoints to address technical issues having to do with RTO issues. Commissioner William Nugent represented Maine's views before the Commission, and presented them with a White Paper developed by the MPUC on RTO development.

3. Market Power Study

During 2000, New England's spot market prices and forward contract prices for power escalated dramatically. We responded to this dramatic increase by seeking an independent investigation of the New England markets. We entered into a joint effort with the Massachusetts Attorney General and the ISO⁷ to retain the California Energy Institute of the University of California at Berkeley, specifically, Dr. James Bushnell, to analyze the New England electricity market and to compare it to other deregulated electricity markets in the United States. Dr. Bushnell found the results of his analysis "encouraging." He found that the New England electricity markets were at least as competitive as PJM's and were significantly more efficient than the California energy market. The results are tentative because the analysis could be further refined and because the rules in the New England market (and elsewhere) are evolving and will continue to evolve. While Dr. Bushnell found the results encouraging, he noted that continued monitoring of the markets was crucial as changes are made to ISO-NE pricing rules and operations.

4. Installed Capability (ICAP)

One of the NEPOOL markets is the ICAP market. In our last report, we indicated that recent FERC decisions and market behavior had been very expensive to Maine electricity consumers, and we noted, somewhat hopefully, that there was some likelihood that this could be reversed. In fact, while the current ICAP market continues to be flawed, in our opinion it is greatly improved from a year ago. Along with others, we have succeeded in making two major changes to the structure of the market. First, ICAP purchases now carry with them some protection against extremely high energy prices. ICAP plants must commit themselves to bidding no more than \$1,000 per MWH (\$1.00 per kilowatt-hour) which (combined with a \$1000 per MWH bid cap for all energy and reserve markets) will prevent a repeat of the \$6,000/MWH peak energy for purchases on the spot market for a few hours on May 8, 2000. Second, the establishment of an ICAP deficiency charge which is approximately half the amount originally proposed by the FERC in

⁷ The Massachusetts A.G. and ISO-NE funded the study. The MPUC was not required to contribute financially.

Electric (Cont.)

December 2000. These changes and an increased supply of new generation sharply reduced the price for a product which now has at least some energy value. While ICAP was selling in the range of approximately \$4.00 per kWh month a year ago, it is now selling for slightly less than \$1.00 per kWh month, a price drop that saves Maine electricity consumers millions of dollars.

5. Load Response Programs

In its Order directing the ISO to improve ICAP, FERC acknowledged the importance of load response programs in providing discipline to competitive markets. The wholesale markets will become more competitive when consumers have the opportunity to decide in real time whether they wish to consume power at the prevailing hourly market prices. Studies have shown that a very small change in the regional load during times of system peak can have a disproportionately large effect on the market price. We are involved in several efforts to develop enhanced load response programs for the new markets. The ISO recently filed an update of its load response activities, noting that a filing extending its current program would soon be made with the FERC and outlining the improvements the ISO hopes to make in these programs. We are working with the ISO and the NEPOOL Markets Committee to suggest improvements to the program. A separate study in which we will participate will examine whether changes to state retail-restructuring programs can facilitate a better demand response program at the wholesale level. Finally, NECPUC staff will review these study findings with an eye toward applying them to their own state programs.

Northern Maine Markets

Many of Northern Maine's electricity customers, as well as some generators and are not connected to the New England control area and are therefore unable to fully participate in the New England markets. Because these customers are part of the Canadian Maritimes control area and participate in a separate Northern Maine Market, they require an Independent System Administrator. The Northern Maine Independent System Administrator (NMISA) was formed in 2000 to administer the Northern Maine Market. Administration of the market requires the NMISA to develop, interpret, and enforce market rules and operating procedures and to supervise the reservation, scheduling, and dispatch of the Northern Maine Transmission system. The smaller size of the Northern Maine Market, combined with the monopoly nature of the Canadian utilities to which it is directly connected, allows the market to operate under a simpler set of rules than those in place in the rest of New England. This simplicity has resulted in relatively problem free operation in this market.

Electric (Cont.)

1. New Brunswick Industry Restructuring

The Province of New Brunswick has decided to open its wholesale market to competition beginning in 2003. Municipal utilities and large industrial consumers will be allowed to seek power from competitive suppliers, and existing prohibitions on the construction of independent power facilities will be eliminated. This action by the Province will influence both the New England and the Northern Maine Markets, and we are following the implementation of the NB Energy policy. When opportunities arise, we are providing Advice that will help the Northern Maine Market, the New Brunswick wholesale market, and the New England market become as closely integrated as possible.

2. East Coast Transmission Organization

Utilities in the Canadian Maritimes would like to liberalize their wholesale markets and export any excess power they may have for sale into either the Northern Maine Market or into the New England market. To do so, they must demonstrate to the FERC that their market is open and develop a Regional Transmission Organization that meets the requirements of FERC Order 2000. Canadian utilities have organized to develop such an organization and are currently discussing how the organization will be structured and governed. We are monitoring this development and will participate in any meetings or open discussions of stakeholders. We will also intervene at the FERC when appropriate.

3. Second Tie Line

The Maine Electric Power Company (MEPCO) line is the only direct electrical connection between New England and the New Brunswick Power Company. The MEPCO line can transport up to 1,000 MW of power from NB into Maine, but is very limited in how much power it can transport from Maine into New Brunswick. Bangor Hydro-Electric Company has petitioned us for a Certificate of Public Convenience and Necessity to build a second transmission line that will allow more power to flow in both directions. In addition to our proceeding, the Board of Environmental Protection will consider the environmental impact of BHE's proposal and the ISO will determine the impact of the proposal on the reliability and transfer capability of the system.

Natural Gas

- Natural gas commodity market prices fell during 2001, decreasing market prices to close to pre-1999 levels
- Distribution of natural gas continued to expand into new territories in Maine with deliveries of natural gas beginning in portions of Bangor, Brewer, Brunswick, New Gloucester, Topsham and Sanford.
- The Commission established and completed its first year of administering a program to prevent damage to underground utilities

Natural Gas Prices

We continue to monitor the changes in gas commodity market prices as well as regional supply and market conditions. This year, market prices have decreased from last year's highs and have stabilized close to pre-1999 levels. The industry does not expect major fluctuations during the upcoming heating season. However, there is a continuing rate effect from last year's price highs. Last winter's gas cost under-collections are reflected in the current winter prices keeping the cost of gas rates to retail customers in some territories higher than one might expect with the current lower commodity costs. If weather and market prices remain within anticipated ranges, rates will more closely match market prices by next season.

The industry reports that gas storage levels going into the current heating season are at an all time high and does not predict any problems with the availability of gas this heating season. This is in part due to the higher stored levels of gas and a decrease in demand due to the current economic downturn.

Gas Utility Company Activity

A. Maine Natural Gas, L.L.C. (formerly CMP Natural Gas, L.L.C.)

During 1999 and 2000, using its authority to enter into contracts that rely on entrepreneurial resources rather than regulatory oversight, Maine Natural Gas contracted with several large customers that serve to "anchor" expansion into new areas. These customers include the Westbrook Energy Center (WEC) gas-fired electric generation facility, Brunswick Naval Air Station (BNAS), and the University of Maine at its Gorham campus. Maine Natural Gas first built facilities to WEC, then to the Gorham campus. In the fall of 2001, the company completed installation of its pipeline system to BNAS to begin service on November 1. The Company continues to work toward expanding service in Windham, Gorham, Brunswick, and other municipalities within the state. One of its next goals is to expand service to the Augusta-Waterville area. There were no rate structure or regulatory changes made to Maine Natural Gas's operations in 2001.

Natural Gas (Cont.)

B. Northern Utilities, Inc.

Unlike the ratemaking procedures of its competitors, Maine Natural Gas and Bangor Gas Company, traditional regulatory processes govern Northern Utility's (Northern's) rates and operations. The rapid increases in gas prices nationwide in 1999 and 2000 required frequent mid-term adjustment of Northern's cost-of-gas factor. The Commission is considering various alternative rate mechanisms that could be implemented by Northern to provide incentives that streamline regulatory processes for gas price adjustments, buffer customers from large market changes, and allow greater competitive flexibility. During 2001, Northern proposed a hedging program for gas supply procurement designed to dampen the effect of market price spikes on consumers. Other options that the Commission may consider include performance-based gas procurement plans.

In November 2000, Northern's ultimate parent corporation, NiSource, Inc., closed its merger with Columbia Energy Group. The integration of these two large corporate families has resulted in management and policy changes and staff cuts at the Northern/Bay State Gas level. The Commission continues to monitor Northern's post-merger operations and revenues to ensure that service to Maine's customers remains safe, adequate and reasonably priced. The Commission declined to initiate a rate case for Northern in 2001 and is monitoring Northern's New Hampshire Division rate case to gather information to assist it in determining whether it should open a rate case in 2002. The Commission will also consider implementing alternative regulatory plans, such as benchmark and performance-based mechanisms, to ensure that Northern meets adequate service standards.

C. Bangor Gas Company, L.L.C.

Bangor Gas Company operates under the alternative rate plan approved by the Commission in 1998, which includes a 10-year distribution rate freeze, a rate cap set initially on a 3-year average of oil prices, indexed rate cap increases, pricing flexibility, and authority to enter into special contracts without prior Commission approval. The rate plan also includes a seasonal cost-of-gas adjustment. To date, Bangor Gas has set its gas commodity price for each winter or summer period based on an average of gas market futures and has purchased gas from its affiliate, Sempra Energy, at market prices. Bangor Gas has made two annual rate cap adjustments, as allowed under its rate plan.

Bangor Gas completed installation of its main pipeline to the Bangor-Brewer area and, with the many miles of pipeline and facilities it had already installed in those municipalities, is poised to greatly expand service. Bangor Gas also serves the Bucksport Energy gas-fired electric generation facility, Georgia Pacific (formerly Fort James Corporation), and the University of Maine at its Orono campus.

Natural Gas (Cont.)

Natural Gas Restructuring

The Commission has taken measured steps toward gas restructuring in Maine, monitoring developments in neighboring New England states and taking actions that suit Maine's market and regulatory environment. While our regulatory actions to restructure gas service have been light-handed compared to actions taken in neighboring New Hampshire and Massachusetts, an informal survey of selected registered Maine gas marketers revealed no pressing matters related to gas competition in Maine that warrant immediate regulatory attention.

In 1999, the Commission approved a comprehensive rate redesign and customer reclassification for Northern Utilities that were necessary to prepare Northern for gas supply competition that is developing in the natural gas industry. In addition, all three gas utilities operating in Maine offer transportation-only ("unbundled") service to all commercial and industrial customers. Customers taking this service must purchase and install telemetering equipment.

At this time, 12 natural gas suppliers have registered to provide service in Maine. Numerous medium and large commercial and industrial customers are taking transportation-only service from their local distribution company, while purchasing gas from competitive suppliers. However, because of the upfront costs of equipment required to provide this service, small commercial customers have not found it economic to participate in the competitive gas supply market. The Commission expects to review this issue during 2002 to determine whether there are ways to reduce market barriers and encourage additional market activity for gas supply.

Regional Activities

This year we continued our participation in the New England Governor's Conference emergency planning efforts being coordinated throughout the region. Our role is to ensure that utilities that are vulnerable to winter fuel shortages or drastic price spikes are adequately prepared so that, to the extent possible, harm and dislocation to Maine's citizens and businesses may be avoided or mitigated.

Pipeline Safety

Distribution of natural gas continued to expand into new territories. During 2001, gas deliveries were initiated in portions of Bangor, Brewer, Brunswick, New Gloucester, Topsham and Sanford.

We inspect and confirm compliance with all state gas safety regulations as new pipelines are being constructed. In addition, the operational and maintenance compliance requirements of each local distribution company are audited.

Natural Gas (Cont.)

For 2002, the gas safety program will continue to inspect new construction, perform compliance audits of jurisdictional liquefied propane gas operations and facilities, review natural gas distribution operations and enforce the damage prevention law.

Damage Prevention

The Commission has established and completed its first year of administering a program to prevent damage to underground utilities. The need for such a program was recognized by the Legislature in 2000. An enforcement program was developed and initiated. There were a total of 225 damage incidents reported during the year. Data from several years must be accumulated before success in reducing damage can be measured.

A key element in preventing damage is the education of excavators, utilities and the public. Each has responsibilities under the damage prevention law. The Commission, recognizing the importance of awareness education, applied for and was granted two federal grants totaling \$197,500 for this purpose. During 2001, informational material was developed and mailings were completed to excavators, public officials and equipment rental agencies. Next year, mailings, print media and radio advertising will inform private landowners.

Telecommunications

- Maine has the highest telephone penetration rate in the country; over 98% of Maine households have a telephone.
- The need for a new area code in Maine has been delayed for at least 10 to 15 years because of MPUC activities and monitoring.
- In-state toll rates continue to fall as the local exchange companies reduce access charges. Also, IXCs are now required to notify customers of rate increases.
- Competition in the toll market continues to be strong, while competitive alternatives for local dial-tone service remain limited.
- All telecommunications providers, including local, long distance, cellular, and paging companies, now fund the Maine School & Library Network. The MSLN will provide significant support for the Governor's "laptop" initiative.
- The Basic Service Calling Area rule will be comprehensively revised to better address the calling area needs of Maine's customers.
- 500 Number Internet access will soon be available statewide, providing everyone in the state with access to a variety of ISPs.

Number Conservation Measures

In recent years, Maine has been at the forefront of national efforts to conserve telephone numbers. Our actions have allowed us to influence national policy by showing that state-adopted conservation measures work. Number pooling and other conservation measures continue to be effective. The North American Numbering Plan Administrator recently estimated that area code 207 would not be exhausted until 2005. We believe that date is very conservative, and our staff calculates that Maine will remain a one area-code state for at least 10 to 15 years, and perhaps beyond that.

Independent Telephone Company (ITC) Rate Cases

The Commission completed rate cases for ten independent phone companies. All of the companies stipulated to decreases in revenue requirements and a reduction in access charges, bringing the Commission closer to the goal of achieving access parity for all telephone companies as required by 35-A M.R.S.A. § 7101-B. Seven of the ten companies received increases in basic rates to effect access rate reductions. By completing the rate cases, the companies became eligible to receive funds from the new State Universal Service Fund (USF). We will use the USF mechanism to allow each company's access rates to be adjusted further downward, so that they will meet the parity

Telecommunications (Cont.)

requirements contained in the access statute. We find that the basic local rates that will result will meet the comparability and affordability standards of State and Federal law.

Pursuant to prior stipulations, all other ITCs reduced their intrastate access rates on May 30, 2001, in order to meet the access parity requirements of Section 7101-B. These companies entered into stipulated agreements during 2000 that required them to reduce their access rates without any mitigating basic rate increases. These companies also have agreed not to file rate cases for various time periods, depending on their projected level of earnings. Some are likely to file for rate increases during 2002.

Intrastate Toll Rates

Reducing intrastate access rates in order to meet the requirements of Section 7101-B lowers one of the important operating costs of interexchange carriers (IXCs). The IXCs should be able to pass those cost reductions along to customers through reduced toll rates. Section 7101-B requires the Commission to monitor the toll market, and if the Commission finds that the market lacks effective competition, it can order reductions in toll rates. The Commission will continue to monitor the toll market to determine if the benefits of effective competition are reaching customers.

The Commission recently began enforcing the provision of 35-A M.R.S.A. § 7307 that requires IXCs to provide customers with adequate written notice of toll rate increases at least 25 days before the increases take effect. Several carriers have pointed out some problems in enforcing the statute, especially in cases where casual users (e.g., pay phones and phones in hotels) are involved. The Commission will soon promulgate a rule that will facilitate our enforcement of the statute.

Verizon Alternative Form of Regulation (AFOR)

Through orders issued by the Commission on May 9, 2001, June 25, 2001, and October 12, 2001, we extended the Verizon AFOR for an additional five years and ordered several significant changes to be made to the pricing rules and service quality index (SQI) mechanism. To offset a portion of the access and toll revenue loss to Verizon caused by the reduction of in-state access rates mandated by 35-A M.R.S.A. § 7101-B, the Commission allowed Verizon to increase its basic exchange rates by \$1.78 per month per access line, with Lifeline rates exempted from the increase.

Under the new AFOR, Verizon generally will not be able to raise rates for basic exchange service (beyond the initial increase of \$1.78), directory assistance or operator service during the term of the plan, subject to the qualification that the Company may seek permission for rate increases for these services under certain circumstances.

Verizon has pricing flexibility for all other retail services, such as toll and optional features, which are marketed as Custom Calling Services and PhoneSmart Services. The

Telecommunications (Cont.)

Commission, however, may open a proceeding to determine if any of the optional services have the characteristics of basic service, i.e., they are used by a substantial number of customers who consider them a necessity and who do not have other ways of obtaining them. If the Commission finds that some or all optional services exhibit these characteristics, the Commission may impose certain pricing or other restrictions on them.

To ensure that ratepayers will actually receive some of the benefits of the toll rate reductions that Verizon asserted would occur, the Commission ordered Verizon to demonstrate that its future toll revenues or its toll rates actually are lowered by \$19.8 million, the minimum toll loss estimated by the Company, within two years from the date of implementation of the new AFOR. The Company must show that its recorded toll revenues actually decrease from its reported 2000 toll revenues, or it must show that any toll rate reductions that it implements produce \$19.8 million less revenue, using billing units from 2000. If Verizon is unable to make the required demonstration within the allowed time period, the Commission may order the Company to reduce certain rates in order to attain the required revenue reduction.

The Commission also made several modifications to the Service Quality Index (SQI) mechanism contained in the Verizon AFOR that set standards for the Company's performance in the areas of customer service, service reliability and customer satisfaction. Based on its experience with the initial SQI, the Commission added six new metrics, changed four others and kept five from the initial AFOR. The SQI in the new AFOR will consist of 15 metrics (compared with 11 in the initial AFOR). The Commission also adjusted several of the metric baselines and increased the amount of the potential annual penalty for which Verizon is at risk should it fail to meet any of the performance standards. The Company also agreed to change its method of operation regarding credits given to customers and to increase customer awareness of credits given to customers who lose their basic service for more than 24 hours. Thus, it will be easier for customers to obtain the credit.

Competition

The Commission has certified over 300 companies to provide in-state toll service and over 50 companies to compete in the local exchange market. While competition has been fairly vigorous in the toll market, and it has produced some activity in the business local exchange market, it is still in its nascent stage in the residential local exchange arena. The Telecommunications Act of 1996 (TelAct) opened the local exchange market to competition, but Maine is typical of the smaller, less densely populated states that have seen little residential local exchange competition.

Two current cases before the Commission will have a significant impact on competitive activity in Maine. The first is the Total Element Long Run Incremental Cost (TELRIC) case. The second round of hearings was held in this case in 2001. The TELRIC

Telecommunications (Cont.)

order will set standard rates for Verizon's Unbundled Network Elements (UNEs), which are pieces of Verizon's network used by Competitive Local Exchange Carriers (CLECs) to provide local exchange service. Verizon must offer UNEs for sale to CLECs pursuant to the Telecommunications Act of 1996. The prices established in the TELRIC order will replace the current prices, which were set through negotiated agreements, and may provide more accurate pricing signals to the competitive market.

Second, following a filing by Verizon on October 18, 2001, the Commission opened an Inquiry regarding the entry of Verizon Maine into the interLATA (toll) market pursuant to Section 271 of the Telecommunications Act of 1996 (TelAct). The TelAct requires the Commissions to evaluate whether Verizon has met a 14-point competitive checklist designed to ensure that Verizon has fully opened its local exchange market to competition and to report its findings to the FCC. Currently, the Commission is reviewing Verizon's October 18th filing and preparing to make comments to the FCC in early 2002 on Verizon Maine's success at satisfying the 14-point checklist required by the TelAct to allow the Company to enter the interstate long distance market for traffic originating in Maine.

Prior to Verizon's formal section 271 filing, the Commission had taken several steps to ensure that Verizon is meeting its competitive obligations. First, the Commission investigated the measures (or metrics) used to evaluate whether Verizon provides the same level of service to competitive carriers that it provides to itself. The Commission also reviewed a Performance Assurance Plan that is used to ensure that once Verizon enters the long distance market, it continues to meet its competitive requirements under the TelAct. Second, throughout this past year, staff has facilitated meetings between the competitive carriers and Verizon in an effort to resolve service issues between them quickly and informally. These meetings have proven successful to date, resolving several concerns and creating more understanding of the dynamics of the competitive telecommunications market for both sides. This is an ongoing process and periodic meetings will continue.

Basic Service Calling Area (BSCA) Rulemaking

Concerned that the current Chapter 204 does not sufficiently address the expanding calling area needs of local telephone customers, the Commission initiated a public inquiry into basic service calling area issues. The Notice of Inquiry (NOI) identified four categories of calling area problems not sufficiently remedied by the existing rule, including the problem of single exchange calling areas. Four exchanges, Liberty, Palermo, Washington and West Enfield, raised that particular concern, because they have split communities of interest, no optional calling plans (which would provide some relief), and likely would not meet Chapter 204's requirements for an expanded BSCA.

In response to this concern and pursuant 35-A M.R.S.A. § 7303-A, as adopted by P.L. 2001, Ch. 106, the Commission amended Chapter 204 to include additional waiver provisions for customers in single exchange areas and set standards for expanding single

Telecommunications (Cont.)

exchange BSCA's in response to customer requested waivers. While these changes to Chapter 204 may provide some relief for customers who pursue a waiver under the rule, based on comments received in the inquiry and through public hearings held in 2001, the Commission believes that additional measures may be necessary to address other significant calling area problems. In this regard, the Commission continues to examine proposed solutions to basic service calling area problems and anticipates making comprehensive changes to the rule in a Notice of Rulemaking that was issued in early 2002.

In addition to the generic proceedings, the Commission also expanded the calling area of five exchanges that applied for relief under the BSCA waiver rule. Four single exchange calling areas were expanded to include their largest community of interest, and Old Orchard Beach residents now have the option of adding Portland to their premium service area for an increased monthly surcharge.

Telecommunications Education Access Fund (TEAF)

This year the funding mechanism of the Maine School and Library Network (MSLN) was changed to the Maine TEAF. Previously, Verizon provided funding, but that arrangement expired with the previous AFOR in June 2001. At that time, the MSLN entered its second phase. The most important change is that the MTEAF funds will now be generated by a 0.5% surcharge on all in-state telecommunications services, including those services provided by ILECs, CLECs, wireless carriers and paging providers. This change will spread responsibility for funding educational access to all in-state telecommunications services, instead of imposing it solely on Verizon customers. The second aspect of Phase II provides that 25% of the money from the fund must be used for innovative and technologically advanced projects (per 35-A M.R.S.A. § 7104-B).

The MSLN also supports Governor King's laptop program. Up to \$9 million in funding over four years will be used for internal school networks and to increase the bandwidth of the existing external network to allow the anticipated one-to-one student to device development. The provision of e-mail accounts for students and access to Internet content filters can be provided at little, if any, additional cost. For schools that allow home access, MTEAF will provide a dial-in connection to the network. Finally, the MTEAF will support the level of bandwidth necessary to connect all schools with 7th and 8th graders.

State Universal Service Fund (USF)

The Commission began to develop a State USF several years ago, and in 2001 adopted a rule to implement it. The USF provides support to Maine's rural LECs that cannot achieve their overall revenue requirements (as determined by the Commission in rate case proceedings) and still maintain their local exchange rates at levels deemed affordable and comparable. The Commission determined that those standards are met by setting the rural LECs local rates to levels no higher than the rates charged in comparably-sized Verizon exchanges. Those companies must also set their intrastate access rates in accordance

Telecommunications (Cont.)

with the provisions of 35-A M.R.S.A. §7101-B. All rural ILECs are eligible to receive support from the USF, and facilities-based competitive LECs that serve rural areas may receive support if the Commission determines that the CLEC is an eligible telecommunications carrier (ETC), that the rural exemption should be lifted and that the CLEC can demonstrate a need for the funding.

We excluded Verizon from eligibility for support from the USF because the rule establishes Verizon's rates for each of its rate classes as the benchmark for determining reasonable, affordable and comparable rates for the rural carriers. The Commission recently extended the Alternative Form of Regulation (AFOR) for Verizon for an additional five years and concluded that Verizon has demonstrated the ability to maintain reasonable and affordable rates for customers in all of its exchanges without need for state USF support.

We are evaluating bids for an appropriate Fund Administrator, and we will implement the provisions of the rule as soon as one is in place. Those companies that have recently completed their required rate cases will be immediately eligible to apply for USF support.

500 Service

500 Service is a statewide service offered by Verizon that provides toll-free Internet access to customers of Internet Service Providers by providing a 500 number for customers to call. In 2001, the Commission made progress towards making 500 service available in all areas of the state, including the service territories of the Independent Telephone Companies. The service is currently available in Verizon service territory, and a schedule has been established for availability in nearly all of the independent companies' territories by early 2002. The technical details of providing the service to customers of the Independent companies were separated from the compensation issues, and that allowed the statewide implementation to move forward. The compensation dispute is currently before the Commission for resolution, but all customers throughout Maine will be able to benefit from the service soon.

Eastbrook Service Issues

The Commission received a 10-person complaint from the residents of Eastbrook describing numerous service quality problems with their Verizon telephone service. Our staff did a preliminary investigation and discovered many of the residents were experiencing repeated problems such as no dial tone and poor connections. A Commissioner Diamond, PUC Staff members, the OPA, and many of the residents of Eastbrook attended a public hearing held in September. At the hearing, Verizon agreed to a plan of action to alleviate the problems customers were experiencing with their service. The Commission will continue to monitor the situation and to follow up on any lingering service issues.

Telecommunications (Cont.)

Activities at the Federal Level

Chairman Welch serves as the State Commissioner Chairman of the Federal-State Joint Board on Separations established by the Federal Communications Commission (FCC). The 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 by millions of dollars the level of rates needed in Maine. Recently the Joint Board's activities have focused on ensuring that new uses of the network, including the Internet, do not create revenue requirement shifts that would adversely affect state ratepayers. Last year, as recommended, the Joint Board and the FCC "froze" the allocation factors for the next five years. The FCC also sought comment on the State Joint Board Commissioners' "white paper" discussing the future of the separations process.

We have 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 (USF) fund be established that is sufficient in size to allow rates in rural Maine to be comparable with rates in urban areas of the United States. We have taken a leading role in developing a plan that we believe accomplishes that objective. We have also urged the FCC to adopt integrated plans for both rural and non-rural local exchange carriers.

The Commission has completed a collaborative process to distribute USF money provided by the FCC in a manner that will allow the Commission to provide the required certification to the FCC. For Verizon, the money will be used to replace support that is currently implicit in the rates established by the Commission. For other local exchange carriers, the money will be used to provide support for affordable and comparable rates. The Commission submitted the required certification for rural and non-rural companies on September 14, 2001.

Water

- Commission allowed rate changes for two investor-owned water utilities, two municipal water departments, and 15 water districts.
- Commission continues to work with regulated water utilities to define the best approach to regulating these utilities.
- Three water utilities changed ownership during 2001. The Alfred Water District acquired the Alfred Water Company, the Farmington Falls Water District acquired the Farmington Falls Water Company, and the Town of Bar Harbor purchased the stock of the Bar Harbor Water Company. The Bar Harbor Water Company will become the Town of Bar Harbor Water Department in 2002.

During 2001, the Commission continued to offer staff-assisted rate cases for small water utilities lacking the expertise or funds to prepare a rate case. While several water utilities were provided with assistance, the assistance requests this year were for guidance rather than staff preparation of the documents for filing. The staff continued to assist employees of the Maine Rural Water Association working with small water utilities on rate, revenue requirement, main extension and service line issues. Commission Staff also provided assistance to utilities, representatives of municipal governments, customers, and the general public in response to telephone inquiries.

Commission staff maintains contact with staff of the Department of Defense, Veterans, and Emergency Management to advise the Department of water supply emergencies and water shortages. Most of the State has experienced drought conditions during 2001. We will continue to monitor the water supply status of water utilities until the drought ends. The water utilities have been asked to notify their customers of any water supply limitations and to implement conservation measures when necessary and only if they will produce beneficial results.

Commission staff continued to attend meetings of the work group that is assisting in the development of the MDOT Utility Accommodation Manual. Several meetings were held during 2001 and the Manual is now in the rulemaking process.

Finally, the Commission continues to work with the water utility industry in determining the regulatory approach most appropriate for the industry. While many of the larger utilities prefer a "local control" model, some smaller utilities are concerned about the loss of Commission oversight.

Water (Cont.)

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 2000

Docket No.	Utility Name	Date Filed	Utility Proposed Revenue	Commission Allowed Revenues	Allowed Increase	%Increase Allowed	Effective Date
2000-536	Wiscasset Water District***	8/14/00	\$256,763	\$256,763	\$(14,591)	-5.38%	10/01/00

***FAILED DUE TO PROCEDURAL ERRORS BY DISTRICT

MUNICIPAL & QUASI-MUNICIPAL WATER UTILITIES
RATE CASES PURSUANT TO SECTION 6104
COMPLETED IN 2000

Docket No.	Utility Name	Utility Proposed Revenue	Increase Over Prior Year	% Increase Over Prior Year	Effective
=	=	=	=	=	=
99-779	BETHEL WATER DISTRICT	\$225,115	\$44,216	24.44%	04/01/00
99-875	PASSAMAQUODDY WATER DISTRICT	\$631,205	\$99,247	18.66%	03/01/00
00-049	MT. BLUE STANDARD WATER DISTRICT	\$111,335	\$52,878	90.46%	4/9 & 10/1/00
00-138	LIMESTONE WATER & SEWER DISTRICT	\$211,660	\$78,638	59.12%	05/03/00
00-559	BOOTHBAY HARBOR WATER SYSTEM	\$1,305,068	\$186,145	16.64%	04/01/01
00-668	EAST BOOTHBAY WATER DISTRICT	\$216,162	\$38,524	21.69%	01/01/01
00-724	EUSTIS WATER DEPARTMENT	\$107,390	\$53,182	98.11%	01/01/01
00-828	RUMFORD WATER DISTRICT	\$867,673	\$169,651	24.30%	01/01/01
00-832	BRIDGTON WATER DISTRICT	\$378,000	\$78,219	26.09%	01/01/01
00-851	LINCOLN WATER DISTRICT	\$460,227	\$88,281	23.73%	07/01/01
00-871	FORT FAIRFIELD UTILITIES DISTRICT	\$343,314	\$85,988	33.42%	01/01/01
00-879	PORT CLYDE WATER DISTRICT	\$46,219	\$13,107	39.58%	01/01/01

Water (Cont.)

INVESTOR OWNED WATER UTILITIES AND WATER DISTRICT
RATE CASES PURSUANT TO SECTION 307
COMPLETED IN 2000

Docket No.	Utility Name	Date Filed	Utility Proposed Revenue	Commission Allowed Revenue	Allowed Increase	% increase Allowed	Effective Date	Test Year Return*	Utility Requested Return	Commission Allowed Return
2000-234	ANDOVER WATER DISTRICT	03/09/00	\$88,657	\$83,470.00	\$26,098.00	45.71%	07/01/00	N/A	N/A	N/A
2000-096	CONSUMERS ME. WATER CO. – MILLINOCKET	02/04/00	\$1,262,850	\$1,223,680.00	\$50,593.00	4.31%	09/19/00	8.76%	10.14%	9.640%
2000-175	CONSUMERS ME. WATER CO. - CAMDEN/ROCKLAND	02/29/00	\$3,958,535	\$3,836,611.00	\$97,814.00	2.62%	09/19/00	9.17%	10.14%	9.640%
2000-553	ELLSWORTH WATER DEPARTMENT	06/27/00	\$822,654	\$822,654.00	(\$3,856.00)	-0.40%	07/17/00	N/A	N/A	N/A
2000-306	PORTLAND WATER DISTRICT	03/31/00	\$17,273,290	\$17,273,290.00	(\$386,780.00)	-2.19%	05/01/00	N/A	N/A	N/A
2000-860	FRYEBURG WATER COMPANY	10/16/00	\$282,988	\$282,988.00	\$47,599.00	20.22%	01/01/01	6.96%	9.06%	9.060%

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

Water (Cont.)

MUNICIPAL & QUASI-MUNICIPAL WATER UTILITIES				04-Jan-02	
RATE CASES PURSUANT TO SECTION 6104					
COMPLETED IN 2001					
Docket No.	Utility Name	Utility Proposed Revenue	Increase Over Prior Year	% Increase Over Prior Year	Effective
=	=	=	=	=	=
00-919	MADAWASKA WATER DISTRICT	\$734,390	\$91,489	14.23%	01/22/01
01-039	ANSON WATER DISTRICT	\$345,233	\$84,451	32.38%	02/28/01
01-055	SEARSPORT WATER DISTRICT	\$528,866	\$49,802	10.40%	03/01/01
01-244	WINTERPORT WATER DISTRICT	\$147,994	\$37,548	34.00%	07/01/01
01-298	BANGOR WATER DISTRICT	\$4,192,898	\$605,513	16.88%	07/13/01
01-306	SABATTUS SANITARY DISTRICT	\$152,653	\$57,415	60.29%	07/16/01
01-336	LEWISTON WATER DEPARTMENT	\$2,673,171	\$403,024	17.75%	08/01/01
01-359	GREAT SALT BAY SANITARY DISTRICT	\$412,858	\$108,816	35.79%	09/01/01
01-366	SOUTH BERWICK WATER DISTRICT	\$728,470	\$193,015	36.05%	09/01/01
01-636	LIVERMORE FALLS WATER DISTRICT	\$861,158	\$188,388	28.00%	12/01/01
01-642	AUBURN WATER DISTRICT	\$2,491,522	\$381,703	18.09%	01/01/02
01-653	BREWER WATER DISTRICT	\$2,167,132	\$284,580	15.12%	12/01/01
01-667	GRAND ISLE WATER DEPARTMENT	\$64,124	\$15,446	31.73%	01/01/02
01-709	NEWPORT WATER DISTRICT	\$490,397	\$120,029	32.41%	09/01/02
01-729	BELFAST WATER DISTRICT	\$961,334	\$163,245	20.45%	01/01/02

Water (Cont.)

MUNICIPAL & QUASI-MUNICIPAL WATER UTILITIES		04-Jan-02			
RATE CASES PURSUANT TO SECTION 6104					
COMPLETED IN 2001					
	Utility	Increase	%		
Docket No.	Utility Name	Proposed	Over	Increase Over	
		Revenue	Prior Year	Prior Year	Effective
=	=	=	=	=	=
00-919	MADAWASKA WATER DISTRICT	\$734,390	\$91,489	14.23%	01/22/01
01-039	ANSON WATER DISTRICT	\$345,233	\$84,451	32.38%	02/28/01
01-055	SEARSPORT WATER DISTRICT	\$528,866	\$49,802	10.40%	03/01/01
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01-642	AUBURN WATER DISTRICT	\$2,491,522	\$381,703	18.09%	01/01/02
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01-729	BELFAST WATER DISTRICT	\$961,334	\$163,245	20.45%	01/01/02

Summary of Laws

ENACTED IN THE 1ST SESSION OF THE 120TH LEGISLATURE

LD	SUMMARY	AMEND 35-A	CHAPTER NO.	EFFECTIVE DATE
	Electricity			
87	Requires DEP to maintain a voluntary registry of greenhouse gas emissions and reductions.		Resolve 2001, ch. 3	9/21/01
288	Establishes requirements to be followed by a private owner of an electrical line on a public way.	§2305-B	PL 2001, ch. 110	5/9/01
495	Requires the PUC to support regional rules that encourage generation from renewables and cogeneration.	§3302-1, 2 & 3	PL 2001, ch. 76	9/21/01
910	Requires PUC to set rules governing electric line construction by private contractors. Rule will cover construction standards, transferral of ownership to utility, qualifications of contractor, and cost apportionment.	§314	PL 2001, ch. 201	9/21/01
932	Authorizes the Maine State Housing Authority to administer Maine's electric low-income assistance programs.		PL 2001, ch. 257	9/21/01
	Natural Gas			
662	Allows a gas utility to expand into a municipality not being served by another gas utility, without PUC approval, if the gas utility is already serving customers in Maine.	§2104	PL 2001, ch. 124	9/21/01

Summary Of Commission Rulemakings For 2000

Chapter 22, Retroactive Telephone Inter-Company Settlements (Repealed, effective 10/03/01)

This rule was repealed because settlements are no longer in use.

Chapter 140, Utility Service Area and Infrastructure Maps (Effective 10/29/01)

This rule requires certain public utilities to develop, maintain, and file with the Commission maps of their service area and key infrastructure. This rule further establishes standards for the content and format of those maps.

Chapter 204, Basic-Service Calling Area (Amended rule effective 10/04/01)

This rule establishes the criteria and the procedures that the Commission, Local Exchange Carriers and others who provide telephone service in Maine, will follow to establish and change basic-service calling areas. The amendment provides an additional waiver mechanism as required by recent amendments to 35-A M.R.S.A. § 7303-A.

Chapter 288, High Cost Universal Service Fund (Effective 7/29/01)

This rule provides for “high cost” support for those local exchange telephone companies that are not able to maintain affordable and reasonably comparable local service rates without that support. The rule assesses the intrastate retail service revenues of all telecommunications providers.

Chapter 301, Standard Offer Service (Amended rule effective 2/3/01)

This amended rule changes the opt-out provisions of the rule and replaces an emergency rule adopted by orders issued on November 3 and 7, 2000.

Chapter 314, Statewide Low Income Assistance Plan (Effective 8/14/01)

This Chapter establishes the standard design, as well as the administration and funding criteria for a Statewide Low-Income Assistance Plan to assist qualified low-income customers pay their electric bills.

Chapter 340, Fuel Adjustment For Electric Utilities (Repealed, effective 8/19/01)

This rule was repealed as the Legislature has repealed the statutory authority for electric utilities to use fuel clause adjustments.

Summary of Commission Rulemakings for 2001 (Cont.)

Chapter 341, Fuel Cost Adjustment for Small Electric Utilities (Repealed, effective 8/19/01)

This rule was repealed as the Legislature has repealed statutory authority for electric utilities to use fuel clause adjustments.

Chapter 910, Safety of Overhead Utility Lines Crossing Water and Adjacent Areas Suitable for Rigging, Launching, and Operating Boats (effective 9/19/01)

This rule was amended to reflect certain changes in the National Electrical Safety Code and statutory changes in 35-A M.R.S.A. § 2305-A.

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 principal sources of funding in FY2001, a Regulatory Fund of \$4,918,000 as authorized by 35 M.R.S.A. Section 116, and a balance forward of \$1,315,314 pursuant to PL Chapter 136, 2001 which allows any accumulated unencumbered balance from FY2001 and FY 2002 be used during FY2002 and FY2003. Unspent money from FY2003 will be returned to ratepayers in the form of a reduced assessment of utility revenues.

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 FY2001.

1. A. Fiscal Year 2001

In FY2001, the Commission spent approximately \$5.01 million, regulating 552 utilities with gross revenues exceeding \$1.84 billion. Attachment 1 summarizes Regulatory Fund activity and activity in other funds administered by the Commission. Attachment 2 details FY2001 expenditures by line item.

B. Regulatory Fund

The authorized Regulatory Fund assessment for FY2001 was \$4,918,000. In addition to the assessment, an unencumbered balance of \$1,315,314 and encumbrances of \$191,370 were brought forward from FY2000. The Commission spent \$5,014,143. Expenditure details are presented in Attachment 2. An encumbered balance of \$229,057 and \$500,000 from the unencumbered balance of \$1,217,855 was brought forward to FY2002 as authorized by Financial Order. The encumbered balances generally represent ongoing contracts for consulting services.

C. Filing Fees

In FY2001 the Commission received \$4,550 in filing fees for a total of \$9,142 and spent \$0.

D. Miscellaneous Reimbursements

Miscellaneous reimbursements consist of funds received for copies of documents such as monthly dockets, agenda and decisions and for other

Fiscal Information (Cont.)

miscellaneous items. \$2,070 was brought forward from FY2000. An additional \$3,609 was received during FY2001. \$4,902 was expended and an unencumbered balance of \$777 was brought forward to be expended during FY2002. In FY2001, 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.

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 FY1998, \$600,000 for FY1999, \$600,000 for FY2000 and a final \$200,000 for FY2001. 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.

- F. During FY2000 the Commission received a grant of \$36,400 from the Office of Pipeline Safety, US Department of Transportation to fund Dig Safe Rulemaking and Enforcement. \$32,300 was spent during FY2001.
- G. During FY2001 the Commission received a Dig Safe Public Education Grant in the amount of \$47,500 to develop and implement a targeted education campaign reaching excavators, designers, public works officials & others involved in excavation. Expenditures made during FY2002 will be reported in the FY2002 annual report.

2. Fiscal Year 2001

Attachment 3 details the Commission's FY2002 Regulatory Fund budget. Encumbered and unencumbered balances brought forward from FY2001 are included. The right hand column represents the total funds available to the Commission in FY2002 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 FY2001. Column 2 contains the FY2002 expenditure plan. Column 3 contains the FY2003 proposed 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

Fiscal Information (Cont.)

percentage of the revenues reported by Transmission & Distribution companies will produce \$3,370,000 as authorized by statute. Calculations are also made to determine what percentage of the revenues reported by other utilities will produce \$1,548,000. The factors derived that will raise the authorized amounts are 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.

Pursuant to Chapter 136, PL 2001, 35-A M.R.S.A. is modified and the Transmission and Distribution assessment is increased to \$3,588,000 during FY02 and to \$3,772,000 during FY03 and will revert to \$3,370,000 thereafter. The assessment on all other utilities is increased to \$1,648,000 during FY02 and to \$1,733,000 during FY03 and will revert to \$1,548,000 thereafter.

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 FY2000 no management audits were ordered by the Commission

Fiscal Information (Cont.)

PL 1999 C. 398 provides for assessing \$3,370,000 against Transmission & Distribution Revenues and \$1,548,000 assessed against the remaining utilities.

01/23/02

Attachment 1

PUC FUND ACTIVITY BY ACCOUNT FOR FY 2001

ACCOUNT NAME **AMOUNT**

- - - - -

PUC REGULATORY FUND

UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY 2000	1,315,314
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY 2000	191,370
FUNDS RECEIVED DURING FY 2001	4,954,371
LESS EXPENDED DURING FY 2001	-5,014,143
ENCUMBERED BALANCE BROUGHT FORWARD TO FY 2002	-229,057
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 2002	1,217,855

REIMBURSEMENT FUND

FILING FEES

UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY 2000	4,592
ENCUMBERANCES BROUGHT FORWARD FROM FY 2000	0
FUNDS RECEIVED DURING FY 2001	4,550
LESS EXPENDED DURING FY 2001	0
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 2002	9,142

MISC. REIMBURSEMENTS

UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY 2000	2,070
FUNDS RECEIVED DURING FY 2001	3,609
LESS EXPENDED DURING FY 2001	-4,902
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 2002	777

PUC CONSUMER EDUCATION FUND

BALANCE FORWARD FROM FY 2000	277,430
FUNDS RECEIVED DURING FY 2001	200,000
LESS EXPENDED DURING FY 2001	-58,640
ENCUMBERED BALANCE BROUGHT FORWARD TO FY 2002	-98,001
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 2002	320,789

PUC DIG SAFE GRANT

BALANCE FORWARD FROM FY 2000	35,294
DIG SAFE GRANT - FUNDS RECEIVED DURING FY2001	609
LESS EXPENDED DURING FY 2001	-32,300
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 2002	3,603

PUC DIG SAFE GRANT

FUNDS RECEIVED DURING FY 2001	47,500
LESS EXPENDED DURING FY 2001	0
ENCUMBERED BALANCE BROUGHT FORWARD TO FY 2002	47,500
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 2002	225

Fiscal Information (Cont.)

01/23/02

Attachment 2

PUC BUDGET IN PERSPECTIVE

	FY2001 ACTUAL EXPENDITURES	FY2002 APPROVED BUDGET	FY2003 APPROVED BUDGET
REGULATORY FUND			
POSITIONS	(64)	(64)	(63)
PERSONAL SERVICES	3,998,936	4,450,296	4,697,670
CONSULTANTS	372,375	754,057 #1	25,000
ALL OTHER	642,832	760,458 #2	782,260
CAPITAL	0	0	0
TOTAL	5,014,143	5,964,811	5,504,930
RESOURCES			
ASSESSMENT AUTHORITY		5,236,000	5,505,000
UNENCUMBERED BALANCE FORWARD		500,000 #1	
ENCUMBERED BALANCES FORWARD		229,057 #1	
REGULATORY FUND RESOURCES		5,965,057	5,505,000
REIMBURSEMENT FUND			
FILING FEES	0	50,000	50,000
MISC. REIMBURSEMENT	0	15,000	15,000
PUC CONSUMER EDUCATION FUND			
ALL OTHER	58,640	418,790	0
DIG SAFE GRANT	32,300	3,603	0
DIG SAFE EDUCATION GRANT	0	47,500 #3	
TOTAL	5,105,083	6,499,704	5,569,930

#1 Encumbered Balance of \$229,057 and unencumbered balance forward from FY2001 of \$500,000; pursuant to Chapter 136 PL, 2001, all balance forward is made available to FY2002 and FY2003.

#2 Encumbered Balance of \$98,001 brought forward from FY2001

#3 Dig Safe grant of \$47,500 received during FY2001 will be used up during FY2002.

Fiscal Information (Cont.)

Attachment 3

01/23/02

2000

FY 2002 BUDGET & ADJUSTMENTS

	BUDGET	ADJUSTMT		ADJUSTED BUDGET
REGULATORY FUND				
POSITIONS	(64)	(0)		(64)
PERSONAL SERVICES	4,450,296	0		4,450,296
CONSULTING	25,000	729,057	*1	754,057
ALL OTHER	760,458	0		760,458
CAPITAL	0	0		0
	-	-		-
TOTAL	5,235,754	729,057		5,964,811
REIMBURSEMENT FUND				
FILING FEES	50,000	0		50,000
MISC. REIMBURSEMENT	15,000	0		15,000
PUC CONSUMER EDUCATION FUND				
	0	418,790	*2	418,790
PUC DIG SAFE GRANT				
	0	3,603	*3	3,603
PUC DIG SAFE EDUCATION GRANT				
	0	47,500	*4	47,500
-	-	-		-
GRAND TOTAL	5,300,754	1,198,950		6,499,704

*1 Includes Encumbered Bal. fwd of \$229,057 and \$500,000 from Bal Fwd via Financial Order

*2 Encumbered balance forward of \$98,011 and unencumbered balance of \$320,789 brt fwd.

*3 Unencumbered balance of \$3,603 brt fwd to FY 2002.

*4 Encumbered balance of \$47,275 and unencumbered balance of \$225 brt fwd.

Fiscal Information (Cont.)

Attachment 4

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		35,354,982		1,731,684,201	0.2838%	4,918,000	4,918,000
			92,952,562		2,259,826				
	1,144,803,899						0.0524%	600,000	600,000
FY01	1,181,804,581						0.28516%	3,370,000	3,370,000#
		521,331,046	95,682,346	36,311,777	3,123,023		0.23581%	1,548,000	1,548,000#
	1,181,804,581					1,838,252,773	0.16923%	200,000	200,000

Past Commissioners



1915 - 2001

* 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			

Maine Public Utilities Commission Staff

Abbott, Jean - TA Division Secretary	7-1364	Nugent, William - Commissioner	7-3831
Austin, Thomas - Utility Analyst	7-5901	Paul, Jennifer - Sr. Adm. Secretary	7-1360
Ballou, Peter - Sr Staff Attorney	7-1388	Peaslee, Laurel - Sr. Legal Secretary	7-1386
Bergeron, Denis - Sr. Utility Analyst	7-1366	Pepper, Jenn - Librarian II	7-1560
Bero, Betty - Sr. CAD Specialist	7-3831	Plante, Lorry - Legal Secretary	7-1566
Berube, Cheryl - Clerk III	7-1352	Poetzsch, Kathy - CAD Secretary	7-8328
Bragdon, Trina - Staff Attorney	7-1392	Porter, Pamela - CAD Specialist	7-3831
Broad, Mary - Clerk of the Commission	7-1396	Robichaud, Ray - Assist Admin Director	7-1357
Buckley, James - Special Counsel/ER	7-1387	Shifman, Joel - Sr. Utility Analyst	7-1381
Cohen, Chuck - Sr. Staff Attorney	7-1394	Smith, Lucretia - Utility Analyst	7-1383
Cowie, Doug - Sr. Utility Analyst	7-1369	Soldano, Rick - CAD Specialist	7-1595
Cyr, Paula - Clerk III	7-6074	Solnitz, Ann - Computer System Mgr	7-8519
Davidson, Derek - Director CAD	7-1596	Spelke, Amy - Utility Analyst	7-5945
Deforge, Dan - Info Sys Support Spec	7-2999	Steneck, Joanne - Sr Staff Attorney	7-1390
Diamond, Stephen - Commissioner	7-3831	Stratton, Mary - CAD Specialist	7-3831
Dunn, Steve - Sr. CAD Specialist	7-3831	Sukaskas, Joe - Utility Analyst	7-1375
Farmer, Gary - Gas Pipeline Specialist	7-1385	Tannenbaum, Mitch - Acting General Counsel	7-1391
Fink, Lisa - Staff Attorney	7-1389	Thayer, Matt - Dir of Consumer Ed	7-1594
French, Tammy - Sr. Legal Secretary	7-6075	Tibbetts, Marilyn - Accountant II	7-1358
Haefele, Julie - CAD Specialist	7-3831	Welch, Thomas - Chairman	7-3831
Hammond, Ray - Utility Analyst	7-1368		
Hanson, Belinda - ISS Technician	7-1356		
Hills, Judy - CAD Supervisor	7-3831		
Huntington, Faith - Acting Director TA	7-1373		
INFORMATION RESOURCE CENTER	7-1560		
James, Mary - Assist CAD Director	7-3831		
Kania, Rich - Acting Director Finance	7-1379		
Keschl, Dennis - Administrative Director	7-1353	FAX	7-1039
Kivela, Richard - Utility Analyst	7-1562	Relay for Deaf	1-800-457-1220
Lindley, Phil - Utility Analyst	7-1598	CAD Hotline	1-800-452-4699
Mace, Shannon - CAD Specialist	7-3831		
MacLennan, Carol - Staff Attorney	7-1393		
McLaughlin, Marjorie - Utility Analyst	7-1365		
Monroe, Angela - Utility Analyst	7-1397		
Nason, Sarah - Sr Legal Secretary	7-1384		

**For all staff phone lines Prefix 7 = 287
The area code for Maine is (207)**

Website

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

Acronyms

AFOR	Alternative Form of Regulation	NEB	Canadian National Energy Board
ASGA	Asset Sale Gain Account	NECPUC	New England Conference of Public Utility Commissioners
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	Maine Public Utilities Commission
FERC	Federal Energy Regulatory Commission	QF	Qualifying Facility
FY	Fiscal Year	RFB	Request For Bid
HEAP	Home Energy Assistance Program	RFP	Request for Proposal
ISO	Independent System Operator	RTO	Regional Transmission Organization
IXC	Interexchange Carriers	SEPC	Staff Energy Policy Committee
LD	Legislative Document	SQI	Service Quality Index
LDC	Local Distribution Company	SSI	Social Security Income
LIAP	Low Income Assistance Program	TA	Technical Analysis
LIHEAP	Low Income Home Energy Assistance Program	TANF	Temporary Assistance For Needy
LNG	Liquefied Natural Gas	T&D	Transmission and Distribution
MHSA or MSHA	Maine State Housing Authority	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 major cost component of toll rates.
- ✿ **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.
- ✿ **All-In Rate:** The total price for electricity, including generation and delivery (transmission & distribution service).
- ✿ **Bill Unbundling (Itemized Billing):** The separation of Electricity Supply charges from Delivery Service charges on Maine consumers' electric bills beginning in January 1999.
- ✿ **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 consumer's bill for services that were either never provided or for services that the customer did not register for (see also Slamming).
- ✿ **Customer Classes for Electricity Consumers:** Residential/small non-residential; Medium non-residential; Large non-residential. Non-residential class determined by customer's kW demand peak.
- ✿ **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, provided 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:** A monopoly utility that, until March 2000, provided both Electricity Supply and Delivery Service. In March 2000, Electric Utilities became Distribution Companies.

Glossary (Cont.)

- ✿ **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.
- ✿ **Green Power:** Power generated from renewable energy sources, such as wind and solar power, geothermal, hydropower and various forms of biomass.
- ✿ **Independent Telephone Company:** This term is often used to refer to all incumbent local exchange carriers companies other than Verizon - Maine. 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 is presubscribed for local, intrastate, interstate, or international telecommunications service.

Glossary (Cont.)

- ✿ **Qualifying Facility:** A small power production or cogeneration facility which meets the Federal Energy Regulatory Commission's ownership and technical requirements is a qualifying facility.
- ✿ **RBOC:** An acronym for Regional Bell Operating Company. In Maine's case, the incumbent RBOC is Verizon - Maine.
- ✿ **Renewable Energy:** Energy from fuel cells, tidal power, solar energy, wind power, geothermal power, hydroelectric energy, biomass and municipal solid waste.
- ✿ **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:** 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 pursuant to 32-A M.R.S.A. § 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:** The principle that all Americans should be able to 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 2001 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		Acronyms		Public Access	
Electric		Consumer Assistance		Glossary	
Water		Maine Commission			
Natural Gas		Rulemakings			
Telephone List		Summary of Laws			
Map Location		Fiscal Information			

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

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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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

This Annual Report was published by the Maine Public Utilities Commission.
This publication is printed under appropriation # 014-65A-0184-01.