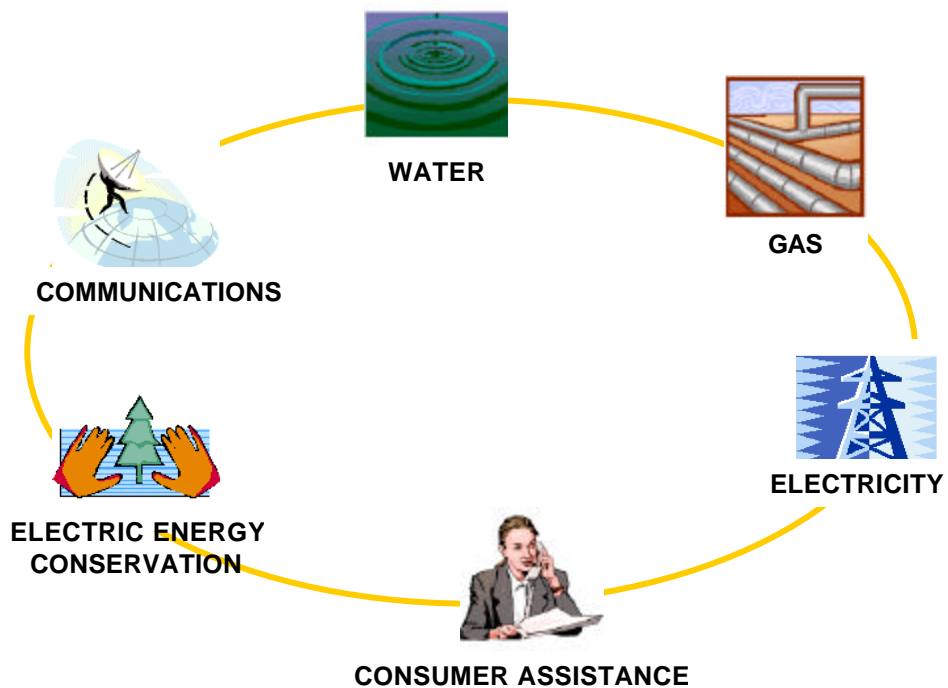


# STATE OF MAINE PUBLIC UTILITIES COMMISSION



2002 Annual Report  
**Submitted**  
**February 1, 2003**



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

February 1, 2003

During 2002 the Commission launched two new programs (electric energy conservation and propane safety) and took important steps to enhance our competitive markets in electricity, telecom and natural gas. We also continued to share important utility-related information with the public with a new, award-winning Dig Safe public awareness campaign.

**Commissioners**

Thomas L. Welch  
Chairman

We developed our electric energy conservation program in response to legislation requiring us to assume responsibility for efficiency programs run by Maine's electric utilities. We solicited extensive public input, and selected a number of interim programs, some of which are already in operation.

William. M. Nugent  
Commissioner

Our propane system safety inspection program will ensure that all propane distribution facilities comply with Maine law. During the year we inspected all registered, multi-party facilities and, where deficiencies were found, we ordered important safety improvements.

Stephen L. Diamond  
Commissioner

Maine's competitive electric market remains among the most developed in the nation, with one-third of load now served by competitive providers. Standard offer bidding for 2002 led to lower standard offer prices for many consumers, which while good news for many, led to a drop in the load served by competitors, as some consumers switched back to standard offer as contracts ended. We address this dynamic in our standard offer study, in which we provide recommendations to the Legislature for standard offer beginning in 2005. In addition, in actions before ISO New England and the Federal Energy Regulatory Commission (FERC), we focused on improving the regional wholesale market.

**Division Directors**

Faith Huntington  
(Acting)  
Technical Analysis

In telecommunications, the Commission reviewed and endorsed Verizon's application to the Federal Communications Commission (FCC) to enter the interstate long-distance market, providing another option for Maine consumers. At the same time, to ensure level playing fields in the local and in-state toll markets, we established the rates Verizon may charge competitors to use its local network, and established a performance assurance plan to ensure Verizon continues to provide competitors in the in-state local service market with ready access to its network, as required by the federal Telecommunications Act.

Rich Kania  
(Acting)  
Finance

Commercial and industrial natural gas customers may avail themselves of competitive gas supply arrangements, taking distribution-only service from their local utilities. In 2002, more customers joined these ranks, adding to the significant numbers of larger commercial and industrial consumers who are buying from competitive providers.

Dennis Keschl  
Administration

Joanne Steneck  
Legal

We continued to implement our new Dig Safe responsibilities through public education, training, and enforcement. We reviewed hundreds of incidents, taking enforcement action in many cases, and continued to educate the public about Maine's Dig Safe law. The Maine Public Relations Council recognized the success of our campaign by awarding it its 2002 First-Place *Golden Arrow* Award for media relations.

Derek Davidson  
Consumer  
Assistance

During the coming year we will continue to help consumers enjoy the benefits of competition where markets are opening while ensuring that all utility services, by whomever provided, continue to be safe, reliable and affordable.

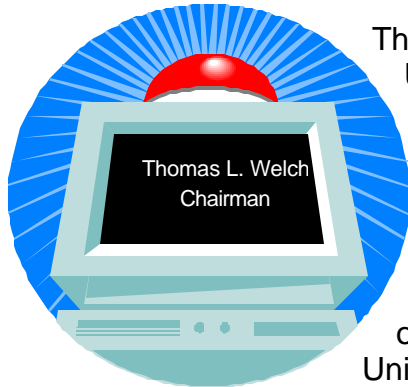
Phil Hastings  
Electric Conservation

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.



Prior to becoming a Commissioner in 1991, William M. Nugent was (in reverse chronological order): President of the Greater Portland Chamber of Commerce, Chief Operating Officer of Envirollogic 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 attended the U.S. Military Academy at West Point, graduated Phi Beta Kappa from Fordham University, and studied as a Heinz Fellow at the University of Pittsburgh. In November 2002, Commissioner Nugent completed an extraordinary 18-month term as President of the National Association of Regulatory Public Utility Commissioners (NARUC). During his tenure, he represented NARUC at many national and international conferences and provided Maine with a significant voice at the national and regional levels on issues impacting public utility policy. Current term expires in 2003.



Stephen L. Diamond began his service as a Commissioner on the Maine Public Utilities Commission in October 1998 and 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 term 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 \$1.2 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 by 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 where the law allows 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; and the newly added Electric Energy Conservation Program:

**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 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.

**The Electric Conservation Program** is responsible for the development and implementation of a statewide electric energy conservation program.

During the past year the Commission processed the following caseload:

<b>Cases Closed in 2002</b>	
Reporting Categories	Disposition Date 1/1/02 to 12/31/02
CAD Appeals	13
Communications	492
Electric	110
Gas	10
Rulemakings	6
Water	72
Water Common Carrier	1
<b>Total</b>	<b>704</b>

<b>Cases Opened in 2002</b>	
Reporting Categories	Disposition Date 1/1/02 to 12/31/02
CAD Appeals	28
Communications	525
Electric	141
Gas	15
Multi-Utility	7
Rulemakings	11
Water	73
Water Common Carrier	2
<b>Total</b>	<b>802</b>

## **Public Access to the Commission**

The Maine Public Utilities Commission continues to be open and accessible to the public and committed to providing the public with the information it needs to participate in our processes. Competition and the evolution from a highly regulated approach for providing utility services to a more "free market" approach require an informed and educated public. *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* – requires both a personal commitment by the Commissioners and staff and a continual and expanding use of technology to reach every corner of the state.

### On the Web:

According to a recent Omnibus Poll, over 62 percent of Maine households have Internet access through a home computer, and the "Maine School and Library Network" program makes the web accessible to everyone living in Maine. The "web" is a crucial tool for achieving the Commission's vision of openness and accessibility and the Maine School and Library Network is a key component in ensuring citizen access to the Commission, its documents, and processes and procedures. In addition, interested parties, researchers, and other regulatory bodies from around the world are able to use our website for access to Commission information.

Our 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 (using our new "virtual tariff system"), 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, 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 our hearing room, are broadcast over the Internet and archived for access after the session is completed. Written transcripts are also available on the website. We have used the Internet since 1997 for live and archived recordings of deliberative sessions and hearings – the first and only Maine state agency to do so. The feature continues to be well used by both the public and the utility industry.

### Electronic Documents via the Web:

Continuing interest in our implementation of the legislative requirement to restructure our electric utility industry is addressed by making available an extensive amount of information for competitive electric providers and consumers. 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 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. These orders are also available on a compact disc (CD) by request. 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 "offline."

The newest additions to the website have greatly 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 "on-line." Documents are either provided electronically or are scanned in PDF format. Any document in the case file (excluding those with confidential information), including those that are hand-written or have signatures, is available. As a result, anyone – anywhere in Maine (and the world) can follow any case and print case documents from their home or office, at any time.

Supporting the virtual case file is the ability to file documents electronically. In June 2001, the Commission initiated a pilot program for secure electronic filing of complete utility cases, including pre-filed testimony, appendices, and exhibits, with only the exception that we would not accept confidential material electronically. 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. Previously, utilities filed multiple paper copies of documents. While not mandatory, all utility companies, interveners, and other interested parties may file official documents and comments electronically, saving time and money.

Finally, in 2002 we launched our "Virtual Tariff System" which enables users to search and view tariffs for all of our regulated utilities. In the deregulated market place, the virtual tariff system allows consumers to make informed choices about whom they want to provide their competitive utility service.

Our web presence allows the public, utility companies, interveners, researchers, and other interested persons worldwide to have access to the Commission whenever they want. In this period of increasingly competitive utility services, public information and education are crucial for the successful operation of emerging markets. We believe that a competitive market cannot exist without an informed consumer. The Commission's website has been

the primary instrument in providing crucial and timely information, thus helping us achieve the Commission's vision.

Our aggressive use of this new technology has produced savings in time and travel costs, has reduced pollution related to travel to the Commission's offices, and has saved reams of paper, not only for our agency, but for all of those who interact regularly with the Commission.

## **Public Information Program Activities**

The Commission continued its efforts in 2002 to educate the public about – and seek input from the public on -- important utility regulatory matters.

### **Dig Safe Education Campaign:**

The Commission launched an education program in 2002 to inform the public and contractors about Maine's new Dig Safe requirements. This multi-faceted campaign included new collateral materials, radio and print advertising, direct mail, and media relations components.

Collateral materials included a brochure, a "regulations card" for contractors, and a property owner fact sheet. Mailings went to thousands of construction, landscaping and public works professionals, to code enforcement officials, and to residential and commercial property owners. Media relations included a "teaser" mailing to major media and a press kit to all Maine media and regional trade press outlets.

Our campaign enjoyed significant, measurable success. Among the results, the campaign generated the following news coverage:

- Newspaper: secured articles in 7 of 8 Maine dailies, with a combined circulation of 240,000, generating more than 720,000 gross impressions
- TV News: secured 5 news promos, and 12 news segments, on 5 of 6 network TV stations in Maine, totaling more than 17 minutes of earned air time/coverage

In addition, independent pre and post-campaign public surveys show that we raised public awareness of Maine's Dig Safe program significantly, achieving the following results among Maine homeowners, one of our primary target audiences:

- 32% increase in general awareness of Dig Safe, from 54 to 72 percent
- 54% increase in knowledge of the requirement to contact Dig Safe before excavating using mechanical equipment, from 49 to 75 percent
- 71% increase in knowledge, among Maine homeowners, that they might own some of the underground utility lines serving their home, from 26 to 44 percent
- 82% increase in knowledge, among Maine homeowners, that they must mark underground lines they own, before excavating, from 28 to 50 percent

The Maine Public Relations Council acknowledged the success of the Commission's Dig Safe campaign by awarding it its 2002 First-place *Golden Arrow* Award for media relations. One judge on the panel wrote: "Impressive campaign. Great use of budgeted dollars."

The Dig Safe campaign was funded primarily through \$175,000 in competitive federal grants solicited by and awarded to the Commission for its 2002 educational program. We leveraged the federal funds using only \$12,000 of our funds for the required "match."

### Other Targeted Public Information Outreach Efforts:

In addition to the Dig Safe campaign, the Commission undertook a variety of public information activities designed to assist consumers and increase the effectiveness of these programs it administers. These efforts included:

- Information for customers purchasing electricity from competitive electricity suppliers about the differences between standard offer purchases and competitive purchases, including information about the application of the “Opt-Out Fee.”
- Information about the Voluntary Renewable Resource Research and Development fund. This effort had the effect of substantially increasing awareness of, and contributions to, the fund.
- Consumer bulletins and fact sheets about a variety of important emerging issues, including consumer privacy, pre-paid phone cards, consumer scams, and refunds available as parts of settlements with competitive providers.

## **Utility Infrastructure Security**

Immediately after the terrorist attack against the United States on 9/11/01, the Commission heightened its involvement with the security of critical utility infrastructure in Maine. Significant parts of four of the eight 'critical infrastructures' identified by Federal Executive Order 13010 as warranting special protection throughout the nation fall within the Commission's intrastate jurisdiction: telecommunications, electric power, natural gas, and drinking water. Public utilities that provide those facilities and services in this state are required by Maine law to provide safe, reasonable and adequate facilities and service. To be safe, reasonable, and adequate as required by law, utility facilities must be secure. While public utilities have the primary responsibility to secure their own infrastructure, the Commission provides support and encouragement and collaborates on security issues with utilities, industry organizations, federal agencies, and state agencies such as the Maine Emergency Management Agency (MEMA) in the Department of Defense, Veterans & Emergency Management (DVEM).

The Commission has taken an active support role in utility critical infrastructure security. We have exchanged 24x7 contact information with all major utilities for both operational status and security purposes so we can assist State and utility interests in communicating issues related to infrastructure security. We have assisted the Adjutant General, State Police, National Guard, and emergency managers in providing alert information to utilities whose infrastructure may be threatened. In the fall of 2001, the Commission was added to the Maine Emergency Response Team (ERT) to advise the Governor and MEMA on utility-related issues. In July 2002, utilities began filing information about their key infrastructure in both paper and electronic geographic information system (GIS) form pursuant to a Commission Rule adopted in October 2001, and we have begun to use that information to support State response to emergencies affecting utilities as well as to enhance our own assessment of the adequacy of utility services. We have requested key entities that provide utility-like or ancillary services but are not regulated public utilities (e.g., wholesale fiber optic carriers, interstate natural gas pipeline companies, and electricity generators) to share similar information on a voluntary basis to support emergency planning and response efforts.

Some utilities fall under different regulatory jurisdictions, both across Federal-State lines and also within the State. We monitor those other jurisdictions' activities to ensure our efforts are complementary. For example, the Drinking Water Program (DWP) in the Department of Human Services's Division of Health Engineering oversees the quality of drinking water provided by more than 2,200 public water systems in the state, while the Commission's jurisdiction relates more to the reasonableness of about 160 of the larger water utilities' infrastructure and rates. Commission staff members have met with DWP staff to enhance our joint effectiveness and eliminate any unnecessary duplication of effort, and have provided support for DWP's outreach to public water systems regarding infrastructure security issues.

Much of the information provided by utilities about their key infrastructure could pose security concerns if not protected. We are acutely aware of the need to balance public

access to utility information in general with the need to protect information that could be used to compromise the integrity of utility systems. Thus, in limited circumstances we have invoked the authority given to the Commission in P.L. 2001, Ch. 135 to secure confidential utility infrastructure information pursuant to 35-A M.R.S.A. § 1311-B. To facilitate relaying sensitive information, we have signed an agreement with the Federal Bureau of Investigation's National Infrastructure Protection Center (NIPC) so that we can assist with dissemination and collection of sensitive infrastructure threats, particularly those that may affect the state's smaller and more rural utilities. A small number of Commission staff members are being cleared for access to classified information to facilitate our role in warning and assessment support on utility issues.

The Commission has assisted in the development of the State's Homeland Security Strategic Plan, including active participation by Commission staff members in a four-day strategic planning session held in Bangor in May. The Commission's Administrative Director chairs one of the nine planning teams subsequently identified to develop specific homeland security plans, and another staff member serves on teams and assists others to assess infrastructure threats and vulnerabilities, to reduce those vulnerabilities, and to improve related communications. Commission staff members are also active on a team chartered to develop Geographic Information System (GIS) support for homeland security efforts, and are working actively to ensure that highly-sensitive utility infrastructure information available to us in GIS form remains protected. A Commission staff member is an active participant on a committee chartered by national utility regulators to identify best practices and roles for utility regulatory commissions nationally, and to improve communications between federal and state agencies and utilities on utility-related critical infrastructure issues.

The Commission continues to consider other utility infrastructure security issues, including the following factors that make utility security particularly challenging:

- 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 far from secure and is accessible globally;
- High-tech approaches are increasing the interdependence among utility services (e.g., digital telephone equipment in the field depends on the availability of commercial power for reliable operation); and
- To minimize inadvertent or unnecessary release of sensitive information about critical infrastructure, Federal agencies and some utilities restrict information flow to States, complicating State and local responsibility to provide initial response to an incident that challenges local infrastructure.

The Commission's goal is that, even in times of an extreme or unanticipated emergency, utility facilities and services will continue to be safe, reasonable, and adequate to meet Maine's needs.

## **Consumer Assistance**

- In 2002, complaints received by CAD set another all-time record high.
- Slamming and cramming complaints against telecommunications carriers nearly doubled in 2002, from 337 to more than 600.
- CAD enforcement action resulted in a \$20,000 penalty against Log On America.

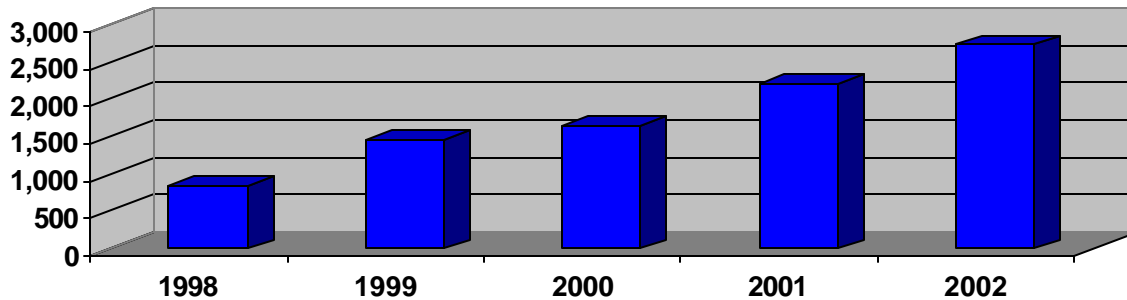
The Consumer Assistance Division (CAD) is the Commission's primary link with utility customers. The CAD is charged with ensuring that customers, utilities, and the public receive fair and equitable treatment through education, complaint resolution, and evaluation of utility compliance with consumer protection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

The CAD receives the majority of its inquiries from customers over the telephone and strives to answer calls live as opposed to forwarding calls to voicemail. In 2002, 96% of the calls to the Consumer Assistance Hotline were answered live. By answering the majority of the calls live, many of the complaints received by the CAD were resolved immediately over the phone.

## **Consumer Complaints**

In 2002, the CAD took the highest number of complaints in its history (a complaint is when a consumer has a dispute with a utility that the parties have been unable to resolve). As shown in Figure I, the CAD received 2,734 complaints in 2002. This is a 24% increase over the 2,212 consumer complaints received in 2001, and a 66% increase over the 1,645 complaints received in 2000.

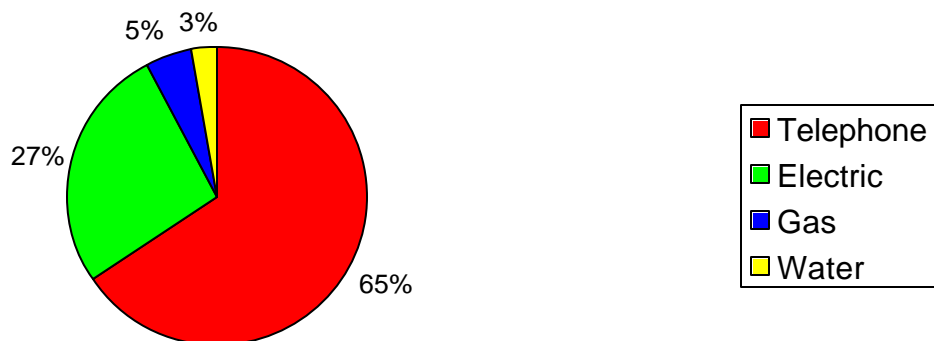
**Figure I  
Consumer Complaints 1998-2002**



The number of complaints received against electric and water utilities has remained relatively constant over the past three years, while complaints against gas utilities increased by 21% between 2001 and 2002. Northern Utilities is the only gas utility against which complaints have been received. The increase in complaints was due to persistent problems with billing accuracy, and the heavy reliance by Northern Utilities on estimates of usage rather than actual meter readings to calculate bills.

The main reason for the overall increase in complaints received in 2002 was the large number of complaints received against telecommunications companies, primarily interexchange carriers. As shown in Figure II, telecommunications complaints accounted for 65% of all complaints received by the CAD in 2002.

**Figure II  
Complaints Received in 2002**



A large number of the telecommunications complaints received in 2002 involved allegations from customers that their local or long distance carrier was changed without



their authorization, a practice referred to as “slamming.” The CAD received 608 complaints of slamming in 2002, while 337 slamming complaints were received in 2001, and 69 in 2000. Of the slamming complaints received in 2002, 488 alleged an unauthorized change of both in-state and out-of-state services, 64 alleged an unauthorized change of in-state service only, and 56 alleged an unauthorized change of only out-of-state service. The table below lists the telecommunication carriers against whom the CAD received five or more slamming complaints in 2002.

<b>Company</b>	<b>No. of Complaints</b>
AT&T Communications	65
Business Options, Inc.	139
Log On America, Inc.	5
MCI WorldCom Communications, Inc.	79
National Accounts, Inc.	10
NUI Telecom, Inc.	10
OneStar Long Distance	18
Optical Telephone Corp.	13
Qwest Communications Corp.	6
Sprint Communications	19
UKI Communications, Inc.	25
Verizon Maine	8
WebNet Communications, Inc.	15
World Communications Satellite Systems	147

In 2002, the Commission established a process for reviewing slamming complaints in situations when staff determines that an administrative penalty is warranted due to either the large number of complaints received or the egregious nature of the violations. On March 12, the Commission opened an investigation into the practices of WebNet Communications. On July 1, the Commission’s prosecutorial staff filed their report and recommended that the Commission assess a \$5 million penalty against WebNet and revoke its certificate to operate in Maine. While this case has not yet been settled, our enforcement actions indicate the effort we are making to ensure Mainers are protected from slamming and cramming.

Commission staff is also investigating the large number of slamming complaints received from consumers against Business Options, Optical Telephone, UKI Communications, and World Communications Satellite Systems.

## **Other Customer Contacts**

Situations where the CAD provides information and assistance to consumers who do not have a complaint against a utility are tracked as “information contacts.” Requests by electric or gas utilities to disconnect a customer during the winter period (November 15 to April 15) are also tracked as information contacts. The CAD received 6,917 information contacts in 2002, a slight increase over the 6,898 information contacts received in 2001.

## **Dig Safe**

### **Protection of Underground Facilities**

Title 23 MRSA 3360-A (commonly referred to as the “Dig Safe Law”) has been in effect since the late 70s. The objective of this law was to protect underground utility facilities from damage in order to prevent the interruption of services, lost revenues and safety hazards. However, the initial version of the law did not assign responsibility for enforcement to a particular state agency, and damage continued to occur at rates significantly above national and regional averages. To address this problem, in 2000, the Maine Legislature included penalty provisions in the law and assigned enforcement responsibility to the Commission.

During 2000 and 2001, we adopted rules and proposed changes to the law to make the system more workable and enforceable. In 2002, we began actively enforcing Chapter 895 of the Commission’s Rules, entitled “Underground Facility Damage Prevention Requirements,” and aggressively promoted public awareness working with the media and by training more than 500 excavators and operators in Dig Safe education sessions.

#### **Enforcement**

In 2002 the Commission reviewed and processed more than 275 incident reports, issued 70 Notice’s of Probable Violations (NOPV) letters and held more than 25 Informal Conferences. The following table provides additional details on our Dig Safe enforcement activities in 2002.

**Dig Safe Incidents Processed by MPUC in 2002**

	Incidents that Occurred in <u>2001</u>	Incidents that Occurred in <u>2002</u>	<u>Total</u>
<b>Number of Incidents</b>	192	275	467
<b>Type of facilities involved</b>			
<i>Electric</i>	43	54	97
<i>Gas</i>	57	45	102
<i>Telephone</i>	37	123	160
<i>Water/Sewer</i>	39	37	76
<i>Cable TV</i>	0	7	7
<b>Notices of Probable Violation (NOPVs) Issued</b>	<b>136</b>	<b>70</b>	<b>206</b>
<i>Consent Agreements</i>	37	22	59
<i>Defaulted</i>	19	16	35
<i>Requested Conference</i>	74	26	100
<i>Percent of Requested Conferences Completed</i>	100%	96%	99%
<b>Monetary Penalties in NOPVs</b>	<b>\$82,500</b>	<b>\$30,000</b>	<b>\$112,500</b>
<i>Waivable (with Training)</i>	\$49,000	\$17,000	\$66,000
<i>Not Waivable</i>	\$33,500	\$13,000	\$46,500
<b>NOPVs to Excavators</b>	<b>96</b>	<b>58</b>	<b>154</b>
<u><b>Top 3 violations</b></u>			
Failing to submit incident rpt. to Commission	42%	42%	42%
Failing to use adequate caution to prevent damage	21%	2%	14%
Failing to call Dig Safe	15%	33%	22%
<b>NOPVs to Facility Operators</b>	<b>40</b>	<b>12</b>	<b>52</b>
<u><b>Top 3 violations</b></u>			
Failing to properly mark	63%	65%	63%
Failing to submit an incident rpt. to the Commission	17%	35%	21%
Marking in a reckless or negligent manner	15%	0%	12%
* -- <i>Initial review still in progress.</i>			
<b>In addition, the Commission conducted 20 training sessions in 2002, providing Dig Safe training to over 500 individuals.</b>			

**Note:** In addition, the Commission conducted 20 training sessions in 2002, providing Dig Safe training to over 500 individuals.

## **Electric**

- As of the end of 2002, Maine's competitive electric market remains among the most successful in the nation with one-third of the load now served by competitive providers.
- A retail market for small customers is slow to develop due to high customer acquisition and service costs.
- The Commission worked throughout the year to ensure that Enron's collapse and the accounting and financial problems of other energy companies did not harm Maine customers.
- The Commission's "standard offer" solicitations resulted in stable prices for most consumers in Maine.
- The Commission remains active both regional and nationally on issues affecting electric energy markets.

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 unchanged since its enactment and has thus provided a stable operating environment for companies and customers affected by electric restructuring.

During 2002, in our continuing efforts to implement the requirements of this legislation, we maintained our active participation in regional matters, conducted a study on the appropriate future of the standard offer design as directed by the Legislature, solicited bids for and chose standard offer providers for Central Maine Power Company's (CMP) and Bangor Hydro-Electric Company's (BHE) territories, and determined effective ways to implement Maine's restructuring rules in a period of serious financial turmoil within the merchant electricity industry.

In 2002, wholesale market prices were somewhat less volatile than during 2001, while operating rules and the configuration of regional transmission organizations remained in a state of transition.

### **Retail Market Activity - Year 3**

Since the beginning of industry restructuring in March 2000, all generation prices, including prices for standard offer service, have been determined through competitive markets, as Maine's restructuring law envisioned. As anticipated, migration from the standard offer to a competitive market supplier occurred first among the largest customers.

By the end of 2001, the majority of large customers purchased their electricity supply from the competitive market and a significant number of medium customers had entered the market. This continues to be the case for 2002, and migration of Maine's customers to competitive market suppliers has exceeded migration in all other states. There has been a modest diversity of retail suppliers for commercial and industrial customers in CMP's and BHE's territories, and our research indicates that there are retail suppliers that will offer service to any large or medium customer that wishes to purchase generation from the competitive retail market. After a period of volatility and occasional price spikes, wholesale electricity prices have decreased and have been more stable recently. For most customers, all-in electric prices are generally lower than or comparable to prices before restructuring. The business operations among retail entities (utilities, suppliers, and customers) have been generally efficient and effective. Finally, regional wholesale market rules, while complex and uncertain, appear to be progressing towards creating a sustainable, competitive and efficient market.

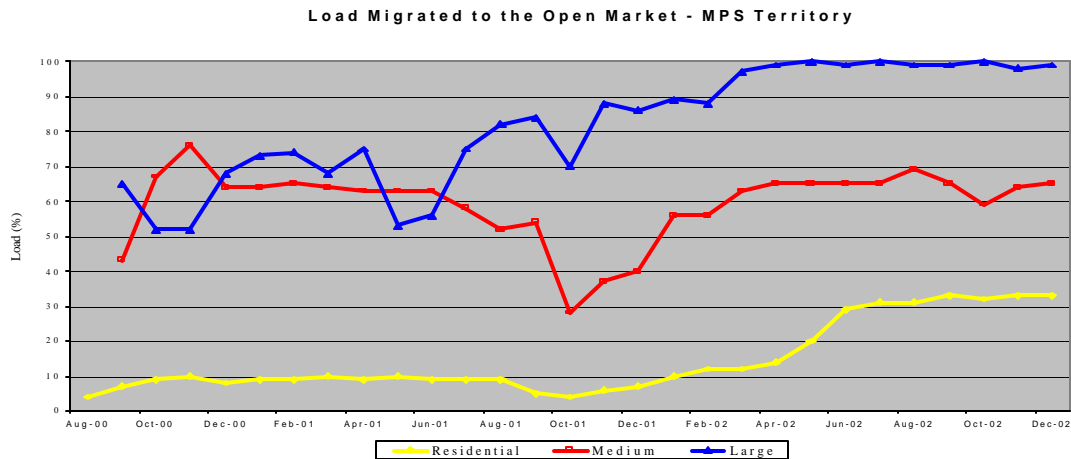
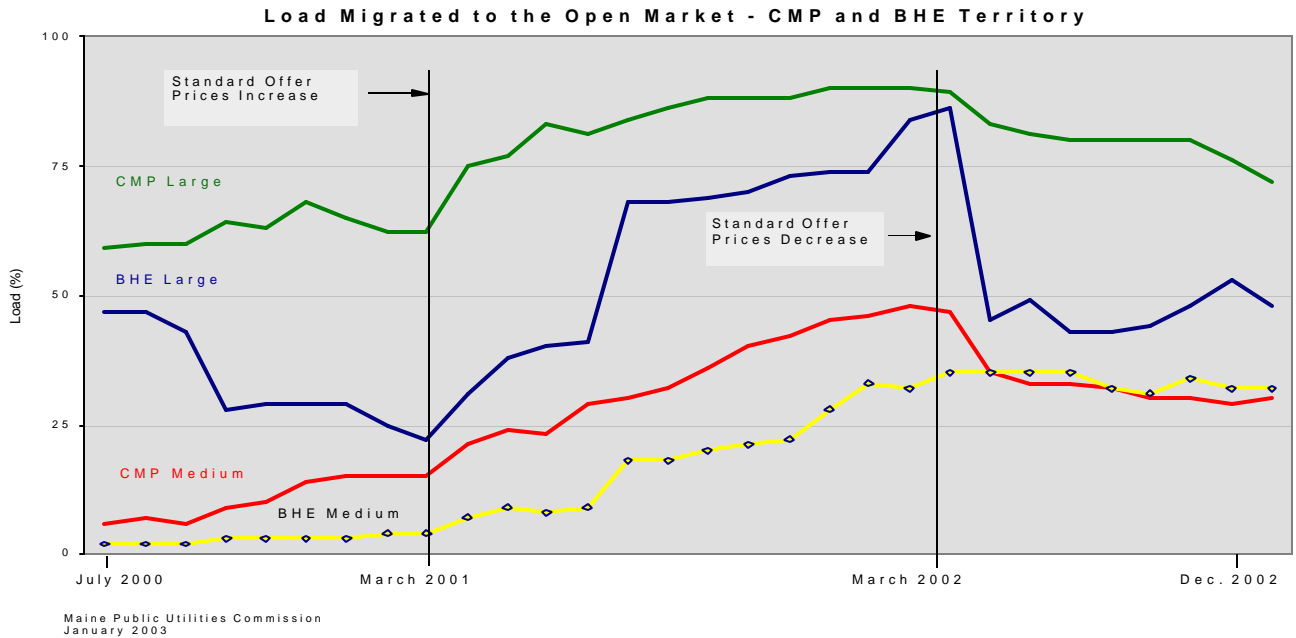
It has become apparent, however, both nationally and in Maine that a substantial retail market for small customers, whose acquisition and service costs are significant, will be slow to develop in the near term. Nonetheless, because Maine's standard offer providers are chosen through competitive bidding based on price, all residential and small commercial customers are receiving generation purchased from competitive market suppliers, and vigorous competition among bidders has resulted in attractive supply prices for these customers.

The lack of a residential market generally has contributed to the relatively slow development of the "green market." However, an aggregation group in Maine worked throughout the year to develop interest among consumers for an environmentally benign generation supply, and in January 2003 announced the availability of a green product for Maine consumers. The product is being made available to residential and small general service consumers in CMP's and BHE's service areas. While the Commission recommended to the Legislature that, if a green market did not develop on its own, the Commission be authorized to arrange for a "green standard offer" comprising renewable resources that would remain available to customers until a green market developed, this new green product launch may make implementation of this step unnecessary.

Among medium and large customers in CMP and BHE service territories, there was some movement back to the standard offer during 2002. Between March and December, approximately 30% of the load that had been in the market returned to the standard offer. This occurred primarily because standard offer rates dropped substantially in March 2002 as a consequence of a sharp decrease in wholesale market prices. As supply contracts expired over the year, customers tended to return to standard offer because standard offer prices were lower than currently available market prices.

The following chart shows the migration rates in Central Maine Power Company and Bangor Hydro-Electric Company service territories since the beginning of restructuring and the average standard offer price for medium and large customers. A comparison of

migration rates and standard offer prices shows that, as might be expected, migration to the competitive market followed a rise in standard offer price and a return to standard offer followed a standard offer price decrease. Maine Public Service Company (MPS) migration rates are shown in the second chart.



The financial collapse of Enron and the accounting and financial problems of other energy companies have complicated the electricity markets in New England. At the time of

its collapse, Enron was providing electricity supply to a significant number of customers in Maine, and was the standard offer supplier for CMP's medium class. During the early months of Enron's bankruptcy, it continued to serve its Maine customers at its contracted price and satisfied its standard offer contract until its termination in February 2002. During the year, Constellation Power Source Maine LLC agreed to purchase many of Enron's customer contracts. Due to various complications, many of the Enron customers defaulted to standard offer service for a time. However, most former Enron customers have again contracted with competitive suppliers. The Commission worked with customers, suppliers, and aggregators to minimize the confusion and inconvenience resulting from the Enron collapse and, ultimately, Maine consumers were generally not harmed as a consequence of these events.

### **Northern Maine Retail Activity**

Northern Maine is not physically connected to New England's transmission grid. As a result, market conditions and market participants can vary widely between northern Maine and the remaining New England regions, and retail activity in northern Maine differs from activity in the southern and central portions of the State. Since industry restructuring began, a higher percentage of northern Maine customers of all sizes have obtained supply from the competitive market than has been true in the remainder of the State. This phenomenon is interesting, because northern Maine's standard offer rates have not been unusually high. During 2002, residential and small commercial customers continued to migrate to the open market, reaching a 33% migration rate by year-end. This migration rate for small customers is unmatched anywhere in the country. In addition, large customer load participation in the competitive market has hovered just below 100% for the entire year.

Even though the northern Maine market has only two competitive suppliers, consumers in the region have had a choice of retail suppliers, and, as noted, a high percentage of load in the region has moved into the competitive market. However, as with any market with only two competitors, the situation is precarious. Our research indicates that, from the perspective of most regional suppliers, the northern Maine market is too small to warrant entry, and measures that would make the area part of a larger market (e.g., a transmission line connecting northern Maine and the New England grid or an open market in New Brunswick) are necessary to change this situation significantly. The Commission will continue to monitor the northern Maine market and seek to ensure that all economically appropriate solutions are pursued.

### **Standard Offer Solicitations in 2002**

2002 was the third year for Maine's restructured electric industry and for standard offer service. During the year, the Commission continued to administer and oversee standard offer service, which remained the source of electricity supply for virtually all residential and small commercial customers during 2002. Except in some areas in northern Maine, residential and small commercial customers had no other supply options. A 3-year standard offer arrangement with Constellation Power Source Maine, LLC began in March of



this year, resulting in a standard offer price increase for CMP residential and small commercial customers (from 4.089 ¢/kWh to 4.95 ¢/kWh) and a decrease for BHE customers (from 7.3 ¢/kWh to 5.0 ¢/kWh). These standard offer prices will remain in effect through February 2005. For MPS residential and small commercial customers, standard offer prices increased by 2% on March 1, to 5.689 ¢/kWh, pursuant to a 3-year arrangement with WPS Energy Services, Inc. that began in March of 2001.

Early in the year, we conducted competitive bid processes to solicit standard offer suppliers and set prices for CMP and BHE medium and large commercial and industrial (C&I) customers for the 1-year term that began in March 2002. Select Energy, Inc. was chosen to provide standard offer service to medium and large C&I customers in the CMP and BHE service areas. The standard offer prices from Select that became effective on March 1 represented significant reductions compared to prior prices, reflecting substantial declines in wholesale market prices during 2001. Standard offer price reductions ranged from 42% to 51%, depending on the rate group. As a likely consequence, roughly 30% of the C&I load that had previously been served by competitive suppliers returned to standard offer service.

For MPS medium and large C&I customers, standard offer prices increased by 2% on March 1 pursuant to a 3-year arrangement with WPS that began in March of 2001.

We are currently soliciting standard offer service for CMP and BHE medium and large C&I customers for the term beginning March 2003. Standard offer service for CMP and BHE residential and small commercial customers will continue to be supplied pursuant to 3-year arrangements with Constellation, and standard offer service for all MPS customers will continue to be provided pursuant to a 3-year arrangement with WPS that terminates in February, 2004.

Finally, in response to Legislative direction, the Commission conducted a study of standard offer services and developed a number of recommendations about standard offer services. The study was submitted to the Legislature on December 1, 2002.

## **Stranded Costs**

The Restructuring Act allows CMP, BHE and MPS to recover stranded costs in the rates they charge for delivery service. 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' QF entitlements. Early in 2002, the Commission concluded proceedings to reset stranded cost rates for each of the three utilities beginning March 1, 2002. Stranded cost rates were set based on the results of the most recent sales of each utility's qualifying facility (QF) entitlements, with the rate setting periods again corresponding to the QF sale periods. In CMP's and BHE's case, the sale periods were for three years beginning March 1, 2002, while the period for MPS's entitlement sale was for two years beginning March 1, 2002.

In the spring of 2001, the Commission approved a 0.8¢/kWh reduction in stranded cost rates for CMP's medium and large C&I customers to mitigate the impact of significantly increased market generation prices. In CMP's stranded costs proceeding, the Commission approved a modest extension of the rate mitigation (.45¢/kWh) for large industrial customer classes because some of these customers were contractually committed to continue to pay the generation prices of last year. The mitigation for these customers is scheduled to expire on February 28, 2003.

CMP's Asset Sale Gain Account is expected to have a balance of approximately \$34.5 million as of March 2005. Based on current amortization rates, CMP's ASGA will be exhausted in early 2006. CMP's stranded costs are expected to decline significantly during the 2007 – 2009 time period as a result of the expiration of several QF contracts and the completion of the recovery of CMP's share of Maine Yankee costs

Subsequent to the issuance of the Commission's order in CMP's stranded cost rate case, the Commission approved stipulations that settled the dispute surrounding S.D. Warren's purchase power agreement with CMP. As a result of this settlement, the S.D. Warren related stranded costs will be lower by several million dollars per year than those assumed in CMP's last stranded cost rate case. The difference between the assumed level and actual level of stranded costs will be deferred by CMP and will result in lower stranded costs in the future.

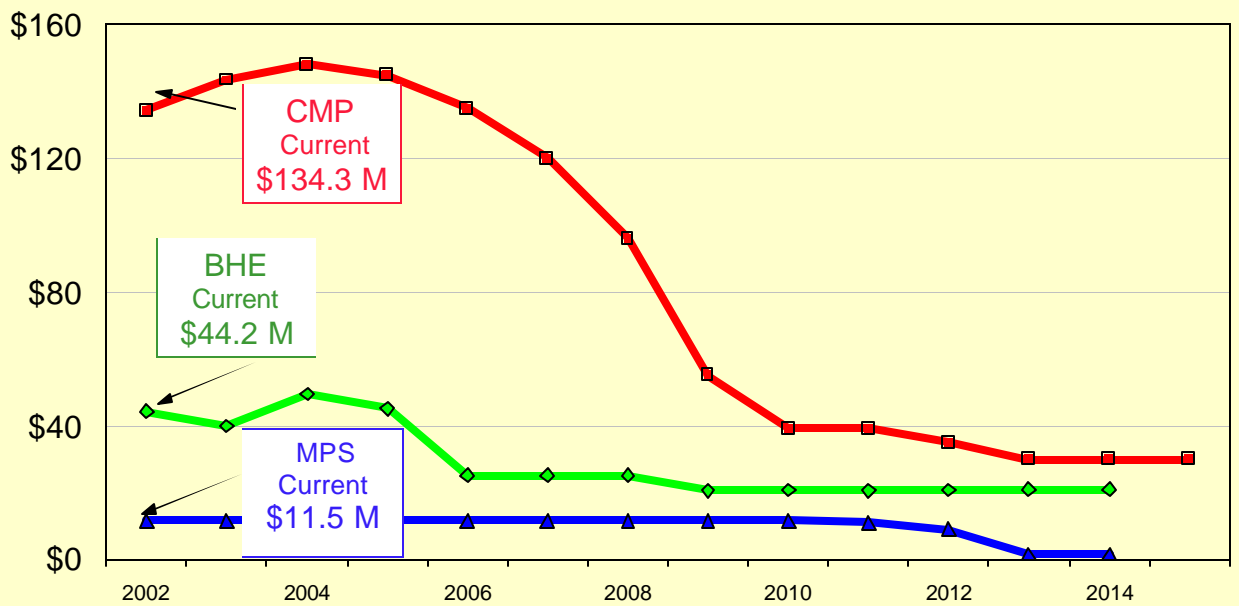
BHE's stranded costs will be levelized over this 3-year period to maintain rate stability. The average stranded cost rate for BHE's customers is 3.1¢/kWh. The residential stranded cost rate is 3.2¢/kWh, which is approximately 32% of the total Transmission and Distribution (T&D) rate and 21% of the total bill for customers taking standard offer service.

In our Order approving BHE's stranded cost rates, we also approved a proposal to provide a modest stranded cost rate mitigation (.4¢/kWh) for one year for BHE's large customers who could demonstrate that they were paying high generation prices during the period of March, 2002 through February, 2003.

BHE's ASGA will be fully amortized over the next two years. Although BHE's ASGA will expire in 2004, BHE's stranded costs are projected to remain stable in 2005 then decline significantly in 2006 to reflect the complete recovery of the Company's buyout costs of two of its major QF contracts.

MPS's stranded cost rate averages 2.2¢/kWh, and MPS's ASGA will be fully amortized in February 2003. MPS's stranded cost rates have been set to avoid overall bill increases at the time of restructuring and to achieve long-term rate stability. To accomplish this goal, MPS is currently deferring a significant portion of its stranded costs for future recovery. This deferral will be recovered over time after the company's largest stranded cost items expire. The following graph represents the current long-term projection of MPS's stranded costs.

## Projected Annual Stranded Costs



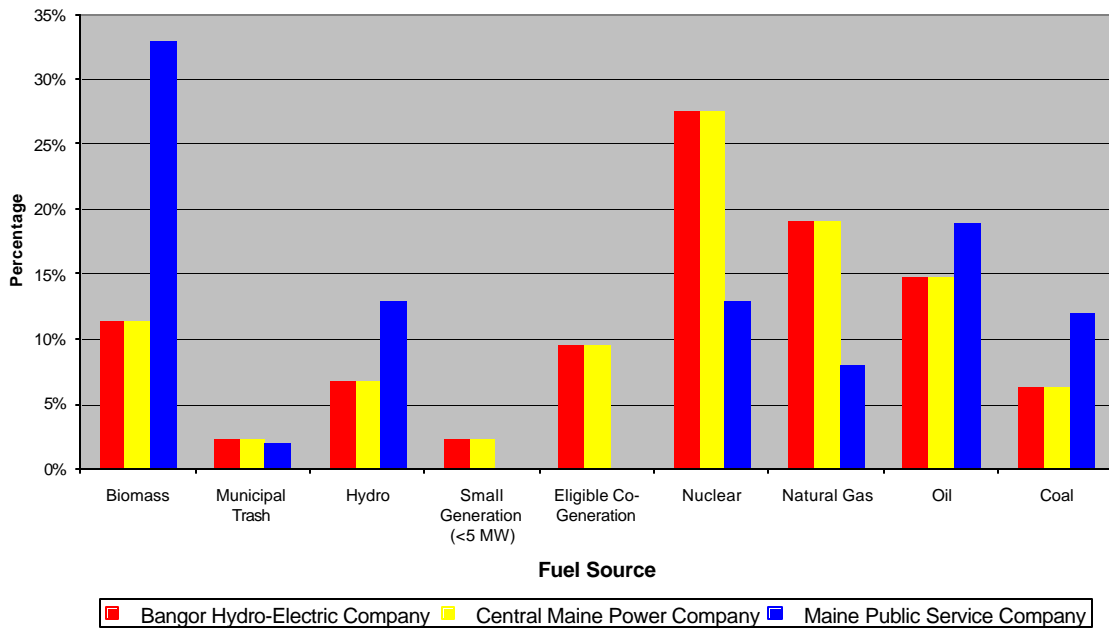
### Generation Resources

The generating facilities that serve Maine's customers are located throughout New England and, to a lesser degree, Canada and New York. While the Restructuring Act contains provisions governing 30% of suppliers' resource mix, there are no requirements as to the resource mix for the remaining supply. The total mix of fuels and technologies serving Maine's customers and the extent to which the Restructuring Act encourages the growth (or continued use) of in-state renewable resources have been ongoing topics of discussion for many people concerned about environmental impacts and the economic viability of indigenous renewable facilities.

During the first year of restructuring, the Commission had no systematic way to discover the total fuel mix used to serve the electricity needs of Maine consumers. Because of widespread interest in fuels providing generation, in 2002 we asked all licensed retail suppliers in the State to include in their annual reports to the Commission the fuels and technologies used to serve their Maine load during 2001. In addition, because most residential and small commercial customers receive standard offer service, the standard offer suppliers' uniform information disclosure labels reveal the resource mix that serves residential and small commercial customers during 2002.

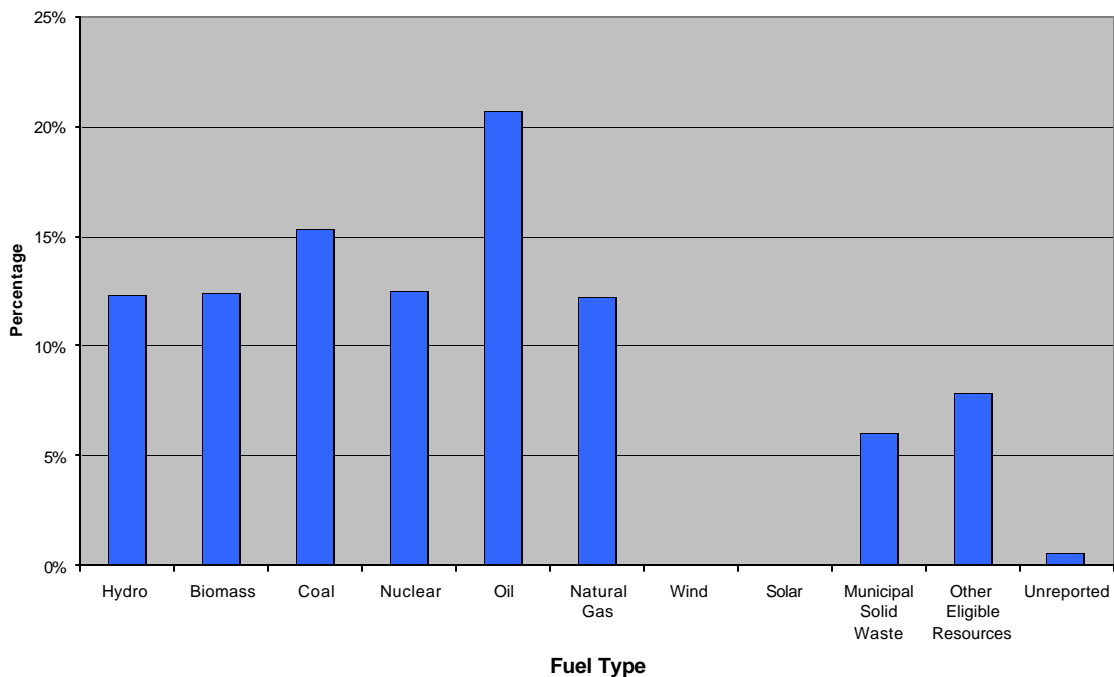
The following charts display the resources serving all customers in Maine during 2001 and the resources serving residential and small commercial customers during 2002. While the first chart displays fuel sources, it does not indicate the extent to which

**Resources Serving Residential and Small Commercial Customers in 2002**  
**Source: Standard Offer Uniform Disclosure Labels**



generation was obtained through contractual arrangements or from system power available through daily bidding. Marketers' reports indicate that as much as 60% of generation in 2001 was obtained as system power.

**Resources Serving Maine's Customers in 2001**



## Portfolio and Disclosure Requirements

### Uniform Disclosure Labels:

The Restructuring Act requires all electricity providers to supply 30% of their Maine load from “eligible resources. Eligible resources are defined by statute as either renewable resources or efficient cogeneration (that could include fossil fuel generation). The Commission has implemented the portfolio requirement through the adoption of Chapter 311 of its rules. The Restructuring Act also directs the Commission to ensure that comparative information regarding electricity supply is disseminated to customers. The Commission implemented this provision through its uniform information disclosure rule, Chapter 306, which requires retail suppliers periodically to disclose to their customers resource mix and comparative emission information in a document referred to as a disclosure label. Residential and small commercial customer suppliers must provide this information to their customers quarterly, while suppliers to larger customers are required to provide the information annually.

During 2002, the Commission worked with suppliers and utilities to make the format and presentation of the disclosure label more understandable to customers. Customer reaction suggests that this effort has been successful. The Commission is in the process of incorporating label format changes into its disclosure rules.

### Generation Information System:

It was difficult to verify supplier compliance with the portfolio requirement and the accuracy of disclosure information for the first two years of retail competition because there was no uniform resource tracking mechanism in New England. As a result, the Commission relied on wholesale supply contract provisions, certified statements or affidavits of suppliers, or auditor statements. The Commission’s review of this information indicates that suppliers have made good faith efforts to verify compliance. Nonetheless, there was no practical means to ensure that the same resources were not used to satisfy similar requirements in other New England states and thus “double-counted.”

During 2002, NEPOOL implemented a tradable “attribute” certificate system known as the Generation Information System (GIS). This system allows for the trading of electricity attributes (e.g., fuel source, emissions levels, and portfolio eligibility) separate from the energy commodity and was specifically designed to facilitate compliance and verification with respect to various requirements of the several New England states, including Maine’s portfolio and disclosure requirements. As a result of the implementation of the GIS, the Commission reopened Chapters 311 and 306 to incorporate the system as the means for complying with both rules. Although the Commission views the implementation of the GIS as an important step in the evolution of competitive electricity markets, a dispute between QFs and utilities over the rights to GIS certificates associated with existing power purchase contracts has delayed the Commission’s adoption of the GIS.

## **Voluntary Renewable Resource Fund**

The Restructuring Act directs 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 the adoption of 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.

During 2001, the Commission worked with the SPO, the Public Advocate, utilities and various environmental groups to increase contributions to the fund without significantly increasing its administrative costs. These efforts have been moderately successful in that the Fund now has approximately \$50,000 at an administrative cost of approximately \$6,000. During 2003, SPO will consider, in cooperation with the Energy Resources Council, whether this level of funding is sufficient to support a credible project and how a project could be most effectively identified and pursued.

## **Low Income Program**

The Restructuring Act directs the Commission to oversee the implementation of a statewide assistance program for low-income electricity customers. On July 31, 2001, the Commission adopted the Statewide Low-Income Assistance Plan to make electric bills more affordable for qualified low-income customers. The new plan, Chapter 314 of the Commission's rules, requires each of Maine's T&D utilities to create or maintain a Low-Income Assistance Program (LIAP) for its customers. Chapter 314 creates a central fund to finance the statewide plan and apportions the fund to each utility based on the percentage of the federally funded Low Income Heat and Energy Assistance Program (LIHEAP) eligible persons residing in that utility's service territory. Chapter 314 designates 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 for the program year that ended on September 30, 2002, was \$5.7 million. This same funding level will be used for the 2003 program year and should provide the necessary revenue to assist more than 42,000 eligible customers. For the first time in Maine, every eligible person, regardless of the utility service territory in which he or she lives, has access to an assistance program created to make electric bills more affordable.

## **New England Wholesale Market and Transmission Issues**

Wholesale electricity prices significantly affect the prices paid by Maine's retail electricity consumers. Accordingly, the Commission actively participates in proceedings at the Federal Energy Regulatory Commission (FERC) and the New England Power Pool (NEPOOL). The Commission's active role is carried out pursuant to 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 in matters relating to the development, operations, conduct and governance of the Independent System Operator (ISO) and related market entities. The Commission also is guided by the Restructuring Act's finding that for retail competition to function effectively, the governance of the independent system operator must be "fully independent of influence by market participants." We are fulfilling these obligations in the following manner:

### **NEPOOL**

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 participates 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 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 to the ISO and FERC.

Although the Commission is not a market participant or a member 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 the course of the 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-NE, modify the rules. If our concerns are not addressed at this informal level, we submit formal filings to FERC, the final arbiter of all market rules. We work collaboratively with other New England states as we develop the filings to build a consensus position; 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 effectiveness and efficiency of our participation in FERC proceedings.

We also pool staff resources with NECPUC, which has designated a Staff Energy Policy Group (SEPG) made up of 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 assign responsibility for monitoring any new developments.

## **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 (most of which are owned by companies not subject to state retail rate regulation). In addition, the ISO plays a central role in administering the competitive wholesale electricity market. Over the past year, the ISO has become a driver of market change through its increasingly assertive approach to market development.

Communication with the ISO has improved significantly over the past year. We have met with members of the ISO Board of Directors and with the ISO staff to discuss the implementation of locational marginal pricing and a day ahead market in New England. These improvements (known collectively as Standard Market Design) are expected to greatly enhance the competitiveness of the New England wholesale markets when they are implemented in March of 2003. In addition, the ISO has consulted frequently with us and other New England commissioners as it developed a filing proposing a merger with the New York ISO (NYISO). In general, ISO-NE has addressed many of our concerns, especially in the areas of (1) the independence of the Board of any merged entity and (2) the structure and function of the market monitoring unit.

## **Northeast Regional Transmission Organization**

On August 23, 2002, ISO-NE and the NYISO filed a petition at the FERC requesting a finding that the proposed Northeastern Regional Transmission Organization (NERTO), which would merge the operation and governance of the ISO-NE and the NYISO, qualifies as a Regional Transmission Organization. NECPUC filed comments in this docket commenting on the need for mechanisms to ensure that the New England region is not financially harmed whether through elimination of trading barriers across regions or through a merger of the New York and New England control areas. NECPUC also commented on the need to preserve the independence of a NERTO Board and have a market-monitoring unit that is independent of market participants and of the ISO operations division. Finally, NECPUC commented on the need for more clarity in determining cost allocation for transmission upgrades. NECPUC did not comment on the merits of the proposed formation of NERTO.

On November 22, 2002, the ISO-NE and NYISO withdrew their petition to create NERTO due to widespread opposition.

## **Standard Market Design (SMD) Nationwide and In New England**

### **1. The FERC's Proposed Rule on SMD**

On July 31, 2002, the FERC issued a Notice of Proposed Rulemaking (NOPR) titled, "Remedying Undue Discrimination through Open Access Transmission



Service and Standard Electricity Market Design” (Docket No. RM01-12-000). The FERC’s stated objectives are to eliminate remaining undue discrimination in the use of transmission facilities and establish a standardized transmission service and wholesale electric market design that will provide a level playing field for all entities that seek to participate in wholesale electric markets. FERC’s proposed nationwide SMD is nearly identical to the SMD that is being implemented in New England and New York.

We are participating in the FERC’s rulemaking through a number of avenues. We have met frequently with FERC commissioners and senior FERC staff, and participated in technical conferences on demand response programs, transmission expansion pricing, and resource adequacy, and we will comment formally in writing on the proposed rule. We have helped organize and participated extensively in the national debate over this issue, advancing an innovative approach to capacity planning and drawing the FERC’s attention to the need to properly design wholesale markets and ensure their open and fair operation. Our goal will be to encourage the FERC to use the New England SMD as a model in areas where we believe New England’s model is superior, and to use the rulemaking proceeding to modify New England’s market design in areas where FERC’s proposal seems superior in encouraging a more competitive market that would provide better results for Maine consumers.

## 2. SMD in New England

On September 20, 2002, the FERC approved proposed rules filed jointly by ISO-NE and NEPOOL to implement locational marginal pricing (LMP) and a day-ahead market. These rules collectively are known as “Standard Market Design.” The FERC approved the implementation of a Standard Market Design in New England, and it is expected to become operational on March 1, 2003.

LMP is a pricing methodology that reflects the cost of supplying power locally rather than having one price for a whole region such as the New England area. This pricing methodology is FERC’s chosen methodology to encourage generator location, demand response or merchant transmission in areas of heavy load and limited transmission import capacity (transmission congested areas). Until LMP is implemented, the high cost of supplying energy to transmission-congested areas such as Northeast Massachusetts and Southwest Connecticut is spread to all New England consumers. This costs Maine consumers approximately \$9 million dollars per year. Under LMP, Maine consumers will pay the cost of supplying energy within Maine, but they will not pay a share of the higher costs to supply energy to transmission-congested areas. Because Maine has an oversupply of generation and because congestion costs from other areas will no longer be assessed to CMP and BHE (and their consumers), LMP is expected to produce wholesale prices in Maine that are lower than would be the case with a single spot market price for all of New England.

Related to LMP is the issue of cost allocation for transmission upgrades and expansion. Under the current system, the cost of transmission upgrades is spread across New England. CMP and BHE are assessed a share of the cost of such upgrades and pass

these costs on to consumers through their retail transmission rates. We have argued in this and other dockets at FERC that once LMP is in place in New England, the cost of transmission upgrades should be borne by those entities or areas that benefit from the upgrade. FERC has recognized that the LMP system of providing price signals for load response, generator location and merchant transmission cannot function successfully if the costs of upgrades to reduce congestion are paid by all consumers in the region, not just those that will benefit from the reduced costs. However, states such as Connecticut and Vermont, in which major transmission upgrades are proposed, seek to convince FERC to continue spreading the costs of transmission upgrades to all New England consumers even after LMP is in place. On December 20, FERC decided that the costs of a major upgrade in Southwest Connecticut could be spread across all New England consumers. We will continue to be active proponents, in this and other dockets, for a transmission cost allocation system that allocates costs to those that will benefit from the upgrade.

Finally, the SMD will implement a day-ahead market. Since the day-ahead market will provide LSEs and suppliers more opportunity to hedge, it is expected to reduce daily price volatility. Moreover, because ISOs for both the New York and Middle Atlantic states (NYISO and PJM) have a day-ahead market, SMD implementation in New England will increase market liquidity by facilitating trading with other regions.

#### Other Significant FERC Cases and Issues

1. Capacity Markets, Capacity Charges and New Initiatives for Ensuring Adequacy

When the wholesale electric generation market was restructured, it was subdivided into an electric energy market and a number of ancillary markets, including an Installed Capacity (ICAP) market. The goal of the ICAP market was to ensure that there would be generation capacity in New England adequate to maintain reliable service even during periods of peak demand. Generally, demand in New England and most other regions peaks on the hottest summer days when air conditioning demand is particularly high.

However reasonable the goal, the original ICAP market was seriously flawed. Early in its history, some suppliers may have attempted to manipulate the market in a manner that could be extremely expensive to electricity customers, potentially costing scores of millions of dollars to Maine customers and proportionate amounts for customers in the other New England states. At the same time, it became apparent that the original ICAP market was not well suited for ensuring acceptable reliability levels.

The result was prolonged litigation including two court appeals, in which we were an active and successful party. The result of these appeals, as well as ongoing litigation (in which we are also an active party) at FERC, was a much improved, though still flawed, ICAP product. While the current product significantly reduces incentives for gaming by suppliers, it is not completely successful in ensuring that ICAP revenues actually are used to ensure sufficient capacity in the future.

There appears to be an increasingly broad consensus that there is a need to develop a workable solution to the problem of ensuring resource adequacy. The Commission has been among the most active players in these reform efforts. Currently, a working group is addressing the need to develop a durable capacity adequacy mechanism. As members of the working group, we developed and refined a proposal designed to maintain reliability, to moderate short-term price spikes due to a shortage of electricity and/or the exercise of market power, and to balance the economic interests of generators and customers. We are optimistic that this working group will produce a workable solution to the problem of assuring resource adequacy that can be presented to FERC for its approval.

## 2. Demand Response

Because electricity cannot be stored economically, the total amount of generation on line at any instant must equal the combined use of all customers at that same instant. This creates challenges for developing competitive wholesale and retail markets. Most customers are served under fixed price contracts, which means that they are insulated from hourly price spikes. Thus, they do not see (or react to) short-term price spikes in the energy market. This lack of demand response, coupled with a generation market which, for technical reasons, is often slow to expand output during high-cost periods, means that generators can almost name their own price when supply is short. In fact, because during peak periods there would otherwise be no limit to what suppliers could charge for electricity, the FERC has recognized the need in New England and New York for a \$1000 per MWh price cap. The problem of inelastic demand and tight supply leading to extremely high prices was graphically illustrated in California during 2000 and much of 2001.

To avoid these high peak prices and to reduce generators' ability to exert market power, there is a clear need to increase the amount and speed of demand response by customers. This will entail a multi-faceted effort which includes encouraging pricing mechanisms that allow customers to benefit from usage reductions during high-cost times, deploying more sophisticated meters that record hour-by-hour customer usage, encouraging the retail market to offer a wider variety of choices to customers, and encouraging small customer-owned generation (distributed generation) to provide generation during high-cost periods. The Commission has been actively involved in the development of these and similar mechanisms and continues to participate in FERC proceedings involving demand response programs.

## 3. FERC Proceedings on Standardized Generator Interconnection Agreements and Procedures

During 2002, the FERC initiated two related rulemakings directed towards standardizing the procedures that independent generators must follow and the studies they must conduct before they are allowed to interconnect with the transmission grid. Generator interconnection is a technical process that must be carefully controlled to ensure the

reliability and safety of the rest of the transmission or distribution system. FERC's rulemakings seek to address this need to protect the integrity of the grid without raising unnecessary barriers to entry for new generation facilities.

In April 2002, the FERC issued a proposed rule that provides a standard interconnection agreement and operating procedures for generators greater than 20 Megawatts. The Commission participated in the NEPOOL Reliability Committee's review of the standard agreement, filed our own comments in the proceeding, and collaborated with generators, transmission owners, and other state regulators through the National Association of Regulatory Utility Commissions (NARUC) to develop consensus interconnection agreement and procedures documents. The FERC has not yet issued a final rule in this docket.

In August 2002, the FERC issued a second proposed rule relating to small generator interconnections. This proposed rule is intended to standardize the interconnection to the grid of generators less than 20 Megawatts in size. This rulemaking is of interest to Maine because it could accelerate development of the distributed generation industry. The proposed rule is intended to reduce the cost of small scale generation by standardizing the kind of studies required and pre-certifying the kind of equipment small generators may use to connect to the transmission system. We are participating in this proceeding through a coalition of industry stakeholders that includes transmission owners, small and distributed generation interests, and other NARUC members to develop a standardized procedure similar to the one developed for larger generators.

## **ISO Initiatives**

### **Market Reforms:**

In April 2002, FERC approved a package of interim market reforms proposed by ISO-NE. The reforms expanded the types of resources that could set the clearing price, imposed bidding requirements, increased payment for reserves, and removed barriers to the export of power from New England to New York when the price is higher in New York. These changes are intended to help increase price efficiency until the implementation of SMD in March 2003. As part of NECPUC, we generally supported the changes as interim measures as long as they would not delay the implementation of SMD and would be closely monitored by the ISO to avoid any increase in incentives for gaming by generators. Further, NECPUC supported provisions that would prevent high-priced external contracts from setting the clearing price for the entire hour if they were needed only for a portion of the hour. The implementation of SMD continues on schedule, indicating that it has not been adversely affected by the interim rules, and the ISO has not reported any gaming activity that has resulted from these rules.

During the summer of 2001, the clearing price reached the \$1000 per MWh bid cap during 15 hours of high demand and tight capacity. Because the level of forced outages was higher than predicted during many of these hours, we, with a number of other New England regulators, asked the ISO to investigate whether any suppliers had physically

withheld capacity to increase clearing prices. ISO's report on the investigation of this issue concluded that "the New England markets have been workably competitive and [produce] little evidence of persistent economic or physical withholding." The report could not exclude the possibility that "discrete instances" of anti-competitive withholding had occurred and concluded that the ISO should continue to monitor for anti-competitive withholding "especially in the peak-demand hours when the presence of market power is most likely." In meetings with the market monitoring unit, NECPUC staff has encouraged the ISO to increase its audit activity to verify supplier justifications for forced outages.

## Maine/Canadian RTO Study

P.L. 2001, chapter 81, Resolve, Regarding Participation in Regional Transmission Organization, enacted by the Maine Legislature in 2002, directed the Commission to investigate and report on the advantages and disadvantages of having the State's T&D utilities form a regional transmission organization (RTO) with utilities in Canada. We engaged Maine-based Energy Advisors to provide a comprehensive analysis of the issues. We will present the Energy Advisors report and any Commission recommendations regarding Maine utilities joining an RTO with Canadian utilities to the Utilities and Energy Committee early in 2003.

## Northern Maine

The northern area of Maine is not directly connected to the New England control area and is therefore unable to fully participate in the New England markets. It is part of the Canadian Maritimes control area and constitutes a separate wholesale market. As a consequence, northern Maine requires its own Independent System Administrator. The Northern Maine Independent System Administrator (NMISA), formed in 2000, develops, interprets, and enforces the market rules and operating procedures and supervises the reservation, scheduling, and dispatch of the northern Maine transmission system. The substantially smaller size of the northern Maine market and the relatively few market participants allow it to operate under a much simpler set of rules than those in place in the rest of New England. This simplicity has contributed to the relatively problem-free operation of the northern Maine market.

During 2002, NMISA was involved in a number of activities. Brief summaries of these follow:

### Filing in FERC's Standard Market Design Proceeding:

The NMISA has responded to the FERC's rulemaking on SMD with a filing that describes its unique function and the structure of the northern Maine market. The NMISA asked the FERC to consider these unique characteristics and exempt it from elements in the proposed rule that would be overly burdensome and expensive or impossible to implement in northern Maine due to its size and market structure. The Commission's comment on the FERC proposed rule will support the NMISA's request.

#### Market Development Committee:

NMISA has a market development committee whose function is to develop or modify the market rules when the need arises. NMISA has been asked to determine whether the northern Maine markets would benefit from the addition of a capacity product. The proponents of such a rule believe that it would help to ensure the continued viability of existing generators in northern Maine, and that it would add compatibility between northern Maine and New Brunswick's wholesale markets. We are participating in the examination of a need for this product and will seek to ensure that, if such a product is developed, it will be compatible with the resource adequacy product developed as a result of the FERC rulemaking on SMD.

#### New Brunswick Industry Restructuring:

Northern Maine is directly connected to the Province of New Brunswick and is therefore affected by the activities of the provincial utility, New Brunswick Power Company. New Brunswick has decided to open its wholesale market to limited 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 the Commission is closely monitoring the implementation of New Brunswick's energy policy. When opportunities arise, we will work to advance the integration of the northern Maine market, the New Brunswick wholesale market, and the New England market as much as possible.

#### East Coast Transmission Organization:

Utilities in the Canadian Maritimes are considering changes to their wholesale markets that would facilitate the export of excess power 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 markets are competitive and must develop a Regional Transmission Organization that meets FERC's requirements. Canadian utilities are currently discussing how such an organization, commonly named East Coast Transmission Organization (ECTO), 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 in applicable FERC proceedings.

#### 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 (NBP). The MEPCO line can transport up to 1,000 MW of power from NBP into Maine, but is limited in the amount of power it can transport from Maine into New Brunswick. In August 2001, BHE petitioned the Commission to issue a certificate of public convenience and necessity to build a second transmission line that would allow more power to flow in both directions. Maine's Department of Environmental Protection rejected BHE's proposal without prejudice

because of an inadequate evaluation of alternate corridors. At this time, BHE has not indicated whether it will continue to pursue the project.

### **Affiliated Competitive Providers and Compliance Costs**

The Restructuring Act requires T&D utilities and their marketing affiliates (referred to in the Act as affiliated competitive providers) to comply with comprehensive standards of conduct and market share limitations. These requirements are intended to prevent utility marketing affiliates from obtaining any undue market advantage by virtue of their corporate relationship with T&D utilities. The Commission has implemented the requirements of these statutory provisions through the promulgation of Chapter 304 of its rules. Additionally, the Restructuring Act requires the Commission to assess its actual and estimated future costs of implementing and enforcing the law governing affiliate marketing, as well as the utilities' cost of compliance, and to provide an assessment of the impact of those costs on ratepayers and the utilities.

At the outset of retail competition in Maine, MPS created Energy Atlantic, LLC (EA), a marketing affiliate that has operated throughout the State. In October 2000, WPS Energy Services Inc. (WPS), a licensed competitive electricity provider, filed a complaint against MPS alleging violations of the standards of conduct. The Commission ordered WPS and MPS to undergo informal dispute resolution required by Chapter 304 to resolve a portion of the complaint and opened an investigation into the allegation of inappropriate employee sharing between MPS and EA. The informal dispute resolution resulted in MPS's agreement to change some of its procedures, while other allegations were found to be without merit. The Commission's investigation of the inappropriate employee sharing allegations was resolved in April 2002 by an agreement of the parties that revised and refined the type of employee sharing that may occur between MPS and EA.

During 2002, BHE filed for Commission approval to create a marketing affiliate, Emera Energy Services, Inc. (EES). EES would be a subsidiary of BHE's corporate parent, Emera, Inc. The Commission approved the creation of EES subject to several conditions intended to ensure that EES would not have any market advantage due to its affiliation with BHE. The Public Advocate and Competitive Energy Services (a licensed electricity aggregator) appealed the Commission's decision to the Law Court on the ground that the approval of the formation of EES violated the Restructuring Act's prohibition of affiliated marketing in certain circumstances subsequent to the acquisition of a T&D utility. The appeal is currently pending.

The Commission's costs of implementing and enforcing the affiliate marketing requirements have been modest, primarily comprising the use of internal resources to conduct the WPS complaint proceeding and to review BHE's request to form EES (along with associated affiliated contracts). The Commission foresees that its costs will continue to be moderate in the future. BHE has indicated that its costs of compliance have been minimal. MPS has incurred, and continues to incur, the cost of hiring outside counsel in connection with its participation in the proceedings and post-proceeding compliance activities associated with the EA agreement. However, MPS indicates that these costs are

relatively insubstantial and are unlikely to materially affect customer rates or shareholder value.



## **Electric Energy Conservation Program**

- During 2002 the Commission made substantial progress in developing and administering a statewide electric conservation plan.
- The Commission approved 12 interim electric conservation programs and began establishing a program to meet all of the legislative goals for a statewide electric conservation program.

The Restructuring Act initially directed the State Planning Office (SPO) to develop statewide conservation programs. While SPO developed the conservation plan, the Act continued to require Maine's T&D utilities to administer and implement energy efficiency programs. In April 2002, the Legislature amended the Restructuring Act through P.L. 2001, ch. 624, (An Act to Strengthen Energy Conservation), to vest in the Commission the responsibility for both developing a statewide conservation plan and administering the conservation programs.

To facilitate timely introduction of new conservation programs, the Conservation Act allowed the Commission to implement "interim programs" that need not accomplish all the goals set forth in statute. During 2002, we approved 12 interim programs. The programs are in varying stages of design, with some fully implemented, some fully designed and with bids out for implementation, and some to be designed in 2003.

### **Approved Interim Programs**

- Low-income refrigerator replacement program
- Building Operator Certification (BOC) program
- State building program
- Department of Economic and Community Development (DECD) Small Business Conservation Loan Fund re-capitalization
- Maine Energy Education Program (MEEP) funding
- Maine energy curriculum investigation
- Residential lighting incentive
- New school construction program
- Small business incentive program
- Low-income no-charge lighting program
- Large commercial/industrial (C/I) program
- Traffic signal replacement program

We also began the process of deciding the issues – including program design, funding levels, economic and technical conservation potential, goals, strategies, cost effectiveness tests, and definitions – for the ongoing statewide portfolio. Throughout the

process, we have sought, and obtained, extensive written and oral comment. We have also hired staff dedicated to the conservation program to carry out our continuing responsibilities.

We have adopted goals, objectives and strategies for the on-going programs. We have also adopted rules for measuring cost effectiveness, and defined eligibility for low income and small business programs. We are in the process of considering the potential for energy efficiency in Maine, and expect to establish funding levels in February. We also expect to develop a plan for the on-going statewide portfolio of programs by March.

Pursuant to the Conservation Act, on December 1, 2002 the Commission submitted to the Utilities and Energy Commission its annual Conservation Report. That document provides a detailed description of the Commission's actions in this area.

## **Natural Gas**

- During 2002 the number of new facilities using natural gas increased but at a slower pace than in recent years.
- Two local natural gas distribution utilities continues to expand their service areas.
- The Commission inspected more than 300 liquefied petroleum gas (propane) facilities pursuant to its safety compliance responsibilities.
- The Commission continued its active role in pipeline safety ensuring compliance with vital safety standards in the construction and operation of natural gas, propane, and liquefied natural gas facilities and prosecuting over 200 Dig Safe violations.

## **Natural Gas Industry**

The number of facilities using natural gas utilization continues to grow but at a slower pace than in recent years. Two local distribution companies, which have been building and operating pipeline systems for three years, continue to expand in Windham, Gorham, Topsham, Brunswick, Veazie, Bangor, Brewer, Orono and Old Town. Replacement pipe was also installed to upgrade existing facilities in the greater Portland and Lewiston areas. The Commission actively monitors the construction of new facilities as well as company operating performance for compliance with state and federal safety regulations.

In 1999, two new interstate pipelines, Portland Natural Gas Transmission System (PNGTS) and Maritimes & Northeast Pipeline, began to bring increased natural gas supplies into Maine. As a direct result, gas utilities authorized to serve in Maine have expanded their facilities into several new areas in the state. Municipalities that now have expanded natural gas service include: Windham, Bucksport, Old Town, Veazie, Bangor, Brewer, Sanford, Kittery, Orono, Brunswick, Topsham, Rumford, and Gorham. Gas utilities are increasing customer penetration within these municipalities each year and working to extend facilities outward from established areas.

Maine's gas distribution utilities are contracting with increasing numbers of large commercial and industrial customers that are converting to natural gas from other fuels such as propane or oil. These customers include Bath Iron Works' East Brunswick facility, the Maine Correctional Center, Vishay Intertechnologies, Fort James Corporation, Bucksport Energy, Westbrook Energy Center, Brunswick Naval Air Station, Portsmouth Naval Shipyard, Bates College, Fairchild Semiconductor, Lewiston Mill Redevelopment, Cyro Industries, Hannaford Brothers, the University of Maine at Orono and Gorham, as well as businesses such as International Brands Corporation, International Paper, Auburn VPS, Phillips Element, Pike Industries, and the Maine Medical Center, that have chosen to expand their use of gas. Increasingly, government agencies and public and private service entities such as schools, colleges, and health care facilities are considering the benefits of conversion to natural gas.

Since 1999, commercial and industrial customers have been free to enter into competitive gas supply arrangements, taking transportation-only service from the local distribution utility. Significant numbers of larger commercial and industrial customers have made the change from obtaining gas commodity from their distribution utility in favor of competitive options. We continue to monitor the progress that gas supply competition is making in Maine and the region and the effect that Maine's current regulatory policies may be having on these markets. Based on information we have received from gas marketers, there is little interest on the part of suppliers in extending choice to residential consumers at this time due to Maine's relatively small population and low density. However, marketers and suppliers are increasingly extending service to smaller commercial entities, such as restaurants.

The new gas supplies also support five newly constructed gas-fired electric generation facilities, located in Westbrook, Bucksport, Veazie, Rumford, and Jay, which consume a substantial portion of the natural gas supplied to Maine and provide 1600 MW of electricity to the northeast region. The Commission works with other agencies, both state and federal, involved in the construction and regulation of these entities to ensure that we conduct appropriate and adequate, but not onerous, public review of issues that fall within our purview.

Due to substantially increased gas prices during 1999-2001 and increased natural gas market volatility nationwide, we now actively monitor regional supply and market conditions, as well as corresponding gas utility programs, with an eye toward mitigating adverse impacts on natural gas consumers where appropriate. In 2002, we began exploring the possibility of Northern Utilities, Inc.'s use of financial hedging instruments to stabilize gas commodity rates.

We are participating in the New England Governor's Conference and Maine Emergency Management Agency emergency planning efforts being coordinated throughout the state and region. Our role is to ensure that utilities that are vulnerable to winter fuel shortages, the threat of terrorist attack, or drastic price spikes are adequately prepared to avoid or mitigate to the extent possible, harm and dislocation to Maine's citizens and businesses.

In recent years, several of Maine's gas and electric utilities have been acquired by or have merged with much larger regional energy corporations. The effect of the new, larger corporate environment on a much smaller utility often requires that we actively monitor customer service and safety standards to ensure adequate performance. When utilities fall short, we develop appropriate incentive mechanisms and other means to effect improvement or maintenance of customer service and safety standards to offset the cost-cutting pressures that the parent entity places on the local utility subsidiary. In this regard, we recently initiated a management audit of Northern Utilities, Inc.'s customer services and are reviewing its service contracts with its affiliates, NiSource Corporate Service Corporation and Bay State Gas Company. We continue to consider implementing

performance-based regulatory mechanisms for Maine's largest gas distribution company, consistent with our treatment of both start-up companies now operating in the state.

## **Gas Safety**

Working with the federal Office of Pipeline Safety, we are continuing to ensure compliance with vital safety standards in the construction and operation of natural gas, propane, and liquefied natural gas facilities. In 1999, the Legislature directed the Commission to enforce the safety of underground facilities, a new role to the Commission. Accordingly, the Commission adopted a new rule, Chapter 895, outlining the underground facilities safety requirements and our newly implemented enforcement procedures. In 2001, based on our growing experience with the law, we proposed several amendments to improve the practical workings of the "Dig Safe" law that were adopted by the Legislature. In 2002, we prosecuted more than 200 enforcement actions for damage prevention incidents where violations were indicated.

The Commission's gas safety inspector also has held training sessions for propane system operators to inform them of federal and state safety code requirements and is currently locating and inspecting all systems in Maine to ensure their compliance.

This year we successfully located and inspected all known federally designated liquefied petroleum gas (propane) facilities in Maine. The Commission examined more 300 installations for which it has safety compliance responsibilities.

## **Telecommunications**

- Maine continues to have the highest telephone penetration rate in the country; Federal Communication Commission (FCC) statistics indicate that as of March 2002, 98% of Maine's households had telephone service.
- Competition in the local exchange market continues to grow, albeit at relatively slow pace.
- Verizon is now offering out-of-state long distance calling, in addition to its traditional local exchange service and in-state long-distance calling.
- The price of the lowest available intrastate toll service continues to fall, though some larger carriers have increased prices for their lowest cost option.
- Maine will remain a state with a single area code (207) for the foreseeable future.
- The Maine Telecommunications Education Access Fund (MTEAF) assists Maine's schools and libraries in paying the costs of acquiring and using advanced telecommunications technologies.
- The Commission amended the Basic Service Calling Area Rule (Chapter 204) that governs local calling areas for telephone customers in Maine, requiring the local calling area to include a minimum all geographically adjacent exchanges.
- Options for accessing the Internet have grown significantly.
- In early 2003, the Maine Universal Service Fund (MUSF) will begin to help independent telephone companies keep their basic exchange rates at reasonable and affordable levels while simultaneously lowering their intrastate access rates.
- The Commission continues to monitor the quality of service and the network reliability and security practices of the State's telecommunications providers' networks.

## **Development of Local Competition**

In 2002, the Commission completed two important cases relating to the development of competition in the local exchange market in Maine. In February, we issued our decision in the Total Element Long Run Incremental Cost (TELRIC) case. This decision sets the prices Verizon may charge its competitors (competitive local exchange carriers (CLECs)) for use of the pieces of its network, otherwise known as unbundled network elements (UNEs). The Telecommunications Act of 1996 (TelAct) required state commissions to set these rates in accordance with federal law and Federal Communications Commission (FCC) regulations so that CLECs could more readily enter the marketplace.

The prices set by the Commission balance compensation to Verizon for the costs associated with unbundling its network with the need to avoid placing on competitors the fully embedded costs of Verizon's legacy network, some of which may be related to outdated equipment or inefficient design. Maine's overall rates for loops, the essential component used to serve customers, have been set to establish a fair playing field for the further development of local competition in Maine.

We also approved Verizon's petition to the FCC for entry into the interLATA (for Maine, the interstate long distance) market pursuant to Section 271 of the TelAct. Under federal law, before Verizon could provide interstate long distance service to Maine consumers, it had to show the FCC that it had opened its local exchange market to competition. Specifically, Verizon had to show that it met the conditions of a 14-point federal statutory checklist. The FCC relies upon state commissions to do the initial review of compliance with the checklist and to make a recommendation to the FCC.

After several technical conferences, hearings and negotiations with other parties to the proceedings, we found that, conditioned upon Verizon's compliance with seven conditions, they had met the checklist. The conditions set by the Commission required Verizon to make additional filings with the Commission and to make certain additional offerings to the competitors. On June 18, 2002, the FCC approved Verizon's entry into the long distance market in Maine.

One of the conditions that we imposed required the adoption of a Rapid Response Process to be administered by Commission staff. The RRP will allow quick resolution of disputes between CLECs and Verizon, thus ensuring that the CLECs have a reasonable opportunity to compete with the incumbent former monopoly service provider.

### **Maine Universal Service Fund (MUSF)**

The MUSF becomes operational in early 2003. The MUSF and the MTEAF will be run by a Joint Administrator to obtain as much administrative efficiency as possible. The Commission selected Rhoads and Sinon to act as Joint Administrator. The MUSF will obtain funds from all providers of intrastate telecommunications services and will disburse funds to independent rural telephone companies based on findings made by the Commission in rate case proceedings. To receive MUSF funding these companies must demonstrate that after reducing their intrastate access rates to levels equal to or below their interstate rates, as required by Maine law, and raising their basic exchange rates to at least the level of Verizon's rates for exchanges of equal size, they are unable to meet their allowed revenue requirement (including a reasonable return on investment). The funds they receive from the MUSF will compensate them for any revenue shortfall. The Commission may allow companies to phase in any local rate increases over three years to prevent "rate shock" to customers.

Payments into the MUSF will be required of all providers of intrastate telecommunications services, including wireless and paging providers, as authorized by statute. Contribution amounts will be based on each provider's share of the total intrastate

revenue generated by all providers. Public utilities will be allowed, but not required, to recover their USF contribution amounts through specific surcharges on their customers' bills. The surcharge will be limited to the revenue contribution ratio (total fund costs divided by total intrastate revenues), as determined by the Administrator. To eliminate the burden on smaller providers and to reduce administrative costs without materially affecting the contributions to the fund, companies having \$12,500 or less in quarterly intrastate revenues (i.e. \$50,000 annually) will not be required to pay into the MUSF.

## **Number Conservation Measures**

Maine will continue to be one of only 14 states with one area code, 207, the same one we have had since 1947. On October 29, 2002, the North American Numbering Plan Administrator (NANPA) notified us that the industry petition for area code relief was withdrawn. Our staff's work at state and federal levels, extended by seven years the projected exhaust date from the fourth quarter of 2001 to the 2008. We believe that this exhaust date estimate is conservative and expect Maine to keep a single area code far beyond even 2008. Our staff estimates that we may be able to extend a single area code for as long as 15 years. We will continue to work on number conservation measures so that Mainers will not be burdened by the costs and inconveniences associated with new area codes.

## **Basic Service Calling Area (BSCA) Rulemaking**

In 2002, we adopted changes to our BSCA Rule (Chapter 204) because of concerns that the existing rule did not sufficiently address the expanding calling area needs of local telephone customers. Prior to the rule change, we identified four categories of calling area problems.

First, in some exchanges, the calling patterns and needs of a pocket area of the exchange differed from the rest of the exchange or there were split communities of interest within the exchange.

Second, in areas (particularly rural areas) where education is provided by School Administrative Districts (SADs) or School Unions that include a large number of municipalities, customers complained that they could not call or be called from the school their children attend and students complained that they could not call each other for study and social matters without making a toll call.

Third, there was a lack of "parity" within certain areas. The growth of calling areas both before and after the initial adoption of our BSCA rule resulted in "hub and spoke" calling areas under which small communities surrounding a large community (e.g., Bangor, Augusta and Lewiston-Auburn) could call the large community but not each other, particularly those nearby.

The fourth problem was single-exchange calling areas. We reported to the Joint Legislative Utilities and Energy Committee that 17 exchanges in Maine do not have flat-



rated, local calling to any other exchange. In response, the Legislature enacted 35-A M.R.S.A. §7303-A to address single-exchange calling areas, and the Commission amended Chapter 204 to comply with that section. Those amendments included the definition of "Single Exchange Area," a waiver mechanism for petitions by 50 or more customers in a single exchange area, and standards for evaluating customer requested waivers. Because of those changes, four single-exchange calling areas were expanded to include their largest community of interest.

The most significant change we have made to the rule is to require that contiguous exchanges not already included in an exchange's BSCA be added to the Premium option for that exchange. Adding contiguous exchanges alleviates most, if not all, of the problem areas we identified in the inquiry. Other changes eliminate the obligation imposed on local exchange carriers (LECs) to do automatic, periodic calling-volume analyses, specify that the BSCA rule applies only to eligible telecommunications carriers (ETCs), and simplify the customer waiver process.

In addition to these rulemaking proceedings, we also expanded the calling area of five exchanges in the Sebago Lake area that applied for relief under the BSCA waiver process, and the Lubec exchange was granted a waiver to allow local calling to Campobello, NB, Canada.

### **Maine Telecommunications Education Access Fund (MTEAF)**

The Maine School and Library Network (MSLN), now funded by the MTEAF, provides full Internet access to every public K-12 school and public library in Maine, comprising more than 1,000 sites. Maine was the first state to provide such widespread access. Many of the schools have high-speed connections using Asynchronous Transfer Mode (ATM) technology (45 Mbps, 10 Mbps used for data) and T-1 transport. These sites typically network with neighboring school buildings and libraries. A number of the public libraries also have T-1 access to the MSLN Internet service provider.

The MTEAF also supports the Maine Learning Technology Initiative, which now provides classroom computers to all Maine 7<sup>th</sup> grade students. 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 one-to-one student to device program. The provision of e-mail accounts for students and access to Internet content filters will also be provided as requested. For schools that allow home access, MTEAF will provide a dial-in connection to the MSLN. Finally, the MTEAF will support the level of bandwidth necessary to connect all schools with the students who have the computers.

### **Activities at the Federal Level**

Chairman Welch has served as the State Commissioner Chairman of the Federal-State Joint Board on Separations established by the FCC. The Separations Joint Board deals with the allocation and assignment of telephone company costs to either the state or federal jurisdiction. Changes in cost allocations can significantly affect the level of local rates charged by Maine's local exchange carriers. Recently, the Joint Board's activities

have focused on ensuring that new uses of the network, such as access to the Internet, do not create revenue requirement shifts that would adversely affect state ratepayers. Based on a recommendation by the Joint Board, the FCC instituted a “freeze” on the federal/state allocation factors for five years, allowing the Joint Board and the FCC additional time to continue analyzing the implications of changes in usage of the telephone network and the resulting effects on costs and cost recovery. The FCC is examining the future of the separations process, and the Joint Board is gathering information about the effects of the freeze on state ratemaking proceedings.

We continue to be actively involved with universal service issues at the FCC. We have argued to the FCC that § 254(b) of the TelAct requires that a federal USF be established at a level that is sufficient 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 and have urged the FCC to adopt integrated plans for both rural and non-rural local exchange carriers. This may increase the amount of federal USF support provided to Maine’s telephone customers. A staff member of the Commission serves on the advisory staff of the Universal Service Joint Board.

Currently, all federal USF amounts received by Maine’s telephone utilities are used to directly benefit ratepayers. For Verizon customers, a credit that varies from .23¢ to \$2.75 with the cost of providing service in various categories of exchanges is provided on each monthly bill. For the rural independent phone companies, federal USF support is used to reduce the companies’ overall revenue requirements, which results in lower rates.

## Water

### HIGHLIGHTS

- The Commission allowed rate changes for four investor-owned water utilities, three municipal water departments, and 21 water districts.
- The Commission continues to work with regulated water utilities to define the best approach to regulating these utilities.
- The Commission approved a change in the ownership of three utilities in 2002. The East Boothbay Water District and the Boothbay Harbor Water System will be consolidated into the Boothbay Region Water District. The Brewer Water District will become the City of Brewer Water Department.

During 2002, the Commission continued to offer staff-assisted rate cases for small water utilities lacking the expertise or funds to prepare a rate case. Staff assisted one utility by preparing the documents necessary to file for a change in rate structure. Several water utilities were provided with advice in the preparation of their terms and conditions or rate filings. 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 respond to telephone inquiries from utilities, representatives of municipal governments, customers, and the general public.

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 experienced drought conditions during 2002. 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.

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

MUNICIPAL & QUASI-MUNICIPAL WATER UTILITIES		14-Jan-03			
RATE CASES PURSUANT TO SECTION 6104					
COMPLETED IN 2002					
		Utility	Increase	%	
Docket No.	Utility Name	Proposed	Over	Increase Over	
		Revenue	Prior Year	Prior Year	Effective
=	=	=	=	=	=
01-768	FARMINGTON VILLAGE CORPORATION	\$687,635	\$70,333	11.39%	02/01/02
01-789	JAY VILLAGE WATER DISTRICT	\$287,217	\$53,614	22.95%	03/03/02
01-801	FORT KENT WATER DEPARTMENT	\$332,993	\$102,869	44.70%	04/31/02
01-833	MILBRIDGE WATER DISTRICT	\$99,405	\$27,976	39.17%	02/15/02
02-013	ALFRED WATER DISTRICT <sup>1</sup>	\$149,971	\$86,657	136.87%	12/01/02
02-023	BOWDOINHAM WATER DISTRICT	\$148,917	\$40,680	37.58%	04/01/02
02-115	DEER ISLE CONSUMER OWNED W.U. <sup>2</sup>	\$3,335	\$2,782	503.07%	07/01/02
02-138	HAMPDEN WATER DISTRICT	\$818,831	\$325,639	66.03%	05/18/02
02-201	STONINGTON WATER COMPANY	\$104,354	\$6,933	7.12%	07/01/02
02-210	MADAWASKA WATER DISTRICT	\$742,308	\$122,890	19.84%	07/01/02
02-220	CASTINE WATER DEPARTMENT	\$341,264	\$81,513	31.38%	07/01/02
02-362	BRUNSWICK & TOPSHAM WATER DIST.	\$2,938,477	\$737,383	33.50%	09/01/02
02-405	PRESQUE ISLE WATER DISTRICT	\$1,147,309	\$79,537	7.45%	11/01/02

<sup>1</sup> The Alfred Water District acquired the assets of the Alfred Water Company and has made major improvements to the water system. Some of the improvements were necessary for the District to remain in compliance with the Safe Drinking Water Act. 75% of the increase is attributed to the depreciation and debt service on the water system improvements. The Alfred Water Company had its most recent rate increase in 1984 and had not made any significant improvements since that time.

<sup>2</sup> The Deer Isle Consumer Owned Water Utility recently made improvements (Safe Drinking Water Act required) to its source of supply, which caused \$956 of the increase. The addition of general liability insurance along with directors and officers liability insurance added an additional \$1,380. The balance of the increase (\$446) is due to increases in operating expenses.

02-409	FARMINGTON FALLS WATER DISTRICT <sup>3</sup>	\$42,383	\$29,037	217.57%	09/22/02
02-471	DEXTER UTILITY DISTRICT	\$430,000	\$136,367	46.44%	10/20/02
02-477	NORTHPORT VILLAGE CORPORATION	\$117,400	\$23,686	25.27%	01/01/03
02-485	SANFORD WATER DISTRICT	\$2,176,719	\$274,179	14.41%	11/01/02
02-574	BREWER WATER DISTRICT	\$2,386,032	\$218,900	10.10%	12/01/02
02-619	OLDTOWN WATER DISTRICT	\$1,291,327	\$137,711	11.94%	01/01/03
02-623	NORRIDGEWOCK WATER DISTRICT	\$123,768	\$31,523	34.17%	01/01/03
02-629	LONG POND WATER DISTRICT	\$110,464	\$19,054	20.84%	01/01/03
02-639	WINTHROP UTILITIES DISTRICT	\$691,689	\$128,290	22.77%	01/06/03
02-641	AUGUSTA WATER DISTRICT	\$5,014,028	\$594,392	13.45%	02/01/03

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<sup>3</sup> The Farmington Falls Standard Water District acquired the assets of the Farmington Falls Water Company and has made improvements to the water system. Those improvements include a new reservoir, new water mains, and a pumping station upgrade. The improvements will improve the reliability of the water system and help the District to remain in compliance with the requirements of the Safe Drinking Water Act. Debt service related to the improvements caused \$15,086 of the increase. The balance of the increase, \$13,951, was caused by increases in management, accounting, postage, insurance, dues, and water testing expenses.

**INVESTOR OWNED WATER UTILITIES AND WATER DISTRICT**

**RATE CASES PURSUANT TO SECTION 307**

**COMPLETED IN 2002**

14-Jan-03

									Utility	Commission
Docket No.	Utility Name	Date	Utility Proposed	Commission	Allowed	% increase	Effective	Test Year	Requeste d	Allowed
		Filed	Revenue	Allowed Revenue	Increase	Allowed	Date	Return*	Return	Return
=	=	=	=	=	=	=	=	=	=	=
2001-314	TOWN OF BAR HARBOR WATER COMPANY	05/10/01	\$857,749	\$857,749.00	\$95,589.00	12.54%	01/02/02	N/A	N/A	N/A
2002-070	GREENVILLE DIVISION, CMWC	02/07/02	\$395,716	\$394,716.00	\$40,847.00	11.54%	04/09/02	N/A	N/A	N/A
2002-107	BUCKSPORT DIVISION, CMWC	02/26/02	\$595,359	\$592,151.00	\$41,000.00	7.44%	04/26/02	N/A	N/A	N/A
2002-458	HARTLAND DIVISION, CMWC	08/05/02	\$291,647	\$291,647.00	\$124,714.00	74.71%	11/15/02	N/A	N/A	N/A
	* Calculated by dividing utility test year after-tax income by test year rate base									

## Summary of Laws

### – Summary of Relevant New Laws Enacted in the 2<sup>nd</sup> Session of the 120<sup>th</sup> Legislature (2002)

LD	SUMMARY	AMEND 35-A	CHAPTER NO.	EFFECTIVE DATE
<b>ELECTRIC</b>				
420	Requires the Commission to develop and administer conservation programs funded through assessments on T&D utilities	§3153-A, 3211-A	PL 2001, ch. 624	4/5/02
646	Establishes the Maine Energy Advisory Council	N/A	PL 2001, ch. 630	7/25/02
1995	Requires the PUC to study the feasibility of T&D utilities' participation in a regional transmission organization that includes Northern Maine and Canada	N/A	Resolve 2001, ch. 81	3/14/02
2003	Advances the reporting deadline by 2 years for the PUC to investigate the value and continued necessity of standard-offer service in the State's competitive electricity markets	§3212, 3217	PL 2001, ch. 528	3/12/02
2085	Facilitates the pending sale of Great Northern Paper, Inc.'s hydro facilities and sets conditions that protect the region and persons affected	N/A	P&SL 2001, ch. 45	1/28/02
<b>WATER</b>				
1838	Removes some Safe Drinking Water Act construction plan reporting requirements	§6102	PL 2001, ch. 488	7/25/02
1845	Extends the period for temporary financing for the Town of Waldoboro's water project	N/A	P&SL 2001, ch. 51	3/6/02
1857	Changes the eligibility requirements for the election of trustees for the Mt. Blue Standard Water District and allows the trustees to determine compensation for the trustees and the treasurer of the board of trustees	N/A	P&SL 2001, ch. 48	2/21/02

1862	Amends the charter of the Winterport Sewerage District to increase the debt limit subject to referendum approval and permits the district to increase its debt limit in the future through a referendum process	N/A	P&SL 2001, ch. 49	2/21/02
1906	Amends the charter of the Corinna Sewer District allow trustees to set a date for the annual meeting at their discretion	N/A	P&SL 2001, ch. 47	2/14/02
2073	Amends the charter of the Portland Water District to redistrict trustee representation to reflect 2000 consensus data	N/A	P&SL 2001, ch. 56	3/21/02
2147	Authorizes the City of Brewer to acquire the assets of the Brewer Water District upon approval of a referendum. Requires the PUC to review employee contracts	N/A	P&SL 2001, ch. 66	4/4/02
159	Amends the charter of the Corinna Water District	N/A	P&SL 2001, ch. 65	4/4/02
2207	Amends the charter of the Winterport Water District	N/A	P&SL 2001, ch. 68	4/8/02
<b>TELEPHONE/TELECOMMUNICATION</b>				
1471	Requires PUC to order NECA to transfer funds from the telecommunications education access fund to the University of Maine System for a digital library	§7104-B	PL 2001, ch. 522	3/12/02
1871	Conforms Maine's sales & use tax laws to the federal Mobile Telecommunications Sourcing Act	N/A	PL 2001, ch. 584	4/1/02
<b>MULTIPLE UTILITIES</b>				
1881	Increases the dollar amount that DOT can pay landowners for property without a formal appraisal from \$5,000 to \$15,000 and allows a market analysis to be performed	N/A	PL 2001, ch. 485	7/25/02



1973	Authorizes the PUC to allow a natural gas utility, telephone or T&D utility to acquire an easement to run a line across a railroad, including an abandoned railroad, and clarifies that the PUC cannot authorize a natural gas utility, telephone or T&D utility to acquire by eminent domain land owned by the State	§2311, 3136, 4710, 6501	PL 2001, ch. 608	7/25/02
2024	Revises the Dig Safe law; establishes alternative procedures for shoulder grading activities; exempts excavations in cemeteries if certain precautions are taken; eliminates the current exemption for highway sign work; requires underground facility operators to mark gas and electric facilities known to the operators located within a public way; establishes procedures to locate abandoned facilities; requires the excavator responsible for the actual excavation to ascertain whether required notices have been given; exempts private landowners from the definition of underground facility operator; repeals the provisions requiring designers to mark the location of underground facilities.	N/A	PL 2001, ch. 577	3/28/02
<b>MISCELLANEOUS</b>				
874	Requires the Commissioner of Transportation to report DOT's recommendations regarding the adequacy of the state operating subsidy for Casco Bay Island Transit District	N/A	Resolve 2001, ch. 72	7/25/02

1893	Authorizes the OPA discretion to substitute an economic analyst position for a vacant senior counsel position and to compensate a senior counsel at a higher salary range	§1701	PL 2001, ch. 476	7/25/02
1988	Expands the opportunity of retired state employees to add a spouse or dependent to their health insurance plan	N/A	PL 2001, ch. 641	7/25/02
2080	Budget Bill	N/A	PL 2001, ch. 559	3/25/02
2083	Corrects errors & inconsistencies in Maine laws – allows PUC to impose penalties for violation by a local exchange carrier (Part C-16) and allows for exemption for those purchasing power from Great Northern Paper's hydro facility between 7/1/97 and 1/28/02 (Part E-5)	N/A	PL 2001, ch. 667	4/11/02
2084	Clarifies who may call out and be called out to assist with emergency management activities, and who may be deemed to be an employee of the State for purposes of immunity from liability and workers' compensation coverage	§4332	PL 2001, ch. 614	7/25/02
2107	Authorizes final adoption of Ch. 395, Construction Standards and Ownership and Cost Allocation Rules for Electric Distribution Line Extensions	N/A	Resolve 2001, ch. 83	3/21/02
2116	Establishes the Maine Library of Geographic Information	N/A	PL 2001, ch. 649	7/25/02
2120	Authorizes general fund bond issue for construction and upgrade of water pollution control facilities, improvements to drinking water system and use of public geographic data	N/A	P&SL 2001, ch. 72	7/25/02
2144	Resolve regarding ch. 220, methodology for identification of regional service centers	N/A	Resolve 2001, ch. 106	7/25/02

2145	Expands the Clean Government Initiative to apply to UMA, Maine Maritime and the Maine Technical College System	N/A	PL 2001, ch. 695	7/25/02
2153	Adds an exception to the definition of “public records” in the freedom of access laws that would protect information concerning security plans or procedures of agencies of state & local government	N/A	PL 2001, ch. 675	7/25/02
2171	Terminates the State’s participation in an interstate compact with Texas and Vermont for the disposal of low-level radioactive waste	§4301	P&SL 2001, ch. 68	4/8/02
2173	Implements the recommendations of Criminal Justice regarding Public Safety’s Government Evaluation Act (GEA)	N/A	PL 2001, ch. 697	7/25/02
2185	Repeals current law that provides for reduction in benefits for retirees participating in local districts under the MSRS who return to employment in a participating local district covered by the retirement system if they exceed certain earnings limitations	N/A	PL 2001, ch. 699	7/25/02
2199	Establishes a task force to study methods of addressing inequities in the retirement benefits of state employees and teachers and requires the state to retire the unfunded liabilities of MSRS	N/A	PL 2001, ch. 707	7/25/02

During the 2<sup>nd</sup> Regular Session of the 120<sup>th</sup> Legislature, we followed 50 bills, 27 of which were handled by the Utilities & Energy Committee. Out of the 50 bills that were followed, 35 were enacted into law (19 in Utilities & Energy).

## **Summary Of Commission Rulemakings For 2002**

### **Chapter 204, Basic Service Calling Areas**

This rule establishes the criteria and the procedures that the Commission, local exchange carriers that are eligible for universal service funding, and customers follow to establish and change basic service calling areas. The amendments require local telephone companies to add all contiguous exchanges to the basic service calling area (BSCA) of every exchange, eliminate the requirement that an exchange be added to a BSCA upon a showing of a specific calling volume, and revise the process for requests by customers and carriers for the modification of existing BSCAs.

### **Chapter 280, Provision of Competitive Telecommunications Services, Chapter 285, Maine Telecommunications Education Access Fund, and Chapter 288, High Cost Universal Service Fund**

These rules respectively govern the payment of access rates (Chapter 280); contributions to, payments from and the administration of the Maine Telecommunications Education Access Fund (MTEAF) for schools and libraries (Chapter 285); and contributions to, payments from and the administration of the High Cost Universal Service Fund for eligible telecommunications carriers that serve rural areas of Maine (Chapter 288). In 2002, the Commission proposed an amendment to Chapter 280 that would establish a schedule for compliance with the requirements of 35-A M.R.S.A. § 7101-B (the “access parity statute”). The Commission also proposed amendments to Chapters 285 and 288 that would make the timing of contributions and the calculation of contribution amounts consistent with each other, that is intended to make the process easier for both contributors and the joint administrator of the two funds, and that would articulate the requirements for applying for universal service funding.

### **Chapters 290, 291 and 292, Standards for Billing, Credit and Collection, Termination of Service, and Customer Information for Eligible, Non-Eligible, and Interexchange Telecommunications Carriers**

These rules replace Chapters 81 and 86 as they relate to the credit, collection, and disconnection practices of local exchange carriers (eligible telecommunication carriers – Chapter 290, non-eligible telecommunication carriers – Chapter 291, and interexchange carriers – Chapter 292).

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

This rule was amended to require utilities to negotiate in good faith to provide billing and collection services to electricity aggregators and brokers. If the parties are unable to agree, the amended rule specifies that the Commission may direct the utility to provide such services upon specified terms.

### **Chapter 380, Energy Conservation Programs by Electric Transmission and Distribution Utilities**

This rulemaking revised former Chapter 380, which required the State Planning Office to develop statewide conservation programs to be implemented by transmission and distribution (T&D) utilities. Recently enacted legislation directed the Commission to develop a conservation program plan and to implement the programs. The revised Chapter 380 defines cost effectiveness, small business consumers and low-income residential consumers for purposes of implementing conservation programs.

### **Chapter 395, Construction Standards and Ownership and Cost Allocation Rules for Electric Distribution Line Extensions (Effective May 12, 2002)**

This rule establishes the procedure for approving the construction standards for line extensions established by transmission and distribution (T&D) utilities. Those standards apply to line extensions built by T&D utilities and by private line extension contractors. It establishes inspection requirements for line extensions built by private line extension contractors. It also defines the circumstances under which customers may own line extensions and establishes the requirements for that ownership and for optional or required transfers of ownership by customers to the T&D utility.

### **Chapter 410, Uniform System of Accounts for Gas Utilities**

The former rule required gas utilities to file copies of FERC Form 2A. Because this is a form that Maine's natural gas utilities are not required to file, the Commission has received annual reports from gas utilities in various formats and differing levels of detail. In this rulemaking, the Commission developed a detailed reporting form for use by gas utilities.

### **Chapter 895, Establish Underground Facility Damage Prevention Requirements**

This rulemaking was opened to incorporate legislative changes made last year to the Dig Safe law (23 M.R.S.A. § 3360-A), enacted as emergency legislation effective March 28, 2002, into our rule.

## **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 FY2002, a Regulatory Fund of \$5,236,000 as authorized by 35 M.R.S.A. Section 116, and a balance forward of \$1,322,673 pursuant to PL Chapter 136, 2001 which allows any accumulated unencumbered balance from FY 2001 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 62.5 full-time positions in FY2002.

1. A. Fiscal Year 2002

In FY2002, the Commission spent approximately \$5.17 million, regulating 742 utilities with gross revenues exceeding \$1.2 billion. Attachment 1 summarizes Regulatory Fund activity and activity in other funds administered by the Commission. Attachment 2 details FY2002 expenditures by line item.

B. Regulatory Fund

The authorized Regulatory Fund assessment for FY2002 was \$5,236,000. In addition to the assessment, an unencumbered balance of \$1,217,855 and encumbrances of \$229,057 were brought forward from FY2001. The Commission spent \$5,170,325. Expenditure details are presented in Attachment 2. An encumbered balance of \$287,304 and an unencumbered balance of \$1,322,673 remain available by Financial Order. The encumbered balances generally represent ongoing contracts for consulting services.

C. Filing Fees

In FY2002 the Commission refunded \$9,142 in filing fees and spent \$0. In FY02, the Commission collected \$20,000 in fines. This amount will be used to assist the General Fund during FY2003.

D. Miscellaneous Reimbursements

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

miscellaneous items. \$777 was brought forward from FY2001. An additional \$2,117 was received during FY2002. \$0 was expended and an unencumbered balance of \$2,894 was brought forward to be expended during FY2003. This amount was used to assist the General Fund during FY2003.

- 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. As of December 31, 2002, \$408,185 remains in the account and available for use unless it is used to assist the General Fund.

- 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. \$3,606 remains available during FY03.
- 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. \$36,912 was spent during FY02 leaving an encumbered balance of \$10,588 and an unencumbered balance of \$225 for use during FY03.
- H. During FY2002 the Commission received a 2002 PUC One Call Grant to implement a targeted education campaign reaching excavators, designers, public works officials and other involved in excavation. \$106 was spent during FY02 leaving an encumbered balance of \$23,405 available during FY03.

## 2. Fiscal Year 2002

Attachment 3 details the Commission's FY2003 Regulatory Fund budget. Encumbered and unencumbered balances brought forward from FY2002 are included. The right hand column represents the total funds available to the Commission in FY2003 by account and line category.

## 3. The Budget in Perspective

Attachment 2 details the Commission's budget for a 4-year period. The left hand column includes amounts actually expended in FY2002. Column 2 contains the

FY2003 expenditure plan. Column 3 and 4 contain the FY2004 and FY2005 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 percentage of the revenues reported by Transmission & Distribution companies will produce the amount authorized by statute. Calculations are also made to determine what percentage of the revenues reported by other utilities will produce the amount authorized by statute. 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 FY2002 no audits were performed.



## PUC FUND ACTIVITY BY ACCOUNT FOR FY 2002

### PUC REGULATORY FUND

UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY 2001	1,217,855
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY 2001	229,057
FUNDS RECEIVED DURING FY 2002	5,333,390
LESS EXPENDED DURING FY 2002	5,170,325
ENCUMBERED BALANCE BROUGHT FORWARD TO FY 2003	287,304
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 2003	1,322,673

### REIMBURSEMENT FUND

#### FILING FEE ACCOUNT

UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY 2001	9,142
ENCUMBERANCES BROUGHT FORWARD FROM FY 2001	0
FUNDS RECEIVED DURING FY 2002	20,000
LESS REFUNDED DURING FY 2002	9,142
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 2003	20,000

#### MISCELLANEOUS REIMBURSEMENT

UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY 2001	777
FUNDS RECEIVED DURING FY 2002	2,117
LESS EXPENDED DURING FY 2002	0
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 2003	2,894

### PUC CONSUMER EDUCATION FUND

BALANCE FORWARD FROM FY 2001	320,789
ENCUMBERANCES BROUGHT FORWARD FROM FY2001	98,001
FUNDS RECEIVED DURING FY 2002	0
LESS EXPENDED DURING FY 2002	5,608
ENCUMBERED BALANCE BROUGHT FORWARD TO FY 2003	0
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 2003	413,182

### PUC DIG SAFE GRANT

BALANCE FORWARD FROM FY 2001	3,603
DIG SAFE GRANT - FUNDS RECEIVED DURING FY2002	0
LESS EXPENDED DURING FY 2002	0
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 2003	3,603

### 2001 PUC ONE CALL GRANT

BALANCE FORWARD FROM FY 2001	225
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ENCUMBERANCES BROUGHT FORWARD FROM FY2001	47,500
FUNDS RECEIVD DURING FY 2002	0
LESS EXPENDED DURING FY 2002	36,912
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 2003	10,813

**2002 PUC ONE CALL GRANT**

ONE CALL GRANT - FUNDS RECEIVED DURING FY 2002	23,511
LESS EXPENDED DURING FY 2002	106
ENCUMBERED BALANCE BROUGHT FORWARD TO FY 2003	21,000
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2003	2,405

**PUC BUDGET IN PERSPECTIVE**

Attachment 2

	<b>FY2002 ACTUALLY SPENT</b>	<b>FY2003 APPROVED BUDGET</b>	<b>FY2004 PROPOSED BUDGET</b>	<b>FY2005 PROPOSED BUDGET</b>
<b>REGULATORY FUND</b>				
POSITIONS	63	63	62	62
PERSONAL SERVICES	4,087,135	4,702,424	5,367,820	5,543,916
CONSULTANTS	397,882	20,246	175,000	200,000
ALL OTHER	685,242	782,260	799,265	814,326
CAPITAL	0	0	0	0
<b>TOTAL</b>	<b>5,170,259</b>	<b>5,504,930</b>	<b>6,342,085</b>	<b>6,558,242</b>
<b>RESOURCES</b>				
ASSESSMENT AUTHORITY		5,504,156		
UNENCUMBERED BALANCE FORWARD		1,322,673 #1		
ENCUMBERED BALANCES FORWARD		287,304 #1		
		-		
<b>TOTAL REGULATORY FUND RESOURCES</b>		<b>7,114,133</b>		
<b>REIMBURSEMENT FUND</b>				
FILING FEES	0	50,000	50,000	50,000
MISC. REIMBURSEMENT	0	15,000	15,000	15,000
<b>PUC CONSUMER EDUCATION FUND</b>				
ALL OTHER	5,608	413,182 #2		
<b>PUC DIGSAFE GRANT</b>				
ALL OTHER	0	3,606 #3		
<b>2001 PUC ONE CALL GRANT</b>				
ALL OTHER	36,912	10,813 #4		

**2002 PUC ONE CALL GRANT**

ALL OTHER	106	23,405 #5		
<b>TOTAL</b>	5,212,885	7,630,139	6,407,085	6,623,242

#1 Encumbered Balance of \$287,304 and unencumbered balance forward from FY2002 of \$1,322,673; pursuant to Chapter 136 PL, 2001, all balance forward is made available during FY2003.

#2 Unencumbered Balance of \$413,182 brought forward from FY2002

#3 Unencumbered Balance - PUC Dig Safe grant of \$3,606 will be used during FY2003.

#4 Unencumbered Balance of \$10,813 is brought forward to FY2003.

#5 Unencumbered Balance of \$23,405 is brought forward to FY2003.

**FY 2003 BUDGET &  
ADJUSTMENTS**

Attachment 3

	<b>BUDGET</b>	<b>ADJUSTMT</b>	<b>ADJUSTED BUDGET</b>
<b>REGULATORY FUND</b>			
POSITIONS	63		63
PERSONAL SERVICES	4,702,424	0	4,702,424
CONSULTING	20,246	937,304 *1	957,550
ALL OTHER	782,260	0	782,260
CAPITAL	0	0	0
	-	-	-
TOTAL	5,504,930	937,304	6,442,234
<b>REIMBURSEMENT FUND</b>			
<u>FILING FEES</u>	50,000	0	50,000
<u>MISC. REIMBURSEMENT</u>	15,000	0	15,000
<b>PUC CONSUMER EDUCATION FUND</b>	0	413,182 *2	413,182
<b>PUC DIG SAFE GRANT</b>	0	3,603 *3	3,603
<b>2001 PUC ONE CALL GRANT</b>	0	10,813 *4	10,813
<b>2002 PUC ONE CALL GRANT</b>	0	23,405	23,405
	-	-	-
<b>GRAND TOTAL</b>	<b>5,569,930</b>	<b>1,388,307</b>	<b>6,958,237</b>

\*1 Includes Encumbered Bal. fwd of \$287,304 and \$650,000 from Bal Fwd via Financial Order

\*2 Unencumbered balance of \$413,182 brt fwd to FY 2003.

\*3 Unencumbered balance of \$3,603 brt fwd to FY 2003.

\*4 Unencumbered balance of \$23,405 brt fwd to FY 2003.

**PUC Regulatory Fund**

Attachment 4

Year	Electric Revenues	Telecom Revenues	Water Revenues	Gas Revenues	Water	Total	Amount Billed	Amount Authorized	
					Carriers Revenues	Utilities Revenues			
FY80	1980	186,278,293	139,683,694	24,086,603	6,749,736		356,798,326	74,816	75,000
	1981	206,762,413	153,652,974	25,465,331	7,374,962		393,255,680	149,830	150,000
FY82	1982	216,243,682	165,108,544	28,421,070	8,932,172		418,705,468	449,779	450,000
	1983	462,967,673	182,850,133	32,220,884	14,428,444	803,933	693,271,067	1,299,996	1,300,000
FY84	1984	508,838,895	194,922,674	36,803,237	19,309,123	959,425	760,833,354	1,459,983	1,460,000
	1985	546,977,166	210,502,523	40,372,798	21,206,118	984,106	820,042,711	1,593,904	1,594,000
FY86	1986	630,565,108	210,877,202	42,290,155	20,517,627	1,080,600	905,330,692	2,143,913	2,144,000
	1987	670,908,924	238,902,099	43,400,274	19,213,032	1,211,241	973,635,570	2,328,989	2,329,000
FY88	1988	645,757,051	275,047,659	45,215,835	17,911,730	936,922	984,869,197	2,219,000	2,219,000
	1989	721,684,049	286,419,434	48,176,192	17,744,522	1,035,357	1,075,059,554	2,386,000	2,386,000
FY90	1990	783,537,776	312,154,685	50,659,705	18,555,805	1,214,007	1,166,121,978	2,642,845	2,696,000
	1991	837,377,145	349,185,418	52,855,076	21,928,319	1,536,596	1,262,882,554	3,235,117	3,378,000
FY91	1992	927,601,155	358,682,900	58,784,656	26,182,164	1,537,296	1,372,788,171	4,259,985	4,473,000
	1993	1,052,609,125	343,341,527	64,223,522	24,997,942	1,569,023	1,486,741,139	4,233,807	4,918,000
FY93	1994	1,064,245,073	354,876,542	68,315,387	28,108,038	1,919,595	1,517,464,635	4,257,758	4,918,000
	1995	1,097,614,456	371,037,052	74,793,749	30,505,910	1,284,905	1,575,236,072	4,590,198	4,918,000
FY95	1996	1,093,553,536	384,936,867	81,529,938	32,091,988	1,697,223	1,593,809,552	4,918,000	4,918,000
	1997	1,118,124,742	392,623,445	87,230,402	31,365,288	1,924,520	1,631,268,397	4,276,900	4,918,000
FY97	1998	1,131,080,875	410,824,795	87,549,280	36,068,309	2,098,648	1,667,621,907	4,283,000	4,918,000
	1999	1,153,567,578	415,265,192	91,340,130	42,553,204	2,187,844	1,704,913,948	5,553,000	5,553,000
FY99	2000	1,144,803,899	456,312,932	92,952,562	35,354,982	2,259,826	1,731,684,201	4,918,000	4,918,000
FY01	2001	1,181,804,581						3,370,000	
	2001		521,331,046	95,682,346	36,311,777	3,123,023	1,838,252,773	1,548,000	4,918,000
FY02	2002	547,912,962						3,588,000	
	2002		500,763,978	98,835,956	55,824,836	3,521,316	1,206,859,048	1,647,156	5,236,000

## Past Commissioners



## 1915 - 2002

* 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**

<a href="#">Abbott, Jean</a> - TA Division Secretary	7-1364	<a href="#">Nugent, William</a> - Commissioner	7-3831
<a href="#">Austin, Thomas</a> - Utility Analyst	7-5901	<a href="#">Paul, Jennifer</a> - Sr. Adm. Secretary	7-1360
<a href="#">Ballou, Peter</a> - Sr Staff Attorney	7-1388	<a href="#">Peaslee, Laurel</a> - Sr. Legal Secretary	7-1386
<a href="#">Bergeron, Denis</a> - Sr. Utility Analyst	7-1366	<a href="#">Pepper, Jenn</a> - Librarian II	7-1560
<a href="#">Bero, Betty</a> - Sr. CAD Specialist	7-3831	<a href="#">Perez, Lydia</a> - Utility Analyst	7-7343
<a href="#">Berube, Cheryl</a> - Clerk III	7-1396	<a href="#">Plante, Lorry</a> - Legal Secretary	7-1566
<a href="#">Bragdon, Trina</a> - Staff Attorney	7-1392	<a href="#">Poetzsch, Kathy</a> - CAD Secretary	7-8328
<a href="#">Buckley, James</a> - Special Counsel/ER	7-1387	<a href="#">Porter, Pamela</a> - CAD Specialist	7-3831
<a href="#">Cohen, Chuck</a> - Sr. Staff Attorney	7-1394	<a href="#">Randall, Myong</a> - Clerk III	7-1352
<a href="#">Cowie, Doug</a> - Sr. Utility Analyst	7-1369	<a href="#">Robichaud, Ray</a> - Assist Admin Director	7-1357
<a href="#">Cyr, Paula</a> - Commission Clerk	7-6074	<a href="#">Saban, Ann</a> - Computer System Mgr	7-8519
<a href="#">Davidson, Derek</a> - Director CAD	7-1596	<a href="#">Shifman, Joel</a> - Sr. Utility Analyst	7-1381
<a href="#">Deforge, Dan</a> - Info Sys Support Spec	7-2999	<a href="#">Smith, Lucretia</a> - Utility Analyst	7-1383
<a href="#">Diamond, Stephen</a> - Commissioner	7-3831	<a href="#">Soldano, Rick</a> - CAD Specialist	7-3831
<a href="#">Dunn, Steve</a> - Sr. CAD Specialist	7-3831	<a href="#">Stratton, Mary</a> - CAD Specialist	7-3831
<a href="#">Farmer, Gary</a> - Gas Pipeline Specialist	7-1385	<a href="#">Sukaskas, Joe</a> - Utility Analyst	7-1375
<a href="#">Fink, Lisa</a> - Staff Attorney	7-1389	<a href="#">Spelke, Amy</a> - Utility Analyst	7-5945
<a href="#">Fournier, Kristine</a> - CAD Specialist	7-3831	<a href="#">Steneck, Joanne</a> - General Counsel	7-1390
<a href="#">French, Tammy</a> - Reseach	7-6075	<a href="#">Stratton, Mary</a> - CAD Specialist	7-3831
<a href="#">Frost, Lauri</a> - CAD Supervisor	7-3831	<a href="#">Sukaskas, Joe</a> - Utility Analyst	7-1375
<a href="#">Haefele, Julie</a> - CAD Specialist	7-3831	<a href="#">Tannenbaum, Mitch</a> - Staff Attorney	7-1391
<a href="#">Hammond, Ray</a> - Utility Analyst	7-1368		
<a href="#">Hanson, Belinda</a> - ISS Technician	7-1356	<a href="#">Thayer, Matt</a> - Dir of Consumer Ed	7-1594
<a href="#">Hastings, Philip</a> - Dir Electric Energy Conservation	7-6704	<a href="#">Tibbetts, Marilyn</a> - Accountant II	7-1358
<a href="#">Howe, Ralph</a> - Utility Analyst	7-1371	<a href="#">Viens, Linda</a> - Utility Analyst	7-7327
<a href="#">Huntington, Faith</a> - Acting Director TA	7-1373	<a href="#">Welch, Thomas</a> - Chairman	7-3831
<a href="#">INFORMATION RESOURCE CENTER</a>	7-1560	<a href="#">Wright, Patricia</a> - CAD Specialist	7-3831
<a href="#">James, Mary</a> - Assist CAD Director	7-3831		
<a href="#">Kania, Rich</a> - Acting Director Finance	7-1379	FAX	7-1039
<a href="#">Keschl, Dennis</a> - Administrative Director	7-1353	Relay for Deaf	1-800-457-1220
<a href="#">Kivela, Richard</a> - Utility Analyst	7-1562	CAD Hotline	1-800-452-4699
<a href="#">Lindley, Phil</a> - Utility Analyst	7-1598		
<a href="#">Mace, Shannon</a> - CAD Specialist	7-3831		
<a href="#">MacLennan, Carol</a> - Staff Attorney	7-1393		
<a href="#">Mason, Cara</a> - Sr Legal Secretary	7-1384		
<a href="#">McLaughlin, Marjorie</a> - Utility Analyst	7-1365		
<a href="#">Monroe, Angela</a> - Utility Analyst	7-1397		

**For all staff phone lines Prefix 7 = 287**

**The area code for Maine is (207)**

Website

<http://www.state.me.us/mpuc>



## **Acronyms and Abbreviations**

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	TRO	Temporary Restraining Order
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.

- **Eligible Telecommunications Carrier:** [Would include a definition for. SD]
- **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.

- **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 2002 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.

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

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

**THANK YOU!**

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Maine Public Utilities Commission  
242 State Street  
18 State House Station  
Augusta, Maine 04333

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242 State Street  
18 State House Station  
Augusta, Maine 04333

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## **Maine Public Utilities Commission**

The Commissioners wish to thank the staff of the Commission for assisting in the preparation of this report, with special thanks to the editors and contributing writers.

### ***Editors***

Dennis Keschl  
Jennifer Paul  
Lorry Plante

### ***Contributing Writers***

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James Buckley  
Paula Cyr  
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Ray Hammond  
Mary James  
Dennis Keschl  
Phil Lindley  
Carol MacLennan  
Marjorie McLaughlin  
Raymond Robichaud  
Amy Spelke  
Joanne Steneck  
Joseph Sukaskas  
Matt Thayer

We welcome feedback on how we can improve next year's report. Send your comments to Dennis Keschl at 207-287-1353 or [dennis.keschl@Maine.gov](mailto:dennis.keschl@Maine.gov)

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