STATE OF MAINE
PUBLIC UTILITIES COMMISSION

2004 Annual Report

Submitted
February 1, 2005

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Public Utilities Commission
242 State Street - 18 State House Station - Augusta Maine
February 1, 2005

Commissioners

Thomas L. Welch
Chairman

Stephen L. Diamond
Commissioner

Sharon M. Reishus
Commissioner

Division Directors

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Technical Analysis

Rich Kania
Finance

Dennis Keschl
Administration

Joanne Steneck
Legal

Derek Davidson
Consumer Assistance

Denis Bergeron
Energy Program

Albert Gervenack
E-911

During 2004, we continued our work to oversee and strengthen Maine's competitive utility markets, especially for electric and local telecommunications services.

We held several standard offer solicitations in 2004 to secure market-rate electricity supply for consumers not participating in the competitive retail market, and for smaller customers, we implemented a system of procuring the supply in stages in an effort to reduce price volatility. At the regional level, we took steps to protect consumer interests in the formation of a regional transmission organization, and we participated in the development of various other market reforms.

Due in part to recent changes in our standard offer design, medium and large commercial and industrial customers continued to exhibit a reasonable and steady level of migration to the competitive electricity market last year. Residential and small commercial consumer migration remains quite limited although some consumers joined with larger commercial consumers to participate in Maine's fledgling green power market in 2004.

Our Efficiency Maine electric energy efficiency programs continued to deliver savings to Maine consumers. In 2004, our interim programs were converted to seven full-scale programs. In only their second full year, the programs delivered an estimated lifetime benefit of close to $13 million. Thus we expect that 2004 expenditures of $6.7 million will provide a benefit-to-cost ratio of 1.9 to 1.

Prompted by price volatility in the natural gas market, we approved fixed price options for Bangor Gas Company and Maine Natural Gas that allow customers to choose plans that provide greater stability and predictability in their bills. We also ordered Northern Utilities to credit customers $220,000 for billing errors and required the company to implement a Service Quality Plan to improve and maintain its customer service performance. Finally, we approved Northern's Lewiston Manufactured Gas Plant site clean up plan necessary to restore this commercial riverfront area.

In telecommunications, we maintained our focus on strengthening local and in-state toll competition. We asserted our authority under Maine law to require that Verizon make parts of its network available, at reasonable prices, to requesting competitive local carriers, so they do not have to build redundant systems in order to offer local telephone and/or broadband service. We also continued to bring in-state access charges to the level of interstate charges.

Certain challenges for 2005 have already emerged. In the electricity arena, efforts are in progress to implement a "capacity" requirement to ensure an adequate supply of power, and we are working to guarantee that the requirement both accomplishes its purposes and does not impose an unfair financial burden on Maine consumers. In telecommunications, we expect major challenges to include bringing advanced services to rural areas of Maine and determining how to respond to new technologies, such as Voice over Internet Protocol (VoIP), which allow telephone users to by-pass parts of the traditional phone network when placing calls.

Thomas L. Welch	Stephen L. Diamond	Sharon M. Reishus
Chairman	Commissioner	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, Adjunct Professor of Law at Dickinson School of Law, and Adjunct Instructor at the University of Maine. Tom graduated from Stanford University in 1972 and Harvard Law School in 1975. Current term expires in March 2005.

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 March 2007.

Sharon M. Reishus was appointed to serve as a Commissioner on the Maine Public Utilities Commission in July 2003. From 1998 until her appointment, Ms. Reishus worked at the Cambridge Energy Research Associates (CERA) as Director, North American Power. She worked as a staff analyst at the Maine Public Utilities Commission from 1991 to 1998. Prior to 1991, Commissioner Reishus worked at Central Maine Power Company and for the CIA in Washington, D.C. Ms. Reishus received an M.B.A. in Strategic Planning from the Wharton School in 1990 and a B.S. in Applied Earth Sciences from Stanford University in 1984. Current term expires in March 2009.

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 645 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 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, consumer specialists, and administrative and support staff. The Commission is divided into six operating divisions. The Emergency Services Communication Bureau is part of the Administrative Division.

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 Emergency Services Communication Bureau (ESCB) manages the E-911 program development and implementation and is attached to the Administrative Division. The ESCB also provides a separate annual report which will be available on the Commission's website.

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. CAD also produces an Annual

Report of its activities. This report is available on our website at: http://www.state.me.us/mpuc/CAD/cad_annual_reports.htm

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 Energy Program is responsible for the development and implementation of a statewide electric energy conservation program and for the management of the federal government's energy conservation efforts in Maine.

During the past year the Commission processed the following caseload:

Cases Closed in 2004	
CAD Appeals	10
Communications	532
Conservation	1
Damage Prevention	0
E-9-1-1	0
Electric	119
Gas	11
Multi-Utility	0
Rulemakings	4
Water	58
Water Common Carrier	4
Total	739

Cases Opened in 2004	
CAD Appeals	13
Communications	589
Conservation	1
Electric	158
Gas	15
Rulemakings	8
Water	75
Water Common Carrier	5
Total	864

REPORTS TO THE LEGISLATURE

Report	Date Issued
Public Utilities Commission Annual Report for 2003	Feb. 1, 2004
Alternative Form of Regulation Report	Sep. 1, 2004
Efficiency Maine Annual Report	Nov. 25, 2004
Draft Wind Report and Request for Comments	Dec. 6, 2004
Electric Restructuring Annual Report	Dec. 31, 2004
Natural Gas Ratemaking Mechanism Annual Report	Dec. 31, 2004
Electric Utility Efficiency Annual Report	Dec. 31, 2004
Investigation of Building Code Compliance and Enforcement Methods	Dec. 31, 2004
Report in Response to Letter dated March 17, 2004 Concerning Expanding High-Speed Internet & Advanced Communications Services Statewide – Attachments A and B	Dec. 31, 2004

PUBLIC ACCESS TO THE COMMISSION

The Commission seeks to be open and accessible to the public and remains committed to providing the public with the information it needs to participate in our processes. Competition and the ongoing 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 more open and accessible to citizens throughout Maine – requires both a personal commitment by the Commissioners and staff, and expanding the use of technology to reach every corner of the state.

Internet Access

According to a recent Omnibus Poll, 68% of Maine households have Internet access through a home computer – up from less than 25% seven years ago – and the "Maine School and Library Network" makes the web accessible to anyone in Maine with access to a public library. The Internet 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.

The way Mainers are accessing the Internet is changing. Broadband availability in Maine has increased dramatically since the Commission began tracking it in mid-2002. Both the number of towns where broadband is available and the number of providers and varieties of service have increased. One result of wider broadband access is that the quantity and size of many of the Commission's website documents is increasing. A scanned document filing can be many megabits in size. Accessing those files with a slow dial-up connection may mean that they are inaccessible as a practical matter.

While in 2002 the broadband market was dominated by the local incumbent telephone company (Verizon or one of several independent telephone companies) providing DSL service and by cable TV companies providing cable broadband service in a few areas, currently many areas are served by a combination of DSL, cable, Fixed Wireless and WiFi broadband service. Satellite service is also available to anyone with an unobstructed view to the southern sky, but that service is typically more expensive and currently provides somewhat lower quality and bandwidth than other broadband services.

DSL is deployed from the telephone company's main central office, which is typically near the center of a community, close to municipal offices, libraries, and schools. Therefore, the majority of municipalities in Maine currently have access to DSL (and often other kinds of) broadband service. Most of the cable companies in Maine provide cable modem broadband service.

There are at least six fixed wireless providers in Maine and many of them serve some of the more rural areas (e.g. Matinicus Island). WiFi hotspots are also becoming

more prevalent in Maine. Some are for use by customers of hotels and restaurants, but many are open to the public and some have free access. There are hotspots in locations such as diners, coffee shops, computer stores, bookstores, and public libraries. The Walk-In Wireless project of the Maine State Library provides free WiFi access to library patrons in fifty-nine libraries around the state. We now have an online, interactive map showing broadband availability, listing providers by municipality.

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 virtual tariff system), staff contact information, Commission rules, State statutes, and live audio from the Commission's deliberative sessions and hearings.

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 connected to the Internet 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.

Electronic Documents via the Web

The ongoing restructuring of our electric utility industry is facilitated by our 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 periodically on the website. The complete packages for the most recent bids are available for each service territory at http://www.state.me.us/mpuc/new%20standard%20offer/standard_offer_home.htm.

There are separate pages on the website 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 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."

In the "Virtual Case File" (http://mpuc.informe.org/), all documents for 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. Any company, party, or commenter is able to make secure electronic filings of complete utility cases, including pre-filed testimony, appendices, and exhibits. They do not include confidential material. 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 high-speed printers. Previously, utilities filed multiple paper copies of documents. While not yet mandatory, all utility companies, interveners, and other interested parties are encouraged to file official documents and comments electronically, saving time and money. Last year we added the ability to access a service quality “report card” for local telecommunications carriers that presents and compares five service quality measurements that show how these companies provide service. The measures are numbers of outages, network trouble report rate, percent of troubles not cleared in 24 hours, percent of installation appointments not met, and the average number of delay days for missed appointments.

In 2005, we will be adding utility annual financial reports that will allow companies to access the blank report forms and then submit the completed forms electronically. We will eventually have the completed forms available online.

Our “Virtual Tariff System” 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. The Consumer Assistance Division section contains consumer bulletins, consumer tips, contact information, and a "fill-in- the-blanks" electronic utility complaint form.

For 2005, the Commission’s website will be completely redesigned to make it simpler and more accessible. While the amount of material on our site increases dramatically every year, we are concerned that finding specific information is becoming less intuitive. The homepage will become a simple “table of contents” for the site with logical links to all areas that should increase ease of access. The individual areas and pages will have a similar “look and feel” to allow users to quickly locate information for any regulated industry. We now use new technology to improve the timeliness and reduce the cost of our transcriptions services by making them available “on-line” as soon as the Commission receives them.

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.

GIS Capabilities

In the Commission's review of utility performance during Ice Storm 1998, we noted that geographic information systems (GIS) proved a useful tool to a number of utilities during their recovery from those events. Federal agencies assisting the State in our recovery from the Ice Storm disaster similarly highlighted the benefits of GIS for recovery from emergencies and protection of critical infrastructure. Accordingly, the Commission decided to expand our GIS capabilities and ability to coordinate GIS information with the state's public utilities.[1]

GIS comprises a set of computer-based analysis tools that integrate common database operations (query, statistical analysis) with geographic (or spatial) analysis, and visualization. GIS can relate and enable analysis of data from different data models and formats, to capture, manage, analyze, and output data with spatial characteristics. Utilities are increasingly using GIS for infrastructure management, service tracking, and outage management. Federal, State, and County emergency managers looked to the Commission for spatial analysis on utility issues during the ice storm and during the State's Y2k preparations, and renewed that interest in the immediate aftermath of the terrorist attacks of September 2001. Consumers are increasingly seeking specific information on services that are available to them in their own local area, information that can readily be provided using GIS technology.

In October 2001, we adopted a Commission Rule that requires all major utilities to provide service area and infrastructure maps and data to the Commission in GIS form, phased in over a period of several years to allow smaller utilities to develop GIS capabilities or make other appropriate arrangements. In adopting that Rule, we described a long-term goal to enable us to "maintain all records and utility information in electronic form, to streamline our regulatory process and to improve the efficiency of our oversight of public utilities in Maine" and pointed to GIS as a "very useful device" for that process. Our stated purposes in adopting the Rule were "to enhance the ability of utilities to satisfy [the statutory requirement to provide "safe, reasonable and adequate facility and service"] and of the Commission to review the safety, reasonableness, and adequacy of utility facilities and service, to respond to the most frequent requests for service area information received by the Commission, and to facilitate our support of emergency management planning activities." [2]

We have developed basic GIS capabilities through training a small core of Staff members to use GIS software, collaborating closely with the Maine Office of GIS to

[1] *Public Utilities Commission, Inquiry into the Response by Public Utilities in Maine to the January 1998 Ice Storm*, Docket No. 98-026, Order (Dec. 29, 1998) at 45-47.
[2] *Public Utilities Commission, Utility Service Area and Infrastructure Maps (Chapter 140),* Docket No. 2001-284, Order Adopting Rule and Statement of Factual and Policy Basis (Oct. 19, 2001), at 4-5.

assist our evolution of GIS at the Commission. We have also provided familiarization training to all Staff so that they may better take advantage of the Commission's expanding GIS resources. We plan to expand Staff GIS capabilities through additional training, and to further standardize the information we collect from the State's utilities to enable us to develop comparisons between utility performance and service levels. We are exploring and have even begun implementing innovative ways of delivering enhanced information to consumers about the services and features available to them. We are also continuing to integrate GIS-enabled spatial analysis into the Commission's basic work – improving not only our product but also our efficiency.

UTILITY INFRASTRUCTURE SECURITY

Significant sectors of the 'critical infrastructures' identified nationally for special protection fall within the Commission's intrastate jurisdiction: electric power, natural gas, telecommunications, and drinking water. Public utilities that provide those services in this state are required by Maine law to provide safe, reasonable and adequate facilities and service.[3] To satisfy that requirement, utility facilities must be secure. While public utilities have the primary responsibility to secure their own infrastructure, the Commission provides support and encouragement to utilities, and collaborates on security issues with utilities, industry organizations, federal agencies, and other state agencies such as the Maine Emergency Management Agency (MEMA) in the Department of Defense, Veterans & Emergency Management.

The Commission has taken an active support role in utility critical infrastructure security. The Commission has assisted in the development of the State's Homeland Security Strategic Plan, including active participation by Commission staff members on planning teams to develop specific homeland security plans related to the state's utilities. As part of that effort, the Commission is representated on a State security team that includes the Chair of the State Homeland Security Council, MEMA's homeland security coordinator, and the leader of the Maine State Police special services and intelligence unit. That team is conducting a review of utility security improvements implemented since September 2001. Those reviews are being conducted with utility security and management teams at individual utilities, beginning in the summer of 2004. Dialogues related to issues discussed among participants continue until potential issues and concerns have been resolved with mutual satisfaction of the participants.

The Commission has exchanged 24x7 contact information with all major utilities for both operational status and security purposes to assist State and utility interests in communicating issues related to infrastructure security. Commission Staff have assisted the Adjutant General, State Police, National Guard, and emergency managers in providing alert and advisory information to utilities whose infrastructure may be threatened. Commission Staff developed and currently maintain a statewide e-mail list of Energy Emergency Information Coordinators to facilitate the dissemination and exchange of timely energy emergency information throughout different agencies of State government. The Commission facilitated the participation of four individuals to represent Maine in a secure emergency notification system established by the Office of Energy Assurance in the U.S. Department of Energy; those individuals include the Director of Energy Independence and Security as well as key Commission staff members.

The Commission has designated staff members to serve on the State's Emergency Response Team (ERT) to advise the Governor and MEMA on utility-related issues, and is developing the capability to use detailed geographic information system (GIS) maps and data about key utility infrastructure to support the Governor, MEMA, and ERT during events that involve utility systems. The Commission's role on the ERT came into play during preparations for the regional electric power blackout in mid-

[3] 35-A M.R.S.A. § 301(1)

August, 2003, when Commission members and Staff facilitated real-time assessments of possible effects on Maine through communications with ISO-NE, NERC, Maine T&D utilities, U.S. Department of Homeland Security (DHS), Federal Bureau of Investigation (FBI), MEMA, and the Governor's Office.

Much of the information provided by utilities about their key infrastructure could pose security concerns if not protected. The Commission is keenly aware of the need to balance public access to utility information in general with the need to secure information that could be used to compromise the integrity of utility systems. Thus, in limited circumstances the Commission invoked the authority given to it by the Legislature in P.L. 2001, Ch. 135 to secure highly confidential utility infrastructure information pursuant to 35-A M.R.S.A. § 1311-B. A Commission staff member has been cleared for access to classified national security information, to facilitate the Commission's role in warning and assessment support on utility issues if necessary. The Commission has developed the capability to exchange sensitive information with the DHS and FBI on a secure basis to can assist with dissemination and collection of sensitive infrastructure threats, particularly those that could affect the state's smaller and more rural utilities. That capability proved useful during October 2003 when electric transmission towers were sabotaged in the Pacific Northwest, and the Commission Staff was able to relay sensitive information about the nature of that threat and suggest protective measures to Maine's electric utility community.

Commission staff members are also active on a team chartered by the Adjutant General to develop GIS support for the State's homeland security efforts, and are working actively to ensure that sensitive utility infrastructure information, diagrams, and maps to which the Commission has access remains secure.

On a national level, the Commission staff actively participates on a committee chartered by national utility regulators[4] to identify best practices and roles for utility regulatory commissions to protect critical infrastructure nationally. That committee[5] works to improve communications between federal and state agencies and utilities on utility-related critical infrastructure issues, and represents the interests of Maine and similarly-situated states in the evolution of utility-related homeland security practices by federal agencies. Commission staff are members of the Maine Anti-Terrorism Advisory Council coordinated by the U.S. Attorney's Office, and the Commission staff has collaborated with security and law enforcement agencies in Atlantic Canada related to cross-border security issues facing utilities during emergencies. In addition to information forwarded to the Commission staff by MEMA, the Commission Staff receives threat advisories from DHS, the FBI, the U.S. Attorney's Office, the national Electric Sector Information Sharing and Advisory Center (ES-ISAC), and the Multi-State ISAC to support Maine utilities, law enforcement, and emergency management organizations as needed.

The Commission continues to address utility infrastructure security issues, including various factors that make utility infrastructure security particularly challenging:

[4] The National Association of Regulatory Utility Commissioners (NARUC)
[5] NARUC Ad Hoc Committee on Critical Infrastructure

- 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.

- To minimize inadvertent or unnecessary release of sensitive information about critical infrastructure, some Federal agencies and utilities restrict information flow to States, complicating State and local roles as the levels of government that would provide initial response to an incident that affects local infrastructure.

The Commission's goal remains 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.

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 1970s. This law was intended to protect underground facilities thereby preventing the interruption of services, loss in revenues and safety hazards associated with damaged utility facilities. The initial version of the law, however, did not assign responsibility for enforcement to a particular state agency. As a result, damage to facilities continued at rates significantly above national and regional averages. In year 2000, the Maine Legislature addressed this problem by including penalty provisions within the law and assigned enforcement responsibility to the Commission.

During 2000 and 2001, the Commission implemented rules and proposed changes to the law to make the system more workable and enforceable. In 2002, the MPUC began actively enforcing Chapter 895 of the Commission’s Rules, entitled “Underground Facility Damage Prevention Requirements” and was very active in promoting a public awareness program through work with the media and training over 500 people in Dig Safe education sessions. During 2003, the Commission continued its enforcement activities, trained an additional 460 individuals at 16 Dig Safe education sessions held across the State, and initiated two rulemaking proceedings in 2003, Docket Number 2003-671 (a major substantive rulemaking, in response to P.L. 2003, ch. 373) and Docket Number 2003-672, to incorporate legislative and other modifications to Chapter 895.

In 2004, the Commission continued its enforcement and educational efforts, bringing the total number of individuals trained by the Commission in Damage Prevention to approximately 2,000 as a result of providing 20 additional training sessions throughout the State of Maine.

The Commission also concluded the rulemakings initiated in 2003 and began the process of implementing the provisions therein, including the creation of a phone system and a web site to assist excavators with identifying nonmember facility operators that may require notification of planned excavations.

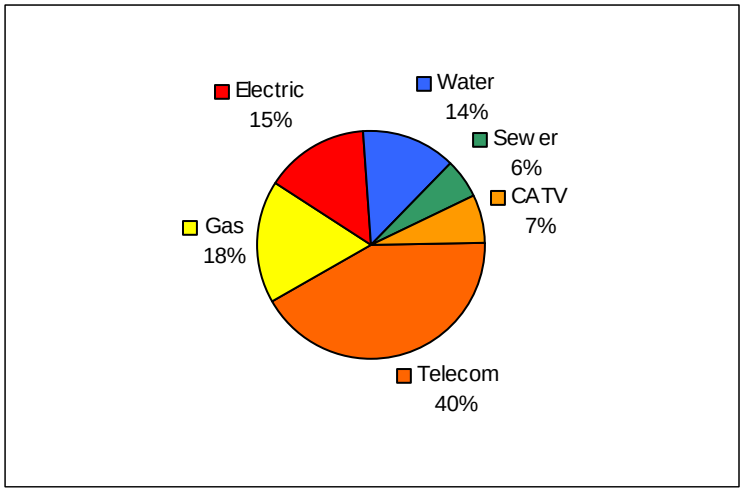
Enforcement

The following table provides additional details on the Commission’s Dig Safe enforcement activities.

	2001	2002	2003	2004
Dig Safe Incidents Processed/Reported	192	303	429	406
Types of Facilities Involved				
Electric	43	57	72	62
Gas	57	51	87	73
Telecommunications	37	128	155	170
Water/Sewer	39	46	102	99
CATV	0	6	13	27
Unknown	0	9	0	0
Multiple Facilities	0	6	0	0
Notices of Probable Violations (NOPVs) Issued				
	136	218	282	119*
Monetary Penalties in NOPVs	$82,500	$110,000	$139,500	$59,000*
Penalties Waived with Training		$53,500	$29,500	$13,000*
Penalties Not Waived		$54,500	$110,700	$46,000*
NOPVs Issued to Excavators	96	155	140	51*
NOPVs Issued to Facility Operators	40	63	142	68*

** YTD numbers as of 12-31-04. Outstanding reports under review.*

YTD 2004 Incidents by Industry Type



CONSUMER ASSISTANCE

Highlights

- The CAD obtained nearly $1.2 million in utility abatements for Maine consumers in 2004. This was a slight increase over the amount abated in 2003, which at that time was the highest amount abated in CAD history.

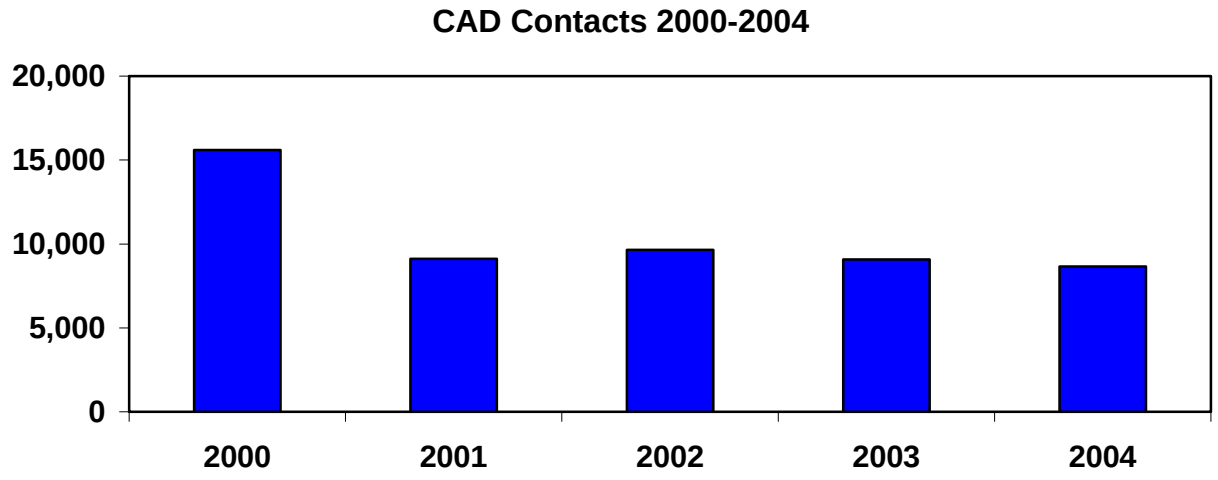
- The number of consumer complaints received by the CAD in 2004 was slightly higher than the number of complaints received in 2003.

- The Commission imposed an administrative penalty of $750,000 on Business Options for violations of Maine's slamming law and rule.

The Consumer Assistance Division (CAD) is the Commission's primary link with utility customers. The CAD is charged with ensuring that consumers, 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.

CAD Contacts

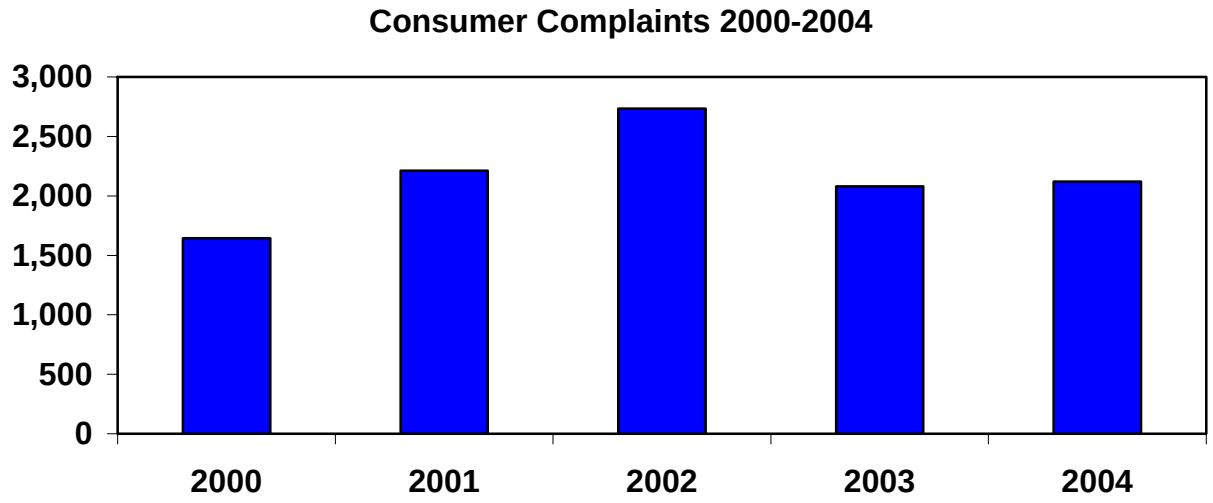
The CAD tracks its contacts with both consumers and utilities, whether the contact is to provide information and assistance, investigate a consumer complaint (a complaint is when a consumer has a dispute with a utility that the parties have been unable to resolve), or process a request by an electric or gas utility to disconnect a customer during the winter period (November 15 to April 15). The CAD recorded 8,660 contacts in 2004. As shown in the following chart, the number of contacts received each of the past four years has been fairly consistent. The number of contacts received in 2000 was much higher due to the large number of consumer questions about electric restructuring.



The CAD receives the majority of its consumer inquiries by telephone and strives to answer calls live as opposed to using an integrated voice response system. By answering calls live, the CAD is often able to answer questions and resolve consumer complaints immediately. In 2004, over 97% of the calls to the Consumer Assistance Hotline were answered live.

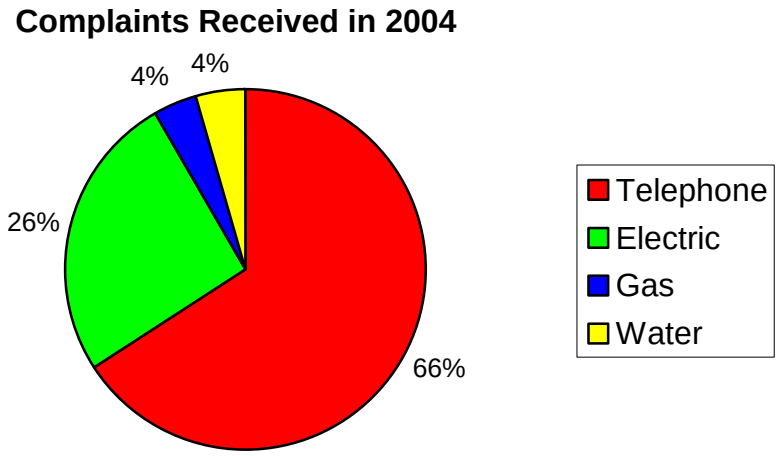
Consumer Complaints

As shown in the following chart, the CAD received 2,121 complaints in 2004. This is a 2% increase over the 2,079 complaints received in 2003, and a 22% decrease from the 2,734 complaints received in 2002.



The modest increase in complaints received in 2004 compared to 2003 is attributable to an increase in complaints against local exchange carriers, primarily Verizon. The CAD received 395 complaints against local exchange carriers in 2004, compared to 299 received in 2003.

As shown in the following chart, telecommunications complaints accounted for 66% of all complaints received by the CAD in 2004. The percentage of complaints received by utility type in 2004 is comparable to complaints received in 2002 and 2003.



Enforcement Actions

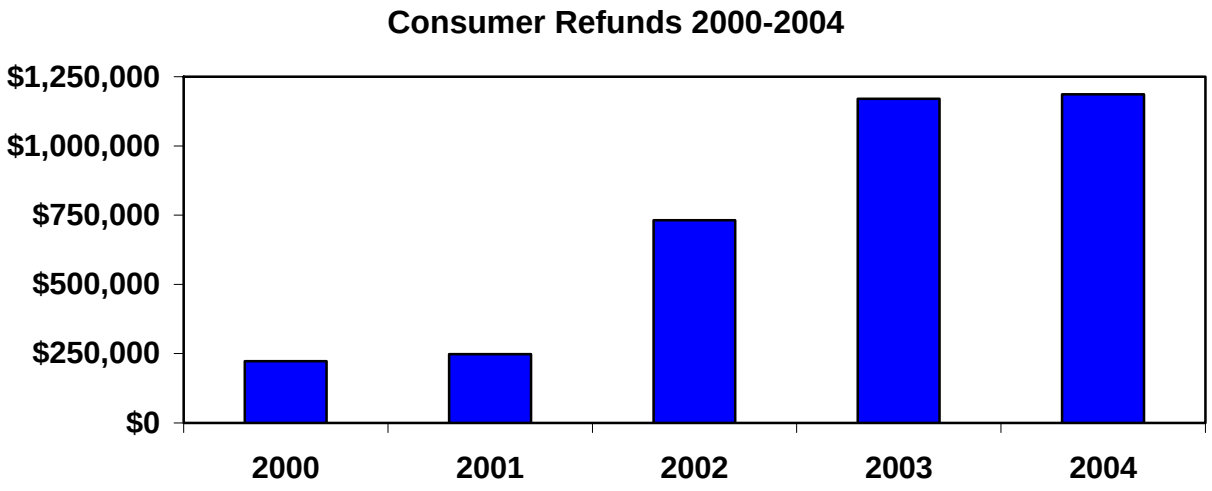
Chapter 296 of the Commission's rules (*Selection of Primary Interexchange and Local Exchange Carriers*) prohibits the changing of a customer's local or long-distance carrier without their consent, a practice known as "slamming." The rule also requires carriers to retain proof of customer authorization for a carrier change. This authorization is most often retained in the form of a recorded verification performed by a third party.

In 2002 and 2003, the CAD received 183 complaints from consumers who alleged that Business Options, Inc. changed their long distance service without their permission. Business Options provided the CAD with copies of third party verification recordings in which it alleged the consumers agreed to change their service to Business Options. According to the consumers, however, Business Options did not inform them it was seeking to change their long distance service provider. Instead, Business Options used a variety of methods to prompt consumers to provide the information needed to "verify" a change in long distance providers to Business Options. Business Options' marketing personnel misrepresented themselves to Maine consumers, many of whom were elderly, by leading the consumer to believe they were speaking to Verizon or AT&T personnel (rather than Business Options personnel) and that "Business Options" was merely a calling plan offered by Verizon or AT&T to good customers who paid their bills on time.

After investigating the complaints, the CAD documented 195 unauthorized carrier changes by Business Options. Due to the large number of unauthorized carrier changes identified by the CAD, the Commission opened a formal investigation into the carrier change practices of Business Options in February 2004. As a result of its investigation, the Commission found that Business Options used deceptive marketing and verification practices, and that it failed to obtain authorization of the consumers for the carrier changes in violation of Maine law and Commission rules. The Commission imposed an administrative penalty of $750,000 on Business Options as a result of the unauthorized carrier changes. This penalty reflects the seriousness of Business Options' violations of Maine's slamming laws. In addition, the Commission revoked Business Options' authority to operate in Maine, and referred the case to the Attorney General for further action as appropriate.

Refunds to Consumers

The CAD frequently obtains credits or refunds for consumers as part of its resolution of the consumers' disputes with their utilities. In 2004, $1,187,004 was abated by utilities for 3,622 Maine consumers. As shown in the following chart, abatements have increased each of the past five years. In addition, the amount abated in 2004 is over five times the amount abated in 2000. This increase is due primarily to an increase in the number of slamming complaints beginning in 2002, as well as improvements in the quality of the investigations performed by CAD staff.



ELECTRIC

HIGHLIGHTS

- Large and medium C&I customers continue to exhibit a reasonable and steady level of participation in the retail generation supply market.

- Most residential and small commercial customers continue to obtain retail generation supply from standard offer service. However, the standard offer procurement process remains very competitive and thus residential customers receive the benefits of the competitive electricity market. In addition, a green market shows a modest gain in activity.

- Developers file two applications to increase transmission capacity between portions of Maine and the Canadian provinces.

- Increases in the cost of wholesale electricity, largely caused by increases in natural gas prices, cause Maine's standard offer prices to increase.

- Wholesale generation supply costs in Maine remain the lowest in New England because of the locational features of New England's regional standard market design.

During its 1997 session, the Legislature enacted P.L. 1997 (the Restructuring Act), ch. 306, codified at 35-A M.R.S.A. §3201-3217, which directed comprehensive restructuring of Maine's electric utility industry. Since then, the Commission has disaggregated the vertically integrated electric utilities into delivery and generation functions, established the rates of transmission and distribution (T&D) utilities, established rules that govern the activities of competitive electricity providers and utilities, purchased standard offer service through competitive bid processes, monitored retail market development, and participated in regional wholesale market activities that affect Maine's electricity consumers. For large and medium customers, Maine's retail market has developed relatively smoothly and effectively in most respects. Small customers benefit from competition in the wholesale market through the standard offer.

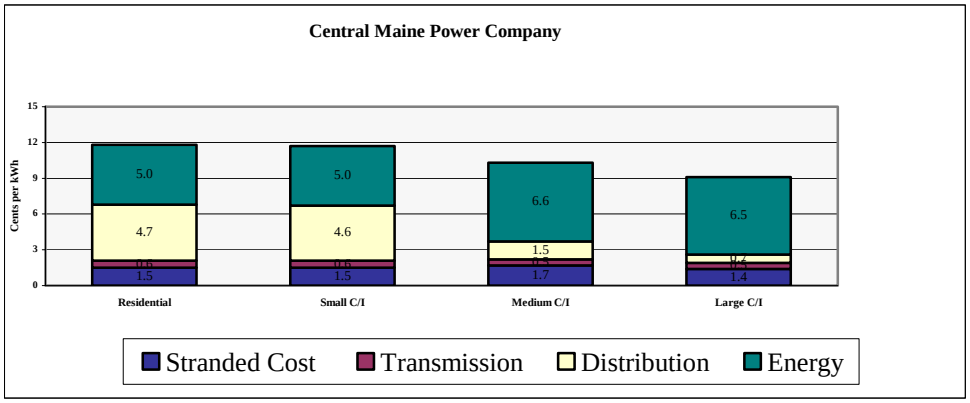
CONSUMER PRICES

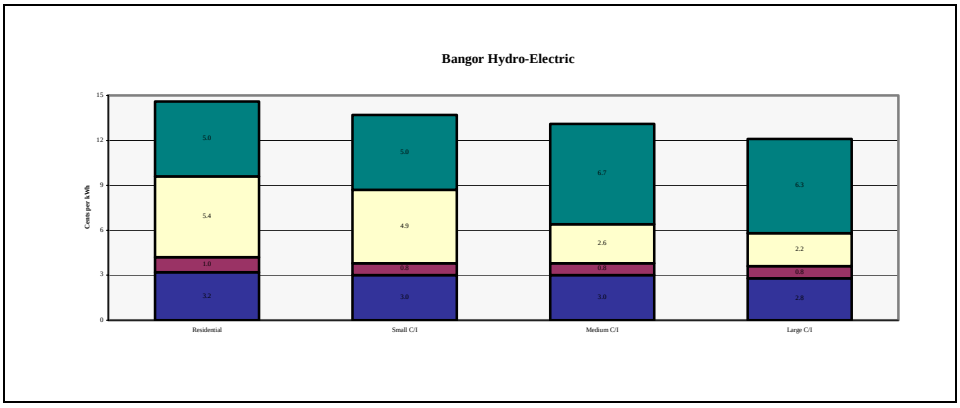
Electricity prices include four distinct components – transmission rates, distribution rates, stranded cost rates, and energy prices. The first three, bundled together, constitute the rate charged by the T&D utility. Transmission rates cover the cost of constructing and operating the transmission system and are regulated by the Federal Energy Regulatory Commission (FERC). Distribution rates cover costs incurred by the T&D utility to construct and operate the local distribution system and are regulated by the Commission. Stranded cost rates reflect the net, above-market costs for generation obligations that utilities incurred prior to industry restructuring, and are regulated by the Commission. Finally, energy prices are unregulated retail prices charged for generation service by competitive electricity providers that, in Maine's restructured environment, operate in the competitive market. Competitive electricity providers are licensed by the Commission. Consumers may obtain generation service

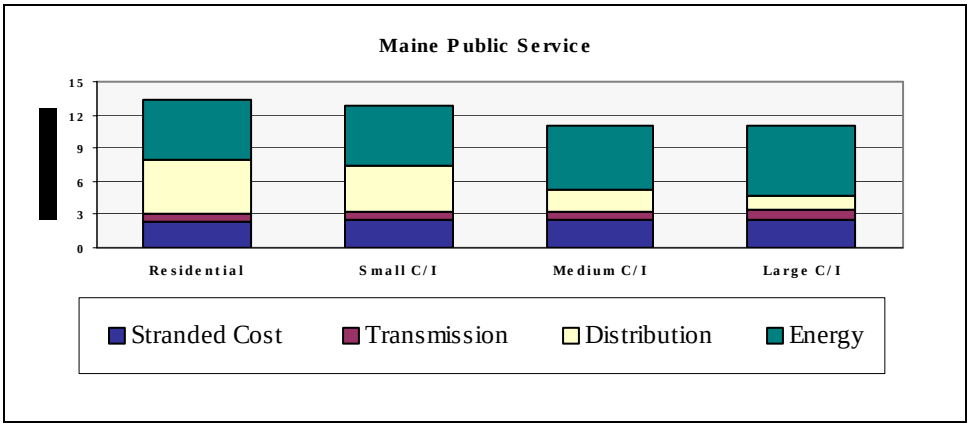
directly from a competitive provider or through standard offer service that is obtained by the Commission through a competitive bid process.

The following charts display, as of December 2004, the components, on average, of the basic prices for various customer sizes in the territories of Bangor Hydro-Electric (BHE), Central Maine Power Company (CMP), and Maine Public Service Company (MPS). The displayed energy prices are the average standard offer rates; customers receiving generation from the open market may have lower or higher energy rates. In addition, many customers receive service under special rate contracts that have T&D prices below the basic approved utility rates.

Components of Electricity Rates



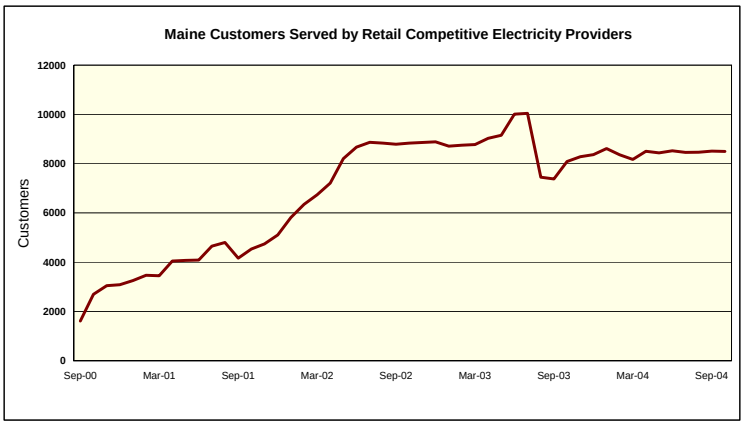




RETAIL MARKET ACTIVITY

During 2004, the retail market for Maine's medium commercial and industrial (C&I) and large C&I customers[6] continued to exhibit a reasonable level of competitive activity, and bidding for standard offer service was healthy. In addition to attracting a significant number of bidders, the standard offer process resulted in different providers winning the bids during each of the solicitations in 2004. The market continued to offer minimal competitive choice for residential and small commercial customers, but a low standard offer price obtained in previous years contributed to relatively low overall electricity prices. The current arrangement for residential and small commercial standard offer service for BHE and CMP will terminate in 2005, and the Commission has conducted a bid process to obtain residential and small commercial standard offer service for a term beginning March 1, 2005.

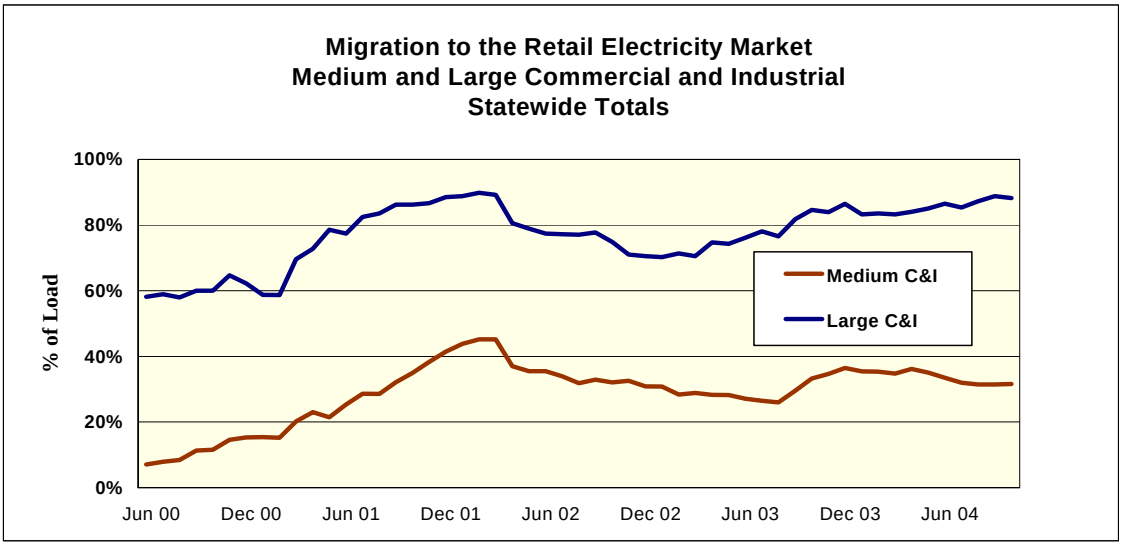
As shown on the graph to the right, customers showed steady migration to the open market throughout the first two years of restructuring. After an adjustment in mid-2003 caused by the withdrawal of one competitive provider from the retail market, participation in the retail market remained steady at approximately 8000-9000 customers, representing approximately 40% of Maine's electrical use.



[6] Commission rules establish three standard offer classes: residential and small commercial, medium commercial and industrial (C&I), and large C&I.

Migration from Standard Offer – Medium and Large Customers

Since the beginning of restructuring, the vast majority of large customers and a substantial number of medium customers have chosen to participate directly in the retail market. While migration to and from the competitive market is influenced to some extent by the relationship between standard offer and non-standard offer prices, the prevailing trend is for customers to remain in the open market once they have left the standard offer. The graph below shows migration among medium and large customers.



In 2003, the Commission concluded that medium and large class standard offer prices should track wholesale prices closely and accordingly has accepted bids for 6-month terms since that time. Because of market fluctuations, prices for BHE and CMP medium and large standard offer customers increased generally between 8% and14% in March 2004 and between 2% and 7% in September 2004. Prices for customers in the retail market are established by their individual contracts, and medium and large customers seeking longer-term price certainty have an incentive to buy in the retail market. In March 2005, the standard offer prices for medium and large customers for BHE and CMP will increase between 0.2% and 3.5%.

Migration from Standard Offer – Residential and Small Commercial Customers

Acquisition and service costs for small customers are significant, and no substantial retail market has developed. However, because Maine's standard offer providers are chosen through competitive bidding based on price, all residential and small commercial customers are purchasing generation from competitive market suppliers, and vigorous competition among bidders for standard offer service in BHE and CMP territories has resulted in attractive standard offer service rates for smaller customers through 2004. Competition among standard offer service bidders remained vigorous in CMP and BHE territory during the 2004 bidding process, although recent price increases in the wholesale market, primarily driven by increases in natural gas prices, will result in higher standard offer prices in 2005 – 40% for CMP and 43% for BHE.

For a number of years, the northern Maine market deviated from this pattern, with as many as 15% of MPS's smaller customers migrating to the competitive market. However, during 2003, a competitive provider in northern Maine ceased to offer service to new customers, and customers subsequently began returning to standard offer service. During 2004, the percentage of residential and small MPS customers obtaining generation in the open market remained steady at about 7%. In CMP and BHE territories, fewer than one percent of residential and small commercial customers have left standard offer service.

Emergence of a Green Market

During 2003, "green" products, featuring hydroelectric and biomass generation, became available through residential and public sector aggregation groups. During 2004, additional green supply options were developed, including products containing wind generation and low-impact hydroelectric generation, and by the end of 2004, six green generation products and a variety of "green tag" products[7] were available to Maine consumers. These activities have continued a modest but steady gain in recognition and customer support. Over 5,000 customers currently purchase green power products, and a number of well-known businesses, as well as the State of Maine, have publicly announced green purchases.

In addition, in 2003, a group of organizations developed the Maine Green Power Connection (the Connection), to build interest in and market support for environmentally beneficial electricity products. The Connection has created a web page[8] that enables consumers to learn about environmentally benign generation practices and to enroll in the products available in Maine. Finally, in September 2004, the Commission launched the Clean Energy Maine campaign, which resulted in an expanded Maine Green Power Connection promotional effort. The Commission is monitoring the level of green purchases to determine if this campaign results in an increase in green market participation.

Northern Maine Retail Activity

The northern Maine region includes the service areas of MPS and three consumer-owned utilities: Houlton Water Company, Van Buren Light and Power District, and Eastern Maine Electric Cooperative.[9] In contrast to the rest of Maine, which is electrically part of the ISO-NE region, northern Maine is electrically part of the Canadian Maritimes region. Load and generation in northern Maine are connected to the rest of Maine and New England only by transmission through New Brunswick. Northern Maine load is supplied by a combination of generating plants located in-region and in New Brunswick.

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[7] A green tag purchases the credits that a supplier receives based on the fuel source of its generation. Since these tags are used to satisfy renewable portfolio requirements in Maine and other states, their purchase promotes green power by reducing the supply of tags available to meet those requirements.

[8] See www.mainegreenpower.org. By the end of 2004, 35 organizations had joined the collaborative.

[9] Collectively, the customers of the four northern Maine utilities consume approximately 7% of the kWhs purchased in Maine.

There have been only two suppliers active in the northern Maine retail market since retail access began. Thus, the retail market in northern Maine is considerably less competitive than the market in the remainder of the State. While it does not appear that this has resulted in higher prices for consumers, it is a subject of concern.

Measures that would make northern Maine part of a larger market (e.g., a transmission line connecting northern Maine to the New England grid or an open market in New Brunswick) may result in increased interest in the region by competitive electricity providers. During 2004, MPS announced plans to increase the capacity of generation that could flow between MPS and New Brunswick by increasing the transmission capacity between the two. This would improve the ability of generation located in southern New England and New Brunswick to reach northern Maine, thereby potentially increasing the number of suppliers willing to serve the northern Maine market. The Commission is reviewing the MPS proposal. In addition, BHE has filed for permission to build a second tie-line between New Brunswick and the ISO-NE grid. While the tie-line would have no connection to the grid in northern Maine, it would allow more electricity to flow between New England and New Brunswick and would provide the opportunity for future construction to link the line with the northern Maine grid.

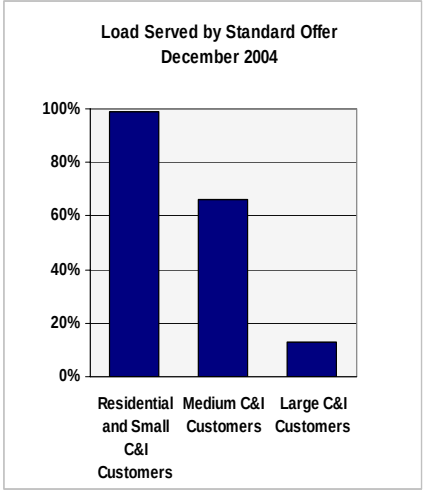
Some parties have also raised the concern that existing generation facilities may be insufficient to maintain a reliable system in northern Maine. The Commission is currently considering this matter.

Retail Supplier Activity

During 2004, the number of suppliers of retail electricity licensed to serve customers in Maine remained steady at 23 to 25. 13 suppliers (including standard offer suppliers) actively served customers. Two suppliers sold virtually all the power purchased at retail in the residential market, while all suppliers sold power to medium and large non-residential customers to some degree.

STANDARD OFFER SERVICE

During 2004, the portion of Maine's electric load that receives standard offer service remained steady at slightly over 60%. By customer class, standard offer service supplies about 66% of the load of medium C&I customers and 13% of the load of large C&I customers in Maine, as shown by the graph on the right. Standard offer service continues to supply virtually all residential and small commercial customers, as has been the case since retail access began. The same is most true in other states that have restructured. By T&D service area, standard offer service supplies about 60% of the load of CMP customers, 69% of the load of BHE customers and 49% of the load of MPS customers.



The standard offer suppliers during 2004 and corresponding prices are summarized below. The prices shown here are averages; actual prices for the medium

class may vary by month and for the large class by month and time of day. For more detailed prices, please see the Commission's web page at http://www.state.me.us/mpuc/new%20standard%20offer/standard_offer_rates.htm.

Average Standard Offer Prices in 2004

	Residential/Small Commercial		Medium C&I		Large C&I	
	Price ¢/kWh	Supplier	Price ¢/kWh	Supplier	Price ¢/kWh	Supplier
CMP						
Jan - Feb	4.95	Constellation	5.57	FPL	5.74	Select
Mar - Aug	4.95	Constellation	6.33	Constellation & Calpine	6.36	Constellation & Independence
Sept - Dec	4.95	Constellation	6.59	Independence	6.48	Independence & Select
BHE						
Jan - Feb	5.0	Constellation	5.62	FPL	5.43	Select
Mar - Aug	5.0	Constellation	6.19	Calpine	5.88	Calpine & Independence
Sept - Dec	5.0	Constellation	6.65	Independence	6.26	Independence & Select
MPS						
Jan - Feb	5.80	WPS	5.85	WPS	6.25	WPS
Mar - Dec	5.46	WPS	5.81	WPS	6.40	WPS

Solicitations

The Commission held several solicitations for standard offer service during 2004. These solicitations were competitive and successful, resulting in retail standard offer suppliers and market-based prices for all customer classes. Suppliers continue to become more comfortable with Maine's retail standard offer service model, as the level of participation in our solicitations reflects.

The first solicitation of the year was for standard offer service for the CMP and BHE medium and large classes for the term beginning March 2004. The Commission issued RFPs in November 2003, seeking bids for two alternative terms, one for six months and the other for one year. The six-month term would achieve the Commission's goal of ensuring that standard offer prices do not deviate from market prices for a substantial period of time, thereby encouraging migration to the open market. Seeking a bid for a one-year term was a prudent protection against the possibility that suppliers might view a six-month term as inadequate because of recent significant wholesale price fluctuations. After evaluating the final proposals, the Commission designated Constellation Power Source Maine LLC as the provider of 80% of the standard offer requirements for the CMP medium and large classes, Calpine Power America – Maine, LLC (Calpine) as the provider of 20% of the CMP medium class standard offer requirement, and Independence Power Marketing (Independence) as the provider of 20% of the CMP large class requirement. For BHE's service territory, the Commission designated Calpine as the provider of 100% of the medium class standard offer requirements and 80% of the large class requirements, and Independence as the provider of 20% of the large class requirements. A six-month term from March 1 through August 31, 2004 was chosen.

The second standard offer solicitation of the year was again for the CMP and BHE medium and large classes, for the term beginning September 2004. The Commission designated Independence to serve the medium classes and 80% of the large classes, and Select Energy Inc. to serve 20% of the large classes. The term was again set at six months (September-February).

The third solicitation, for the provision of standard offer service for the CMP and BHE residential and small commercial classes for the term beginning March 2005 began with the release of RFPs in September 2004. In this solicitation, the Commission stated its intent to consider a standard offer procurement approach under which it would secure portions of the required supply at different times to minimize the possibility of large price swings. For example, under a three-year, staggered approach, one-third of the supply would be secured each of three years. To implement this approach, the RFP requested proposals for: a one-, two- and three-year term, each for one-third of the class; a one-, two-, three-, four-, and five-year term, each for one-fifth of the class; and a one-year term for the entire class. Bidders were allowed to combine standard offer proposals with proposals to purchase the capacity and energy from CMP's purchased power contract entitlements. Initial bids were received in October, and the process was extremely competitive.

On December 14, 2004, the Commission designated Constellation Energy Commodities Group Maine as the standard offer provider in CMP's territory for one-third of the small class load for a one-year period, one-third of the load for a two-year period, and one-third for a three-year period. In BHE's territory, the Commission designated Independence Power Marketing, LLC as the provider of one-third of the small class load for a one-year period and Select as the provider of one-third of the load for a two-year period and one-third of the load for a three-year period. The accepted bids resulted in prices of 6.95 cents/kWh for standard offer supply in CMP's territory and 7.1 cents/kWh in BHE's territory, for the period March 1, 2005 through February 2006. These prices reflected the fact that prices in the wholesale energy market had risen substantially in the three years since standard offer supply was last procured for this group of customers. The wholesale price increases were driven in large part by increases in the price of natural gas, which fuels a significant number of electric generating plants in New England. While the new standard offer prices would by themselves mean an average increase of 17% in the all-in rate of CMP's residential and small commercial customers and of 14% for the same group of customers of BHE. On March 1, 2005, reductions in the stranded cost components of these prices will take effect, reducing these average all-in price increase for CMP ~15% and BHE ~ 6 to 8%.

The Commission adopted the three-year staggered approach by also accepting bids for a portion of the standard offer load for the 12-month periods beginning March 1, 2006 and March 1, 2007. The Commission will procure the remainder prior to the start of each period. This approach will help moderate volatility in standard offer prices resulting from future changes in wholesale prices.

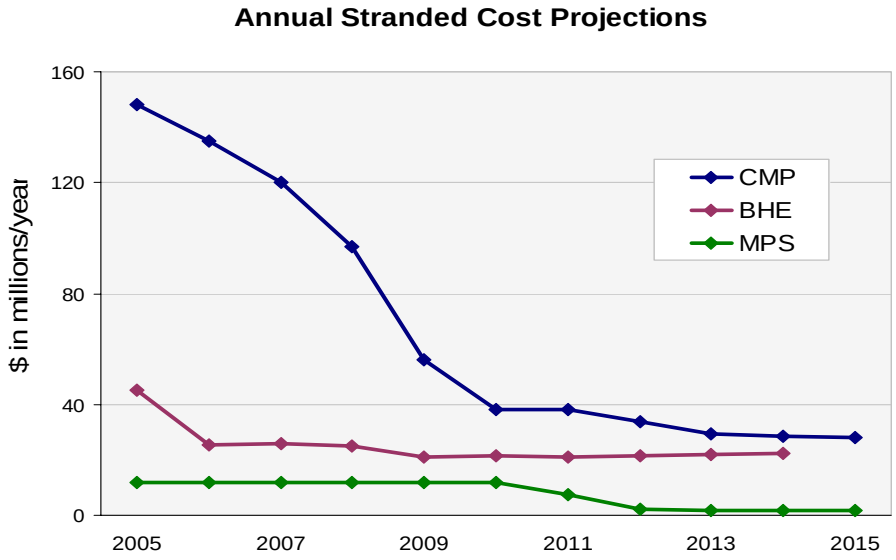
The fourth solicitation, for the provision of standard offer service to CMP and BHE medium and large non-residential customers beginning March 2005, began with the release of RFPs in November 2004. Initial bids were received in December, and the process is ongoing. On March 1, 2005 the percentage increases from 0.2% to 3-½%.

STRANDED COSTS

The Restructuring Act allows CMP, BHE and MPS to recover stranded costs in the rates they charge for delivery service. Stranded costs reflect the net, above-market costs for generation obligations that utilities incurred prior to industry restructuring.

During 2004, the Commission completed a proceeding that established MPS's stranded cost rates for the period between March 1, 2004 and December 31, 2006. As a result of that proceeding, MPS's stranded cost rates did not change from their level before March 1, 2004. The Commission is currently conducting proceedings that will re-set CMP's and BHE's stranded costs on March 1, 2005.

The most significant changes in stranded costs will occur when utilities' QF contracts expire. BHE's stranded costs will decline significantly in 2006, while CMP's will decline throughout the second half of the decade. Projections of stranded costs are shown in the chart below.



The major components of each utility's stranded costs over the year March 2003 – February 2004 (for CMP and BHE) and March 2004 – February 2005 (for MPS) are set forth below:

CMP	
QF contract costs	$254.3 million
Entitlement sale revenue	-102.3
Net QF stranded costs	$152.0
Closed nuclear plants	24.5
QF contract buyout	1.7
HQ tie-line	4.5
VT Yankee	1.4
Total stranded costs	**$184.1 million**

BHE	
Net QF stranded costs	$28.3 million
QF contract buyouts	20.3
Seabrook	3.7
Other	-3.7
Total stranded costs	**48.6 million**

MPS	
Net QF stranded costs	7.0 million
Wheelabrator buydown	1.6
Seabrook	2.8
Maine Yankee	3.3
Deferred fuel	-3.2
Other	0.3
Total stranded costs	**11.8 million**

GENERATION RESOURCES

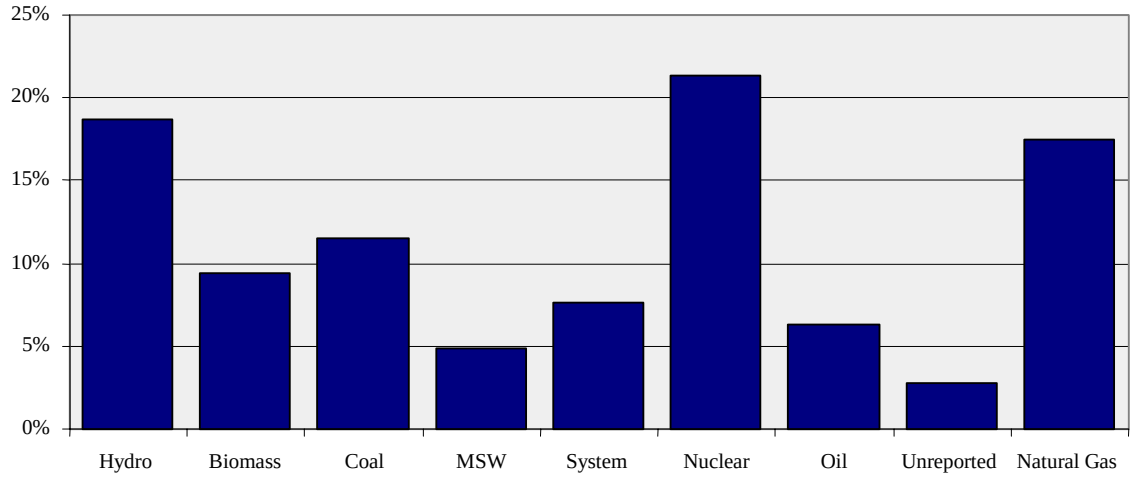
Resource Mix Used to Serve Maine's Customers

The Restructuring Act establishes a 30% resource portfolio standard (RPS) that requires electricity suppliers (including standard offer suppliers) to supply 30% of their Maine load from "eligible resources." The Act defines eligible resources to be generating units whose capacity does not exceed 100 megawatts and that produce electricity from tidal, fuel cells, solar, wind, geothermal, hydroelectric, biomass, or municipal solid waste in conjunction with recycling, that qualify as small power producers under federal regulations, or that are efficient cogeneration units.

As shown in the chart below, during 2003,[10] between 30% and 35% of Maine's load was supplied by eligible resources. Virtually all eligible supply was provided by hydro, biomass, or MSW, with a small fraction provided by eligible fossil fuels, wind, or solar.

[10] The Commission will receive information about suppliers' 2004 resource mix when suppliers file their annual reports in June 2005.

Resources Serving Maine's Customers in 2003

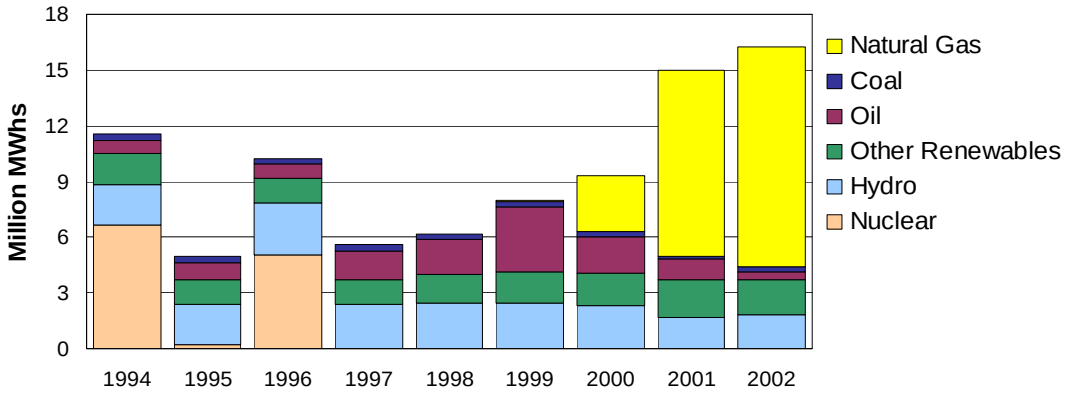


Since 2002, competitive providers in the ISO-NE territory have operated under a "tradable attribute" certificate system known as the Generation Information System (GIS). The GIS allows suppliers to trade electricity attributes (e.g., fuel source and emissions levels) separately from the energy commodity.

Electricity Generated in Maine

In recent years, five electric generating plants fueled by natural gas have been built in Maine. This phenomenon is the result of both electric restructuring and the completion of new natural gas transmission facilities within the State. Publicly available information summarizes the resources used in each state to generate electricity (which may in turn be sold in other states), and shows the dramatic change in Maine's generation mix.

Electricity Generated in Maine by Fuel Type
1994 - 2002



Voluntary Renewable R&D Fund

The Restructuring Act directs the Commission to allow electricity customers to make voluntary contributions to fund renewable resource research, development, and demonstration projects. To date, customers have donated in excess of $160,000 through one-time or monthly contributions through their electricity bills. In 2004, $40,000 of this fund contributed partial funding for a Chewonki Foundation and Hydrogen Energy Center project to develop an energy system using hydrogen generators, storage, and fuel cells.

REGIONAL ACTIVITY

With the restructuring of the electricity market, Maine has become part of a broader regional market for wholesale electricity. The New England electric market is, and will remain for the foreseeable future, a hybrid of competitive and regulated elements. The market operates under a set of rules approved by the Federal Energy Regulatory Commission (FERC). New England's Independent System Operator, ISO New England (ISO-NE), is the day-to-day operator of the electric grid and the generation markets. ISO-NE, in turn, operates under contract with the New England Power Pool (NEPOOL), a New England organization comprised of generators, competitive electricity providers, T&D utilities, municipal electric systems, and representatives of end-use customers. The Commission intervenes and takes positions at FERC on matters affecting Maine electricity consumers and takes an active role in ISO-NE and NEPOOL regional decision-making activities.

Notable Trends and Events in the Past Year

Standard Market Design: 2004 was the first full year under "Standard Market Design" (SMD), implemented on March 1, 2003. Under SMD, the energy market comprises two separate markets. In the Day Ahead market, which covers energy transactions for the following day, buyers and sellers can lock in financial positions. Then, in the real time market, any deviations between the Day Ahead market and the actual outcomes are cleared. This allows market participants to hedge against unexpected events such as extreme weather or the unexpected loss of supply resources, either of which can drive prices very high very quickly[11].

Of particular importance to Maine consumers is the locational aspect of SMD. Under SMD, customers in different regions in New England pay different prices. This happens for two independent, but related, reasons. First, SMD recognizes "transmission constraints." This means that, if there is more low cost generation in a region than can physically be exported, the energy price in that region will decline to reflect the surplus supply, while prices in the transmission import constrained or "congested" area are likely to increase to reflect the limited generation supply. Second, SMD changes the way transmission losses are charged[12]. Under SMD, marginal line

[11] Before SMD, the market was a simple real-time market and left market participants vulnerable to unexpected events.

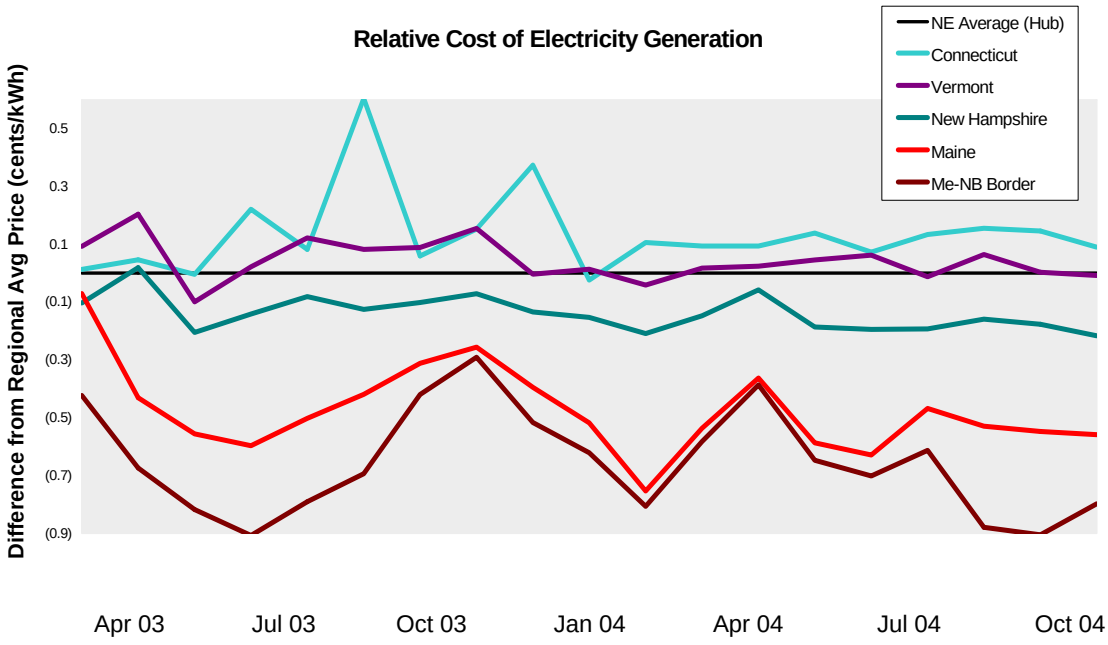
[12] Any time electricity is transported, a portion of the electricity is lost. The loss percentages can range from less than 1% to 10% or more, depending primarily on the amount of current flowing over the line.

losses are charged to customers. In exporting regions such as Maine, the “losses” can be negative, meaning that the effect of losses is to reduce the price paid for electricity.

The new SMD market has resulted in significantly lower wholesale energy prices in Maine compared to the rest of New England. Over the period, Maine wholesale energy prices were about 0.48 cents per kilowatt-hour below the regional average. New Hampshire costs were second lowest at 0.14 cents per kilowatt-hour below average over the same period. Connecticut costs were the highest, at 0.14 cents per kilowatt-hour above the average.

Savings of this magnitude are in the range of $50 million per year, a significant level for Maine. Furthermore, it is likely that Maine wholesale prices will continue to be lower than those elsewhere in New England for some time, at least until there are major new investments in the generation and transmission systems in the region.

The following chart compares wholesale electricity prices in various New England locations.



RSC Formation: The FERC has increasingly articulated the need to have problems such as regional reliability issues addressed by entities closer to the problem, and has encouraged the formation of Regional State Committees (RSCs) to address reliability and other matters. During 2004, the New England States Committee on Electricity ("NESCOE") was formed, and Governor Baldacci appointed Kurt Adams as Maine’s representative. The Commission is working closely with the Governor’s office in the development of and participation in NESCOE.

RTO Formation: On October 31, 2003, the Transmission Owners and ISO-NE jointly filed a petition at FERC to form a Regional Transmission Organization (RTO) consistent with direction provided by the FERC. The Maine Commission and the New England Conference of Public Utilities Commissioners (NECPUC) have filed comments at FERC, seeking to have FERC condition its approval of the RTO upon certain changes. Many of NECPUC's proposed changes, which the Commission believes strengthen the independence of the RTO while ensuring an appropriate level of openness and responsiveness to concerns raised by those affected by the RTO's actions, were adopted by FERCISO-NE and the New England Transmission owners expect the RTO operation to commence on February 1, 2005.

Litigation of Locational Installed Capability (LICAP) at FERC: FERC has ruled that New England should adopt a LICAP mechanism to ensure there is enough generation capacity to provide reliable service throughout New England. On September 1, 2004, ISO-NE filed a proposal with FERC to implement such a mechanism. The Maine Commission is a party to this case and has submitted testimony in opposition to portions of the ISO-NE filing. The Commission's primary concern is that the proposal made by ISO-NE will be very expensive but will not be effective in attracting new resources that may be needed to maintain reliable service. This litigation is likely to continue through at least the first half of 2005.

Request for Increased Return on Equity (ROE): On November 4, 2003, a group of New England transmission owners filed a request for approval for a significant increase in the return on common equity component of the regional and local transmission rates under the RTO-NE open access transmission tariff. The Commission took a lead role in developing NECPUC comments protesting the proposed increase, most aspects of which have been set for hearing. One part of the increase was granted by FERC and is expected to be subject to a court challenge. The Commission is also taking an active role in helping to develop testimony in the FERC hearing.

ENERGY PROGRAMS

Highlights

- Interim programs modified and converted to seven full-scale programs.
- In this second full year of operation, electric energy efficiency programs achieved approximately three times the level of savings as they did in their first year.
- The federally funded State Energy Program providing free energy audits to business and provided grants and low interest loans for energy saving projects.

The Maine Public Utilities Commission has responsibility for the planning and implementating electric energy efficiency programs funded through assessments on electric utilities. The Commission is also responsible for the management of the State Energy Program funded through the United States Department of Energy.

Electric Energy Efficiency

When the Maine Legislature enacted "An Act to Strengthen Energy Conservation," P.L. 2001, ch. 624 (the Act) in 2002, it gave the Commission responsibility for planning and delivering energy efficiency programs. These functions had traditionally been conducted by vertically integrated electric utilities. Industry restructuring removed utilities from the provision of energy services so the transfer of responsibility for efficiency programs was consistent with the state's general approach to electric restructuring. The Act directed the Commission to develop and implement cost effective conservation programs consistent with an overall strategy to be developed by the Commission. It also contained other directives on allocating funds among programs, considering public input, contracting with service providers, evaluating programs, distributing services, and developing the overall program funding level. Recognizing it would take the Commission time to address all the requirements of the Act, and to avoid "significant delay in the implementation of conservation programs," the Legislature directed the Commission to implement "interim" energy conservation programs to conclude by December 31, 2003.

During 2002, the Commission approved twelve interim conservation programs and implemented six. The remaining six interim programs required more planning and were implemented during 2003. During 2004, the interim programs were modified and converted to seven full-scale programs. In this second full year of operation, the programs achieved approximately three times the level of savings as they did in their first year. With an estimated lifetime benefit of close to $13 million, the 2004 program expenses of $6.7 million should have a benefit to cost ratio of 1.9 to 1. More about each of the programs can be learned from the Efficiency Maine 2004 annual report available at Efficiency Maine's website: www.efficiencymaine.com .

State Energy

During 2003, LD 1319 transferred the Energy Conservation Division of the Department of Economic Development to the Commission. The law states that the Commission is the successor in every way to the powers, duties and functions of the former Energy Conservation Division of the Department of Economic and Community Development, Office of Business Development. This includes all existing rules, regulations and procedures adopted by the former Energy Conservation Division and it continues in effect all existing contracts agreements, and compacts made by the Division.

Programs offered through the State Energy Program (SEP) include free energy audits for businesses, low interest loans for investments in energy efficiency and renewable energy projects, and assistance to other organizations wishing to apply for federal special project grants. The SEP is also collaborating with the Maine Department of Environmental Protection's Air Bureau and Pollution Prevention Office by coordinating energy audits with DEP environmental audits. The SEP also provides support to the Energy Resources Council through the facilitation of coordinated energy policy, representation of state interests in regional forums, preparation of the council's 2004 work plan, and consultation on potential energy policy matters.

The SEP is a central point of contact for other grantees applying for special project grants from US DOE. This year, the SEP continues its coordination of the funding for The Greater Portland Clean Cities Coalition, which is using special project funds to develop a sustainable alternative fueled vehicle fleet in the greater Portland area. Through US DOE's Office of Industrial Technology, the SEP is working in partnership with Northern and Southern Maine Community Colleges to develop a curriculum specific to facilities management with an emphasis on energy issues. Several Maine corporations have agreed to participate as project advisors and as sponsors for students who enroll in the program. In addition SEP is coordinating two projects through US DOE's Rebuild America Program grant. The $100,000 grant is being split between the University of Maine System and the Maine School Management Association. The University of Maine is participating in the federal High Performance Campus Project, which contracts an overall System Energy Efficiency Manager to provide a system-wide focus on energy issues and to coordinate system efforts on campus-based sustainability initiatives. Maine School Management Association is using the other half of the grant to retain an Energy Smart Schools coordinator who will link the lay people engaged in the process of designing new schools with resources and technical assistance available through Efficiency Maine's High Performance Schools Program.

Natural Gas

- Price volatility in the natural gas market prompted the Commission to approve fixed price options for Bangor Gas Company and Maine Natural Gas that allow customers to elect greater stability and predictability in their bills.

- The Commission ordered Northern Utilities to credit customers $220,000 for billing errors and implemented a Service Quality Plan for Northern to improve and maintain its customer service performance.

- The Commission approved Northern's Lewiston Manufactured Gas Plant site clean up plan necessary to restore Lewiston's commercial riverfront area.

Natural Gas Industry

The nation experienced substantially increased gas prices between1999-2001 and again beginning in February 2003 through 2004. We have been actively monitoring regional supply and market conditions, and gas utility pricing programs, with an eye toward mitigating adverse impacts on natural gas consumers where appropriate. In early 2003, it became apparent that consumers were facing increased natural gas prices and market volatility nationwide through the remainder of the year. Throughout 2004, natural gas prices remained at high levels, ranging from approximately $4.25 – $8.00 per million British thermal units (MMBtus), resulting in higher consumer bills. This required a continued focus on consumer pricing options and hedging strategies for Maine's gas utilities. We approved a fixed price option for Bangor Gas Company and revised fixed and indexed price options for Maine Natural Gas for customers who prefer greater stability in their monthly bills. Northern Utilities, Inc.'s limited use of financial hedging instruments in a detailed hedging plan, which we approved in early 2003, helped stabilize its gas commodity rates for its customers for this winter period.

On March 31, 2004, the rate freeze to which Maine Natural Gas was subject under its alternative rate plan expired. Because of increased gas price volatility that has arisen in the region since its rate plan was conceived, it sought authorization to reconcile its gas costs on a monthly basis. We approved Maine Natural Gas's request and will work with the Company to finalize the details when it is ready to implement this change.

Since 1999, when two new interstate pipelines, Portland Natural Gas Transmission System (PNGTS) and Maritimes & Northeast Pipeline, began to bring increased natural gas supplies into Maine, three 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, as it becomes economic or otherwise beneficial for them to do

so. 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, and the University of Maine at Orono and Gorham, and businesses such as International Brands Corporation, International Paper, Auburn VPS, Phillips Element, Pike Industries, and the Maine Medical Center. Increasingly, government agencies and public and private service entities such as schools, colleges, and health care facilities are considering 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 now obtain gas commodity from a competitive supplier rather than their distribution utility. In 2003, approximately 89% of all gas volumes delivered in Maine (includes gas used for gas-fired electric generation) were transportation-only service from the distribution utility. 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. There is little interest on the part of suppliers in extending choice to residential consumers at this time in Maine and throughout New England. However, marketers and suppliers are increasingly exploring extending service to smaller commercial entities, such as restaurants.

The number of facilities using natural gas continues to grow at a slow pace due to persistently high natural gas prices. The Commission actively monitors the construction of new facilities, as well as company operating performance for compliance with State and Federal safety regulations.

The new gas supplies also support five recently constructed gas-fired electric generation facilities located in Westbrook, Bucksport, Veazie, Rumford, and Jay, which consume over 90% of the natural gas used in Maine and provide 1600 MW of electricity to the northeast region. The increased demand for gas in electric generation in Maine, New England and the nation has contributed greatly to the need for additional gas supplies. Because production in North America is lagging behind expected demand, additional natural gas supplies must be shipped in liquid form. Additional liquefied natural gas (LNG) facilities will be needed to accept the increased gas imports and several are proposed along the East and Gulf Coasts. Local citizenry are discussing Passamaquoddy land in Down East Maine as a possible site for an LNG facility. The Federal Energy Regulatory Commission reviews applications for authority to construct and operate such facilities. While these facilities may be governed solely by federal authorities, 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.

We continue to participate in weekly New England Governor's Conference Summer and Winter Fuels Monitoring Calls as well as 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 fail to meet these standards, 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.

Due to ongoing customer complaints regarding call center and billing operations, in 2002 and 2003 the Commission conducted investigations of call center response performance and estimated billing practices. Simultaneously, it initiated a management audit of all of Northern's customer services to determine their adequacy. The audit revealed that substantial post-merger internal restructuring, including loss of or migration of a substantial number of service operations and management to the Midwestern locus of the parent corporation, had negatively impacted certain aspects of Northern's operations. The auditors evaluated Northern's current operations and recommended a benchmark and penalty plan to incentivize management to achieve reasonable customer service performance levels. The Commission used the information gained by the management audit in implementing a service quality performance incentive plan effective January 1, 2004. The Service Quality Plan (SQP) requires Northern to maintain specified levels of service performance for eleven measures or be subject to monetary penalty. In addition, the Commission approved a settlement in the estimated billing practices investigation that credited $220,000 to customers who received prolonged periods of estimated bills for service during 2000-2003.

Finally, we approved Northern Utilities' proposed Lewiston manufactured gas plant site pollution remediation plan, which it developed under the Maine Department of Environmental Protection's Voluntary Remediation Program, to allow it to begin clean up of that location this winter.

Gas Safety

The Commission continues to exercise a pro-active and diligent approach to assuring that gas is transported safely within the State. Three natural gas distribution companies serve Maine. Forty-five inspections of new facilities, operating and maintenance procedures, and records were conducted. In addition to the integrity management program for bare steel pipe that was instituted last year, a similar evaluation was developed for cast iron pipe.

We are continuing to monitor compliance of certain liquid propane facilities. Generally, multi-unit housing and some commercial installations are within the safety jurisdiction of the Commission. Over 650 such facilities have now been identified and inspected.

During 2005, the Commission's gas safety program will continue to perform compliance audits of gas facility operators. Vigorous enforcement of new and current safety regulations is an effective means of protecting the public.

In December 2004, the Commission initiated an investigation to develop a cast iron facility maintenance and replacement program for Northern Utilities, Inc.

TELECOMMUNICATIONS

- Federal government actions significantly influenced the Commission's activities to implement local competition rules.

- The Commission asserted its authority under Maine law to require that certain parts of Verizon's network be made available to CLECs, provided that its decision does not conflict with federal law. These wholesale policies approved by the Commission will allow for an increase in the availability of broadband throughout the State.

- Voice over Internet Protocol (VOIP) appears poised to replace standard circuit switching for telephone calls.

- The Commission continued its realignment of local access rate pursuant to 35-A M.R.S.A. § 7101-B, thus intrastate access rates were reduced, while basic exchange rates increased.

Local Competition and Wholesale Issues

During 2004, the Commission devoted much of its time and many of its telecommunications resources to matters involving competition in the local exchange market. Actions by the Federal Communications Commission (FCC), federal Circuit Courts of Appeal, and the U.S. Supreme Court have had a major influence on the activities that the Commission undertook in order to implement local competition rules. Because of unsettled federal rules and uncertainty regarding jurisdictional authority, the Commission has had a difficult time completing the tasks that are required to implement the local competition provisions of the TelAct. Competitors and Verizon have argued over the interpretation of federal laws and rules and whether the Commission has independent state authority to order that Verizon allow competitors to use portions of its network when the FCC declines to do so. The Commission has asserted its authority under Maine law to require that Verizon make available to requesting CLECs elements of its network that the FCC chose not to require be available.

The FCC issued its Triennial Review Order (TRO) in 2003, but in March 2004, the D.C. Circuit Court of Appeals struck down several key pieces of the TRO. The Court also remanded other parts of the FCC Order and upheld still other sections. The court decision added additional uncertainty about the availability of specific unbundled network elements (UNEs) and the prices that would be charged for them. After the U.S. Supreme Court refused to accept the Circuit Court decision for review, the FCC issued interim rules that are intended to be in effect only until it can issue "permanent" rules that will pass court muster. The FCC reached a decision on permanent rules at its December Open Meeting, but a written decision is not expected until at least late January 2005.

The Commission has been working simultaneously on several aspects of the Verizon wholesale tariff proceeding, the ultimate goal of which is have in place a tariff that would set out for CLECs the elements of the network that are available for use in

Maine, as well as the prices and terms and conditions for obtaining and using those elements. Much of the past year was spent delineating and defining jurisdictional authority and identifying the issues that require further examination and analysis prior to a Commission decision. Activities at the federal level have added complexity to the Commission's tasks and increased the uncertainty of the legal and policy bases that support the decisions. The Commission has broken out the issues of dark fiber and line sharing from the general wholesale tariff case, because these elements have specific and more complex issues that must be addressed, and because an expedited decision on the availability and pricing of these elements would be beneficial to the parties. Many CLECs use dark fiber and line sharing as key parts in their operations, and their business plans are based on the continued availability of theses elements at reasonable prices. The Commission hopes to render its decision on these network elements as quickly as it can during 2005.

The Commission has specifically its authority under Maine law to require that certain parts of Verizon's network be made available to CLECs, provided that its decision does not conflict with federal law. In a case involving Skowhegan OnLine, Inc. (SOI), a small CLEC that wanted to provide DSL service (high speed connection to the Internet) in areas where Verizon had chosen not to make it available to its customers, the Commission ordered Verizon to allow SOI to lease a copper loop connection between SOI's remote terminals and Verizon's central office, where the CLEC had collocated its own equipment. The FCC did not specifically address this use of the copper loop in the TRO, but the Commission found that Maine law allowed it to order Verizon to provide it. Verizon appealed the Commission's decision to the Law Court, and oral argument most likely will occur in March 2005.

The Commission also asserted that it had authority under Maine law to require ILECs to allow CLECs to use the high frequency portion of the copper wire connecting customer premises to central switching offices. This practice, known as line sharing, allows the CLEC to provide DSL service in competition with Verizon, which does not offer it in all of its central offices. In December 2004 the Commission opened an investigation to determine whether it should exercise its authority to order line sharing, and if so to what extent and at what price. An expedited procedural schedule has been established, and the Commission expects to reach a decision on line sharing in several months. This is an important case to CLECs, because the FCC has determined that Verizon is no longer required to provide new line sharing arrangements under federal rules, and a transition plan is in effect for current line sharing arrangements. The Commission will decide if line sharing should be provided, at least in areas where the ILEC has chosen not to offer it to customers.

When the Commission recommended that Verizon be allowed to enter the interLATA toll market in 2001, it conditioned its recommendation on the adoption of the Performance Assurance Plan (PAP) that Verizon proposed. The PAP compares Verizon's performance in meeting CLEC service requests with its performance in serving its own customers. If Verizon's performance in providing service to the CLECs' is not equal to the quality of service to its own customers, or if Verizon fails to meet established targets for ordering, provisioning and maintenance activities, then Verizon must compensate the CLECs, either individually or collectively, based on the severity of the failure and the number of occurrences of the miss. The PAP uses statistical

techniques to measure parity of service provision or adherence to the benchmarks. The Commission has been conducting an analysis of the PAP in an attempt to determine if it remains a reliable and relevant technique for preventing backsliding on Verizon's part. The Commission has conducted some examination on its own, and it plans to review audits conducted in other states. The Commission expects to receive a draft report from its staff by mid 2005, and at that time, it will decide if the PAP is accomplishing its purposes, or if any changes are needed.

As part of the Commission's recommendation that the FCC allow Verizon to enter the interLATA market, the Commission implemented a Rapid Response Process (RRP), which allowed CLECs to bring complaints about Verizon's wholesale service to the Commission under an expedited process. The RRP was intended to resolve interpretations of the CLECs interconnection agreements with Verizon, not to establish new policy or rules. The CLECs filed approximately 10 RRP complaints during 2004, but several involved policy matters or issues that were beyond the intended scope of the RRP. In investigating several other complaints, the staff was able to help the parties reach agreement without a formal ruling by the Commission. Two RRP complaints resulted in formal complaints being filed with the Commission. Thus, the RRP has been relatively successful in achieving its intended goals, but it has required expenditure of more Commission resources than was originally anticipated. The adoption of a wholesale tariff (described earlier) should reduce the number of complaints that are filed under the RRP because Verizon's wholesale obligations will be spelled out in the tariff.

ILEC Rate Realignment

The Commission continued its realignment of local and access rates when it implemented another required adjustment, pursuant to the access parity statute (35-A M.R.S.A. § 7101-B), in May 2004. For all incumbent local exchange carriers (ILECs), including Verizon, intrastate access rates were reduced part of the way to the interstate rate levels that were effective in January 2003. In turn, the basic exchange rates charged by the ILECs were increased part or all of the way toward the level of Verizon's basic rates, which the Commission in Chapter 288 of its Rules has determined should act as a de facto benchmark for all Maine ILECs that receive funding from the Maine Universal Service Fund (MUSF). Verizon's local rates were increased slightly to offset the access rate reduction that Verizon was required to implement on June 1, 2004. Verizon's basic rates have been capped under the terms of the Alternative Form of Regulation (AFOR), but the Commission found that the access reduction qualified as an exogenous change and allowed Verizon to slightly increase its basic rates to offset the access revenue reduction. A similar access rate/local rate rebalancing will occur for Verizon in June 2005.

The independent telephone companies (ITCs) all implemented access rate reductions and local rate increases during 2004. The ITCs have a different access rate level than Verizon, and their basic rates, which used to vary considerably, are now approaching those of Verizon. Twelve ITCs receive funding from the MUSF because otherwise they would be unable to maintain affordable and reasonably comparable basic rates. During 2004, access rate reductions, basic rate increases and USF support amount adjustments (for companies as appropriate) were implemented for all ITCs.

The final step in phasing in the January 2003 intrastate access rate levels will occur in June 2005. The Commission will examine the revenue requirements of all ITCs and bring local rates up to the Verizon level, if necessary to offset the access rate reductions. For those companies who will require additional revenue increases beyond that gained from basic rates, the Commission will order an appropriate amount of USF support. Presently, 12 of the 22 rural ILECs receive state USF. (Verizon is not a rural ILEC and not eligible for state USF. Five additional companies will begin receiving USF support in June 2005, bringing the total to 17.

Broadband Availability

The Legislature declared (in Section 7101 of Title 35-A) that State policy is to have a modern telecommunications network in place and to make advanced telecommunications capabilities available to all citizens of Maine at affordable and comparable rates. The Utilities and Energy Committee directed the Commission to seek out ways of implementing the statutory policy, including using the MTEAF network to provide broadband access to governments in smaller municipalities, which otherwise could not afford it. The Commission will provide a separate report to the Committee detailing its efforts to meet the policy objectives within the parameters of its authority. The Commission has monitored the deployment of broadband capabilities across the State and will continue to seek and implement ways to encourage further deployment, including incentives, collaborative efforts and obtaining low-cost funding.

Wholesale policies approved by the Commission will allow competitors to use parts of Verizon's (and possibly other ILECs) networks to expand broadband availability throughout the State. Verizon, the ITCs and several competitors of various sizes have been expanding the coverage area of DSL service in Maine. The Commission intends to take all reasonable steps to encourage expansion of broadband service in Maine.

Law Court Activity

During 2004, the Commission defended its decisions in two cases that were argued before the Law Court, and Verizon filed an appeal of another Commission decision. The first two appeals involved decisions issued by the Commission in 2003. In the first, Maine's Office of the Public Advocate (OPA) and the AARP appealed the legality of the Commission's decision to reinstate the Alternative Form of Regulation (AFOR) for Verizon, which was originally implemented in 1995 and was renewed in 2001, without conducting a rate case. In the other case, Verizon had appealed the Commission's refusal to lift the restriction on marketing intraLATA toll services by Verizon to customers who call the Company to order new or additional local services. Both of these cases have been argued, but the Court has not issued its decision in either case. Finally, Verizon filed an appeal against the Commission's decision, described above in the Local Competition and Wholesale Issues section, to require the Company to provide use of copper loops by Skowhegan OnLine, Inc. (SOI), that would allow SOI to connect its remote terminals to Verizon's central switching office. The parties have filed briefs, and the Commission expects this case will be argued in March 2005.

In the AFOR case, the Commission, after an earlier remand from the Law Court, reinstated the AFOR that it originally implemented in 1995 and that it continued and modified in 2001. In its reinstatement, the Commission found that it was impossible to make the findings required under the AFOR statute (Title 35-A, § 9103), but that it was in the best interest of ratepayers to extend, with some modifications, the original AFOR. The Commission found that conducting a rate case would not allow it to satisfy the provisions spelled out in the statute, and in the long-term, ratepayers were better off with the AFOR in place. While the appeal is pending, all aspects of the modified AFOR, including the service quality standards, which are a vital part of the plan, remain in effect.

The other case argued before the Law Court involved an appeal by Verizon of the Commission's decision to continue the toll marketing restriction placed on the Company because of its dominant position in the local exchange market. The Commission originally imposed the restriction to prevent Verizon from using its dominance in the local market to gain an unfair advantage in the in-state toll market, since the vast majority of customers had to contact Verizon to establish local service, change their basic service enhanced features or select a presubscribed in-state toll carrier. Verizon asked the Commission to remove the restriction because it was allegedly no longer necessary, but the Commission found that Verizon's continued dominance in the local market made continuation of the marketing restriction necessary. This case also is awaiting a decision by the Law Court.

The case argued on January 5, 2005, involves a Commission decision that requires Verizon to make available to CLECs the use of copper loops to connect a CLEC's remote terminals to its equipment that is collocated in Verizon's central office. The use of loops for this purpose would permit CLECs to extend high-speed Internet connections (known as DSL service) farther out from the central office, allowing more customers to subscribe to the service. DSL technology is distance limited, and especially in rural areas, a significant number of customers would not have access to it unless the necessary equipment is placed at locations in the service area away from the central office. The Commission found that the FCC in its TRO had not specifically addressed the use of copper loops in this manner, and in any event, the Commission had independent authority under State law to order Verizon to make the requested network element available. The Commission believes that providing this network element does not violate any provisions of the Telecommunications Act. Verizon asserted that the FCC has preempted the Commission from requiring this use of the copper loop, and further, that the Commission did not give appropriate notice that it would assert independent authority under State law to order the required element be made available.

The Commission believes its interpretation of both federal and state law is correct, and that requiring Verizon to make copper loops available for the purpose requested by SOI is consistent with the Legislature's mandate that high-speed Internet service be made available to all citizens of Maine, regardless of their location. Expanding the availability of broadband Internet connections furthers the State's goal of economic development and improving the well being of all citizens.

Voice Over Internet Protocol (VOIP)

VOIP service appears poised to gradually replace circuit switching as the standard method of completing telephone calls. VOIP is a technology that sends packets of digitized information over high-speed Internet connections (either public or private), exactly as all other Internet traffic is processed. It allows for more efficient use of the transmission medium, because the packets travel to their destinations without use of a dedicated circuit. The transition from the traditional circuit-switched network to packet-based VOIP will be gradual, but because of its efficiencies, VOIP already is being used in some cases for the transmission of traffic that originates and terminates on the traditional public switched network.

The regulation of VOIP service at the local level, replacing traditional telephone service, presents many challenges to regulators, carriers and customers. Customers and service providers will have to purchase and install new equipment, as the new technology at first will work in tandem with the current network technology before it eventually replaces it. Because VOIP is essentially an addendum to high-speed Internet access, many questions about its regulatory treatment will present unique challenges to regulators, which has evolved with very limited regulatory oversight, the emergence of VOIP will require a thorough examination, at both the state and federal level, of the purpose, nature and application of regulation, including the use of telephone charges to subsidize low income customers and high cost providers.

WATER

HIGHLIGHTS

- The Commission allowed rate increases for 15 water districts.

- Two municipal water departments §6104 rate cases failed due to customer petitions requesting Commission review of the rate increase. In addition, one case was withdrawn due to changes in the management of the District.

- The Commission began conducting one investigation as a result of a 10-person complaint.

During 2004, the Commission continued to provide guidance, when requested, on what was expected in a request of a rate change as well as with 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 rates, revenue requirement, main extension and service line issues. Commission Staff also provide assistance to utilities, representatives of municipal governments, customers, and the general public in response to telephone inquiries.

During 2004, the Commission introduced legislation, which was enacted, to eliminate the statutory requirement that water districts and departments maintain a contingency account on their books and records. The revised statute allows water districts and departments to include in their rate requests up to a 5% contingency (10% for very small utilities) on operating costs as part of their revenue requirements but eliminates the need to maintain an accounting record. The statutes continues the requirement that if the utility earns excesses over a certain period of time, it would have to hold a public hearing to explain why it should not be required to reduce rates.

During 2004, at the request of the Utilities & Energy Committee, the Commission staff discussed with water utilities areas that legislators should evaluate to determine whether converting the ownership format of the water utility is a reasonable option. This review consisted mainly of discussions with various water utilities, other departments within state government and amongst the staff. A letter report will be given to the Committee in early 2005.

Finally, some of the water utilities in the southern part of the state have formed a group that it will propose legislation to allow them to form organizations to combine certain operational concerns, such as purchasing and staffing. The Commission staff has discussed this proposal informally with the group but has not indicated its position as no final legislation as been introduced.

Summary of Relevant New Laws Enacted in the 2nd Session of the 121st Legislature

ELECTRIC/ENERGY/BUILDING CODES

LD	Law	Summary	Amend 35-A	Effective Date
671	PL 2003, ch. 555	Requires standard offer service providers that serve within the NE-ISO to purchase output of generators of 5MW or less at a price financially neutral to standard offer service providers (SOSPs); the PUC must require SOSPs serving northern Maine to purchase such output if it finds market design in that region to accommodate such purchases	3210	July 30, 2004
1025	PL 2003, ch. 580	Creates the Maine Model Building Code. Adoption is voluntary		July 30, 2004
1261	Resolve 2003, ch. 119	Directs the PUC to examine feasibility and possible program to provide incentives for the purchase of energy efficient appliances and to submit a report by 1/30/05		July 30, 2004
1663	PL 2003, ch. 605	Directs SPO to provide technical assistance to municipalities & regional planning organizations in the development of local building codes		July 30, 2004
1692	PL 2003, ch. 610	Changes procedures relating to Pine Tree Development Zones; authorizes T&Ds to offer discounted rates to qualified businesses; authorizes PUC to consider overall benefits to ratepayers when approving discounted rates; exempts sales of electricity to qualified businesses from RPS – Provisions repealed 12/31/09	3210	July 30, 2004
1730	PL 2003, ch. 606	Approves PUC hiring 3 people for Efficiency Maine – Director, Analyst and Secretary	107	July 30, 2004
1741	PL 2003, ch. 558	Removes requirement that PUC maintain a Do-Not-Call list for CEPs; removes requirement that CEPs mail disclosure labels to medium and large customers	3203	July 30, 2004
1773	PL 2003, ch. 603	Clarifies that complete installations related to PVs, fuel cell and wind power generation systems are in the definition of “electrical installations” that require a license		July 30, 2004
1929	PL 2003, ch. 665	Directs PUC to inform consumers of benefits of green power; PUC may create brand or logo for each resource; directs PUC to adopt MSR that includes hedging in standard offer bidding for review by Legislature 3/1/05; directs the PUC to study markets re: wind energy and to report its	3210, 3212, 3402, 3403, 3404	July 30, 2004

		findings to the Legislature by 3/15/05		
1948	PL 2003, ch. 645	Repeals and amends building energy codes to be consistent with other ICC codes; directs PUC to do MSR on a model building energy codes and for municipalities to use this code if adopting or replacing an energy code; PUC to examine enforcement mechanisms and report by 12/31/04	121	July 30, 2004
1949	PL 2003, ch. 644	Repeals & moves various energy-related responsibilities from DECD to PUC and gives the Commission flexibility in administering these programs; requires the PUC to provide public information about energy technologies and efficiency practices and voluntary training programs for energy auditors and solar equipment installers; moves responsibility of Small Business Revolving Loan Program from DECD to the PUC; authorizes PUC to run SEP program	3211, 10001, 10002, 10003, 10004, 10005	July 30, 2004

WATER

1672	P&SL 2003, ch. 39	Amends the Dover & Foxcroft Water District charter		March 24, 2004
1750	PL 2003, ch. 529	Eliminates consumer-owned water utilities from creating a separate fund for collection of contingency allowance; establishes allowed uses of contingency collections	6105, 6112, 6113	July 30, 2004
1874	P&SL 2003, ch. 40	Amends the South Berwick Water District charter by increasing its debt limit		April 6, 2004
1935	P&SL 2003, ch. 47	Creates Starboard Water District		April 22, 2004

TELEPHONE/TELECOMMUNICATIONS/E-911

1676	PL 2003, ch. 572	Removes requirement that communication towers on Maine Turnpike Authority property be used exclusively by the Maine Turnpike Authority		July 30, 2004
1683	PL 2003, ch. 678	Establishes the Maine Communications System Policy Board at Public Safety, to establish policies for cooperative use of communication systems by towns & government		July 30, 2004
1711	PL 2003, ch. 647	Prohibits a person from misrepresenting its business name or location in a telephone directory		July 30, 2004
1751	PL 2003, ch. 530	Conforms state telephone law (provisions of 35-A and section 4690-A of Title 32) to be consistent with federal law	7106	July 30, 2004
1819	PL 2003, ch. 553	Transfers Telecommunication Equipment Fund (TEF) to a USF administered by the PUC, allowing the PUC to transfer funds up to $122,500 per year from the USF to the TEF if federal money not available; MEMA to provide report to the Legislature	7101	July 30, 2004

		1/1/05		
1925	P&SL 2003, ch. 46	Accommodates a new town name (WELS)		April 22, 2004

GAS/DIG SAFE

1846	Resolve 2003, ch. 127	Accepts changes to Chapter 895, subject to additional requirements: Dig Safe members are required to provide locational information for mapping purposes; telephone utilities are not required to provide such information for service line drops; PUC to grant waivers for water utility transmission mains downstream of a treatment plant or underground water source; PUC to develop database; mapping requirements do not take effect until 5/1/05		July 30, 2004

MISCELLANEOUS

1492	PL 2003, ch. 698	Promotes the production & use of fuels derived from agricultural and forest products; provides an income tax of 5¢ per gallon if production is from biomass		July 30, 2004
1659	PL 2003, ch. 526	Allows utilities to require time-share management to collect & pay a unified utility bill and to collect assessments		March 3, 2004
1668	PL 2003, ch. 604	Requires state agencies to give preference to municipalities in a specific fashion when awarding grants or making discretionary investments		July 1, 2005
1686	PL 2003, ch. 692	Establishes the Employee Suggestion System where state employees whose suggestions resulting in substantial savings or improvements to state operations may receive cash or honorary awards		January 1, 2005
1777	PL 2003, ch. 539	Authorizes the Commissioner of Administrative & Financial Services to execute easement deeds		July 30, 2004
1810	PL 2003, ch. 630	Makes law regarding purchase of service credit for optional members of MSRS the same for participating local district optional members as it is for other retirement programs administered by MSRS		July 30, 2004
1814	PL 2003, ch. 675	Amends laws regarding disability retirement benefits to clarify substantially gainful activity		July 30, 2004
1828	PL 2003, ch. 513	Supplemental Budget Bill – FYE 6/30/04 & 6/30/05		April 20, 2004
1839	Resolve 2003, ch. 101	Authorizes committees to take action under the State GEA in a special session; any major rules not acted on may be held over to the special session		February 2, 2004
1880	PL 2003, ch. 598	Conforms the Loring Development Authority of Maine's bonding powers to finance projects located within Aroostook County and makes enabling		April 6, 2004

		statute consistent with federal law		
1892	PL 2003, ch. 661	Establishes a system to provide for the collection and recycling of computer monitors and televisions in Maine		July 30, 2004
1895	Resolve 2003, ch. 123	Authorizes East Millinocket to seek an adjustment of its state valuation for 2003 based on Great Northern bankruptcy		July 30, 2004
1916	PL 2003, ch. 688	Corrects errors & inconsistencies in Maine laws, including moving (but not changing) Pine Tree Zone terms (Subchapter 4); corrected error in LD 1949	3211	May 6, 2004
1919	PL 2003, ch. 673	Supplemental Budget – FYE 6/04 and 6/05 – Sec. V-4 (E-911 surcharge); Sec. V-23 (sales tax replaced by a service tax); Sec. PP (transfers $1,043,460 from ESCB to General Fund by 6/30/05); Part IIII (MSLN compensation for federal funds for libraries)	7105	July 30, 2004
1926	PL 2003, ch. 600	Implements recommendations of State Government Evaluation Act (GEA) – new dates for agency reviews		July 30, 2004
1957	PL 2003, ch. 709	Amends Freedom of Access laws		July 30, 2004

Legislative Direction to the Commission via Correspondence

	Grid Reliability	Investigate grid security and reliability		
	Broadband	Study ways to encourage high speed internet access; expand MSLN to town offices		

SUMMARY OF COMMISSION RULEMAKINGS FOR 2004

Chapter 293, Abandonment of Service and Authority to Provide Service and Transfer of Customers by Competitive Telecommunications Carriers

This rule provides an efficient method for competitive telecommunications carriers to abandon service and terminate their authority to provide service, and governs transfers of customers from one carrier to another**.**

Chapter 301, Standard Offer Service

This rule was amended to allow for Commission flexibility to implement its evolving approach to standard offer service for the medium and large non-residential customer classes and to otherwise make the rule consistent with Commission standard offer practice.

Chapter 311, Eligible Resource Portfolio Requirement

This rule was amended to make the rule consistent with recently enacted legislation that exempts service to qualified Pine Tree Development Zone businesses from the portfolio requirement.

Chapter 315, Small Generation Aggregation

This rule establishes the requirements for standard offer providers to purchase the electricity from small generators.

Chapter 895, Underground Facility Damage Prevention Requirements

This rule was amended to incorporate legislative changes made to our Provisionally Adopted Rule and to conform our rule to changes to the law protecting underground facilities and to improve and clarify the existing rule. Changes include: exempting excavators doing excavation associated with drinking water well construction from the requirement to call the Dig Safe System, Inc. when there are no member facilities in the municipality in which the excavation is planned, 2) facilitate the non-member notification process through development of a reference database, 3) increasing the effectiveness of the 3-day waiver contained in statute by specifying the information operators must provide to the Dig Safe System beginning May 1, 2005, and 4) ensuring the security of Maine facility location information provided to the Dig Safe System.

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 FY2004 a Regulatory Fund of $5,490,270 as authorized by 35 M.R.S.A. Section 116, and a balance forward of $1,695,211 pursuant to PL Chapter 136, 2001 which allows any accumulated unencumbered balance from FY 2003 be used during FY2004. Unspent money from FY2004 will be returned to ratepayers in the form of a reduced assessment on 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 72 full-time positions in FY2004. This count includes 9 positions funded by the Energy Efficiency Program Fund and a federal State Energy Program Grant.

1. A. Fiscal Year 2004

In FY2003, the Commission spent approximately $5.38 million, regulating 645 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 FY2004 expenditures by line item.

B. Regulatory Fund

The authorized Regulatory Fund assessment for FY2004 was $5,505,000. In addition to the assessment, an unencumbered balance of $1,695,211 and encumbrances of $194,557 were brought forward from FY2003. The Commission spent $5,379,918 in FY2004. Expenditure details are presented in Attachment 2. An encumbered balance of $208,360 and an unencumbered balance of $1,791,084 remain available by Financial Order. The encumbered balances generally represent ongoing contracts for consulting services.

C. Filing Fees

$100 was brought forward from FY2003. In 2004 the Commission collected $700 in filing fees.

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. $1,266 was brought forward from FY2003. An additional $36,530 was received during FY2004. During FY2004, $1004 was expended. The unencumbered balance of $36,793 was brought forward to be expended during FY2005.

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. $2571 was available from the balance forward from FY 2003. $1,823 was spent. Leaving $748 as the unencumbered balance remaining and available to FY 2005.

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. The Dig Safe Rulemaking and Enforcement grant account had a balance of $3603 brought forward to FY2004. $0 was spent during FY 2004 leaving an unencumbered balance of $3,603 for use during FY2005.

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. The Dig Safe Education Grant account had a balance of $10,588 brought forward to FY2004. $0 was spent during FY03 leaving an unencumbered balance of $10,588 for use during FY05.

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. $14,527 is the unencumbered balance brought forward to FY 2004. $3,402 was spent leaving $11,125 as unencumbered balance forward to FY 2005.

I. During FY2003 the Commission received a 2003 PUC One Call Grant in the amount of $43,250 to implement a targeted education campaign

reaching excavators, designers, public works officials and others involved in excavation. $43,500 is the unencumbered balance brought forward to FY2004. $0 was expended in FY2004 leaving an unencumbered balance of $43,250 brought forward to FY 2005.

J. During FY2004 the Commission received a 2004 One Call Grant in the amount of $20,000 to implement a targeted education campaign reaching excavators, designers, public works officials, and others involved in excavation. $0 were expended leaving an unencumbered balance brought forward to FY2005 of $20,000.

K. The Energy Programs Efficiency Maine Administration Fund had an unencumbered balance of $273,495 and an encumbered balance of $450 brought forward from FY2003. $1,026,508 was transferred into the account from the Energy Programs Efficiency Maine Program Fund. $581,811 was expended in FY 2004. An encumbered balance of $13,308 and unencumbered balance of $1,195,450 is available for use during FY 2005.

L. The Energy Programs Efficiency Maine Program Fund had an unencumbered balance of $3,329,879 and an encumbered balance of $1,589,245 brought forward from FY2003. $3,918,542 was expended leaving an unencumbered balance of $4,331,767 and an encumbered balance of $2,219,054 available for use during FY2005.

M. The Energy Programs- State Energy Fund receives grants from the Federal Department of Energy. The program was transferred to the Commission from the Department of Economic and Community Development on 7/1/04. In FY2004, $770,741 was expended on energy conservation programs.

2. Fiscal Year 2004

Attachment 3 details the Commission's FY2004 Regulatory and other PUC funds' budgets. Encumbered and unencumbered balances brought forward from FY2003 are included. The right hand column represents the total funds available to the Commission in FY2004 by account and line category.

3. The Budget in Perspective

Attachment 2 details the Commission's budget for a 3-year period. The left hand column includes amounts actually expended in FY2003. Column 2 contains the FY2004 expenditure plan. Column 3 contains the FY2005 approved Budget.

4. The Regulatory Fund Assessment in Perspective

Attachment 4 details the Regulatory Fund assessments since FY80. Annual Reports filed by the utilities with the Commission include revenues for the previous year ending December 31. Calculations are made to determine what percentage of the 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 $3,772,000 during FY04 The assessment on all other utilities is increased to $1,733,000 during FY04, for a total of $5,505,000.

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 FY2004 no audits were performed.

Attachment 1

PUC FUND ACTIVITY BY ACCOUNT FOR FY2004

PUC REGULATORY FUND	*014-65A-0184-01*	
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2003		1,695,211
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY2003		194,557
FUNDS RECEIVED DURING FY2004		5,746,467
LESS EXPENDED DURING FY2004		5,379,918
ENCUMBERED BALANCE BROUGHT FORWARD TO FY2005		208,360
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2005		1,791,084
REIMBURSEMENT FUND		
Filing Fee Account	*014-65A-0184-03*	
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2003		100
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY2003		0
FUNDS RECEIVED DURING FY2004		700
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2005		800
Miscellaneous Reimbursement	*014-65A-0184-04*	
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2003		1,266
FUNDS RECEIVED DURING FY2004		36,530
LESS EXPENDED DURING FY2004		1,004
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2004		36,793
PUC CONSUMER EDUCATION FUND	*014-65A-0184-06*	
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2003		2,571
FUNDS RECEIVED DURING FY2004		0
LESS EXPENDED DURING FY2004		1,823
LESS TRANSFERRED TO GENERAL FUND DURING FY2004		0
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2005		748
PUC DIG SAFE GRANT	*013-65A-0184-01*	
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2003		3,603
FUNDS RECEIVED DURING FY2004		0
LESS EXPENDED DURING FY2004		0
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2005		3,603
2001 PUC ONE CALL GRANT	*013-65A-0184-02*	
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2003		10,588
FUNDS RECEIVED DURING FY2004		0
LESS EXPENDED DURING FY2004		0
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2005		10,588

2004 PUC ONE CALL GRANT *013-65A-0184*	
UNENCUMBERED BALANCE BROUGHT FORWARD FROM 2003	20,000
LOSS EXPENDED DURING FY 2004	0
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2005	20,000

2002 PUC ONE CALL GRANT *013-65A-0184-03*	
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2003	14,527
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY2003	0
FUNDS RECEIVED DURING FY2004	0
LESS EXPENDED DURING FY2004	3,402
ENCUMBERED BALANCE BROUGHT FORWARD TO FY2005	8,868
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2005	2,257

2003 PUC ONE CALL GRANT *013-65A-0184-04*	
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2003	43,250
LESS EXPENDED DURING FY2004	0
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2005	43,250

[13]ENERGY PROGRAMS –EFFICIENCY MAINE ADMIN FUND *014-65A-0966-01*	
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2003	273,495
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY2003	450
FUNDS RECEIVED DURING FY2004	1,516,624
LESS EXPENDED DURING FY2004	581,811
ENCUMBERED BALANCE BROUGHT FORWARD TO FY2005	13,308
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2004	1,195,450

ENERGY PROGRAMS-EFFICIENCY MAINE PROGRAM FUND *014-65A-0967-01*	
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2003	3,329,879
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY2003	1,589,245
FUNDS RECEIVED DURING FY2004	5,550,239
LESS EXPENDED DURING FY2004	3,918,542
ENCUMBERED BALANCE BROUGHT FORWARD TO FY2005	2,219,054
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2005	4,331,767

ENERGY PROGRAMS-STATE ENERGY FUND *013-65A-0966-01*	
EXPENDED DURING FY2004	770,340
ENCUMBERED BALANCE BROUGHT FORWARD TO 2005	637,010

[13] Includes State Energy Program Revolving Loan Fund. A separate account has been established for these funds, effective July 1, 2005.

COMMISSION BUDGET IN PERSPECTIVE Attachment 2

	FY2004 ACTUALLY SPENT	FY2005 APPROVED BUDGET	FY2006 PROPOSED BUDGET	FY2007 PROPOSED BUDGET
	-	-	-	-
REGULATORY FUND				
POSITIONS	(61)	(61)	(60.5)	(60.5)
PERSONAL SERVICES	4,421,942	5,353,849	5,359,077	5,675,396
CONSULTANTS	194,523	142,808	404,500	409,613
ALL OTHER	743,105	871,518	971,536	1,003,156
CAPITAL	20,348	0	0	0
	-	-		
TOTAL	5,379,918	6,368,175	6,735,113	7,088,165
RESOURCES				
ASSESSEMENT AUTHORITY		5,505,000		
UNENCUMBERED BALANCE FORWARD		1,791,084	#1	
ENCUMBERED BALANCES FORWARD		208,360	#1	
DEAPPROPRIATED TO GENERAL FUND		-190,067	#2	
		-		
TOTAL REGULATORY FUND RESOURCES		7,314,377		
REIMBURSEMENT FUND				
FILING FEES	0	50,000	50,000	50,000
MISC. REIMBURSEMENT	1,004	15,000	15,000	15,000

COMMISSION BUDGET IN PERSPECTIVE Attachment 2

	FY2004 ACTUALLY SPENT	FY2005 APPROVED BUDGET	FY2006 PROPOSED BUDGET	FY2007 PROPOSED BUDGET
PUC CONSUMER EDUCATION FUND				
ALL OTHER	1,823	748 #4		
PUC DIGSAFE GRANT				
ALL OTHER	0	3,603 #4		
2001 PUC ONE CALL GRANT				
ALL OTHER	0	10,588 #4		
2002 PUC ONE CALL GRANT				
ALL OTHER	3,402	11,126 #5		
2003 PUC ONE CALL GRANT				
ALL OTHER	0	43,250 #4		
2004 PUC ONE CALL GRANT				
ALL OTHER	0	20,000 # 4		
ENERGY PROGRAMS EFFICIENCY MAINE-ADMIN FUND #3				
POSITIONS	(3)	(6)	(6)	(6)
PERSONAL SERVICES	366,708	570,157	561,335	601,640
ALL OTHER	215,103	748,318	738,665	698,360
CAPITAL	0	0	0	
ENERGY PROGRAMS EFFICIENCY MAINE PROGRAM FUND				
CONSULTANTS	2,257,401	5,900,000	6,032,750	7,137,104
ALL OTHER	1,661,141	0	293,976	347,790

COMMISSION BUDGET IN PERSPECTIVE Attachment 2

	FY2004 ACTUALLY SPENT	FY2005 APPROVED BUDGET	FY2006 PROPOSED BUDGET	FY2007 PROPOSED BUDGET
STATE ENERGY PROGRAMS				
POSITIONS	(3)	(3)	(3)	
PERSONAL SERVICES	165,041	192,446	198,802	205,258
ALL OTHER	605,299	401,655	420,680	431,632
CAPITAL	0	0	0	0
EMERGENCY SVCS COMM (E-911)				
POSITIONS	(5)	(5)	(5)	(5)
PERSONAL SERVICES	280,758	380,701	411,925	426,271
CONSULTANTS		6,291,198	6,432,750	6,593,569
ALL OTHER	5,852,695	1,012,963	1,500,772	1,116,105
CAPITAL	0	0	0	0
TOTAL	16,790,293	22,019,928	23,394,768	24,710,894

#1 Encumbered Balance of $208,360 and unencumbered balance forward from FY2004 of $1,791,084; pursuant to PL 2003 ch. 272, all balance forward is made available during FY2004 and FY2005.
#2 Deappropriations via Statewide Financial Order for $190,067
#3 Includes State Energy Program Revolving Loan Fund. A separate account has been established for these funds, effective July 1, 2005.
#4 Unencumbered Balance brought forward to be expended during FY2005.
#5 Encumbered Balance of $8,868 and unencumbered balance forward of $2,257 brought forward from FY2004.

FY 2005 BUDGET & ADJUSTMENTS

		BUDGET	ADJUSTMT	BUDGET
REGULATORY FUND				
	POSITIONS	(61)		(61)
PERSONAL SERVICES		5,353,849		5,353,849
CONSULTING		142,808	399,644 *1	542,452
ALL OTHER		871,518	8,678 *2	880,196
CAPITAL		0	0	0
		-	-	-
	TOTAL	6,368,175	408,322	6,776,497
REIMBURSEMENT FUND				
FILING FEES		50,000	0	50,000
MISC. REIMBURSEMENT		15,000	0	15,000
PUC CONSUMER EDUCATION FUND		0	748 *3	748
PUC DIG SAFE GRANT		0	3,603 *4	3,603
2001 PUC ONE CALL GRANT		0	10,588 *5	10,588
2002 PUC ONE CALL GRANT		0	11,126 *6	11,126
2003 PUC ONE CALL GRANT		0	43,250 *7	43,250
2004 PUC ONE CALL GRANT		0	20,000 *8	20,000

ENERGY PROGRAMS – ADMINISTRATION FUND *9

FY 2005 BUDGET & ADJUSTMENTS

	BUDGET	ADJUSTMT	BUDGET
POSITIONS	(6)		(6)
PERSONAL SERVICES	570,157		570,157
CONSULTING	610,482		610,482
ALL OTHER	137,836		137,836
CAPITAL	0		0
ENERGY PROGRAMS – EFFICIENCY MAINE PROGRAM FUND			
CONSULTING	5,900,000		5,900,000
ALL OTHER	0		0
ENERGY PROGRAMS – STATE ENERGY PROGRAM			
POSITIONS	(3)		(3)
PERSONAL SERVICES	192,446		192,446
ALL OTHER	401,655		401,655
CAPITAL	0		0
EMERGENCY SVCS COMM (E911)			
POSITIONS	(5)		(5)
PERSONAL SERVICES	380,701		380,701
CONSULTING	6,291198		6,291,198
ALL OTHER	1,012,963		1,012,963
CAPITAL	0		0
	-	-	-
Total	21,930,613	497,637	22,428,250

DEAPPROPRIATION VIA STATEWIDE FINANCIAL ORDER

*1 Includes Encumbered Bal. fwd of $208,322 and $191,322 from

*2 $8,678 FROM Bal Fwd via Financial Order

FY 2005 BUDGET & ADJUSTMENTS

	BUDGET	ADJUSTMT	BUDGET

*3 Unencumbered balance of $748 brt fwd to FY 2004.
*4 Unencumbered balance of $3,603 brt fwd to FY 2004.
*5 Unencumbered balance of $10,588 brt fwd to FY 2004.
*6 Unencumbered balance of $11,126 brt fwd to FY 2004.
*7 Unencumbered balance of $43,250 brt fwd to FY 2004.
*8 Unencumbered balance of $20,000 brt fwd to FY2005.
*9 Includes State Energy Program Revolving Loan Fund. A separate account has been established for these funds, effective July 1, 2005.

PUC Regulatory Fund

Attachment 4

Year	Electric Revenues	Telecom Revenues	Water Revenues	Gas Revenues	Water Carriers Revenues	Total Utilities Revenues	Amount Billed	Amount Authorized
-	-	-	-	-	-	-	-	-
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	

PUC Regulatory Fund

Attachment 4

	Year	Electric Revenues	Telecom Revenues	Water Revenues	Gas Revenues	Water Carriers Revenues	Total Utilities Revenues	Amount Billed	Amount Authorized
	*2002		500,763,978	98,835,956	55,824,836	3,521,316	1,206,859,048	1,647,156	5,236,000
FY03	*2003	535,509,552						3,772,000	
	*2003		538,050,538	101,802,792	53,466,479	3,713,543	1,232,542,904	1,648,000	5,505,000
FY04	*2004	524,156,143						3,772,000	
FY04	*2004		508,708,861	105,043,583	64,913,705	3,823,145	1,206,645,437	1,819,495	5,505,000

*Base used to determine factor that will raise the assessment authorized by statute for utility type.

PAST COMMISSIONERS

1915 - 2004

*	Benjamin F. Cleaves	1915-1919
	William B. Skelton	1915-1919
	Charles W. Mullen	1915-1916
	John E. Bunker	1917-1917
	Herbert W. Trafton	1918-1936
*	Charles E. Gurney	1921-1927
	Albert Greenlaw	1924-1933
*	Albert J. Stearns	1928-1934
	Edward Chase	1934-1940
*	Frank E. Southard	1935-1953
	C. Carroll Blaisdell	1937-1941
	James L. Boyle	1941-1947
	George E. Hill	1942-1953
	Edgar F. Corliss	1948-1954
*	Sumner T. Pike	1954-1955
	Frederick N. Allen	1954-1967
	Richard J. McMahon	1955-1961
*	Thomas E. Delahanty	1955-1958
*	David M. Marshall	1958-1969
*	Earle M. Hillman	1962-1968
*	John G. Feehan	1968-1977
	Leslie H. Stanley	1970-1976
*	Peter Bradford	1971-1977
		1982-1987
	Lincoln Smith	1975-1982
*	Ralph H. Gelder	1977-1983
	Diantha A. Carrigan	1977-1982
	Cheryl Harrington	1982-1991
	David Moskovitz	1984-1989
*	Kenneth Gordon	1988-1993
	Elizabeth Paine	1989-1995
	Heather F. Hunt	1995-1998
	William M. Nugent	1991- 2003
*	Thomas L. Welch	1993-Present
	Stephen L. Diamond	1998-Present
	Sharon M. Reishus	2003-Present

* Chairman

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Bero, Betty – Sr. CAD Specialist 7-3831
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Bickerman, Karen – Admin Secretary 7-3349
Bragdon, Trina – Staff Attorney 7-1392
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Bunker, Stephan – E-911 Staff
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Cowie, Doug – Sr. Utility Analyst 7-1369
Cyr, Paula – Commission Clerk 7-6074
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Deforge, Dan – 7-2999
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Diamond, Stephen – Commissioner 7-3831
Dunn, Steve – Sr. CAD Specialist 7-3831
Farmer, Gary – 7-1385
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Fink. Lisa – Sr. Staff Attorney 7-1389
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Information Resource Center - 7-1560
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CAD
Kania, Rich – Acting Director 7-1379
Finance
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McLaughlin, Marjorie – 7-1365
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Ouellette, Jeremy –
Energy Conservation Specialist 7-7636
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Tibbetts, Marilyn – Accountant II 7-1358
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Viens, Linda – Utility Analyst 7-7327
Welch, Thomas – Chairman 7-3831
Wood, Gunner – CAD Specialist 7-3831
Wright, Patricia – CAD Supervisor 7-3831

Website: http://www.state.me.us/mpuc

Fax: 7-1039
Relay for Deaf 1-800-457-1220

CAD Hotline 1-800-452-4699

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

ACRONYMS AND ABBREVIATIONS

AFOR	Alternative Form of Regulation
ASGA	Asset Sale Gain Account
BHE	Bangor Hydro Electric Company
CAD	Consumer Assistance Division
CAP	Community Action Program
CMP	Central Maine Power Company
DEP	Dept of Environmental Protection
DHS	Department of Human Services
ERT	Emergency Response Team
ESCB	Emergency Services Communication Bureau (E9-1-1)
FAME	Finance Authority of Maine
FCC	Federal Communications Commission
FERC	Federal Energy Regulatory Commission
FY	Fiscal Year
GIS	Geographic Information System
HEAP	Home Energy Assistance Program
ISO	Independent System Operator
IXC	Interexchange Carriers
LD	Legislative Document
LDC	Local Distribution Company
LIAP	Low Income Assistance Program
LIHEAP	Low Income Home Energy Assistance Program
ISO-NE	Independent System Operator – New England
LNG	Liquefied Natural Gas
MEMA	Maine Emergency Management Agency
MHSA or MSHA	Maine State Housing Authority
MPS	Maine Public Service
MWUA	Maine Water Utilities Association
NEB	Canadian National Energy Board
NECPUC	New England Conference of Public Utility Commissioners
NEPOOL	New England Power Pool
NOI	Notice of Inquiry
NU	Northern Utilities
OGIS	Maine Office of Geographic Information Systems
OPA	Office of Public Advocate
PERC	Penobscot Energy Recovery Co
PNGTS	Portland Natural Gas Transmission System
PSAP	Public Safety Access Point
PUC/MPUC	Maine Public Utilities Commission
QF	Qualifying Facility
RFB	Request For Bid
RFP	Request for Proposal
RPS	Renewal Portfolio Standard
RTO	Regional Transmission Organization
SEP	State Energy Program
SEPC	Staff Energy Policy Committee
SMD	Standard Market Deisgn
SQI	Service Quality Index
SSI	Social Security Income
TA	Technical Analysis
TANF	Temporary Assistance For Needy
T&D	Transmission and Distribution
TELRIC	Total Element Long-Run Incremental Cost
TRO	Triennial Review Order

MMBTUS	Million British Thermal Units	US DHS	United States Department of Homeland Security
M&NP	Maritimes and Northeast Pipelines	WiFi or Wi-Fi	Wireless Fidelity
MRSA	Maine Revised Statutes Annotated	WPS-ESI	WPS Energy Services, Inc
MTEB	Maine Telecommunications Board		

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]**

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- **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 that 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.

- **Wireless Fidelity:** A wireless local area network providing "hotspots" with high-speed internet access service.

Map Location of Commission

DIRECTIONS TO THE MPUC

FROM NORTH: I-95 Exit 109A, formerly 30A, (Augusta) to Western Avenue toward downtown Augusta.

FROM SOUTH: I-95 Exit 109, formerly 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 2004 Annual Report Evaluation Form

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

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

very informative___ somewhat informative_____ not informative____

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

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

Telecommunications		Acronyms		Public Access	
Electric		Consumer Assistance		Glossary	
Water		Maine Commission			
Natural Gas		Rulemakings			
Telephone List		Summary of Laws			
Map Location		Fiscal Information			

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

_____
_____
_____
_____
_____

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

format _____
writing style _____
cover _____
content _____
ease in reading _____
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THANK YOU!

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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.

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

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