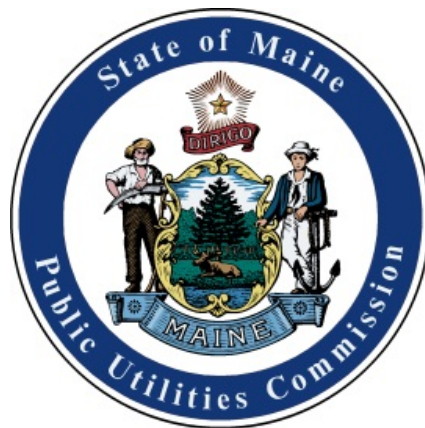


STATE OF MAINE PUBLIC UTILITIES COMMISSION



2015 Annual Report

February 1, 2016

Maine Public Utilities Commission

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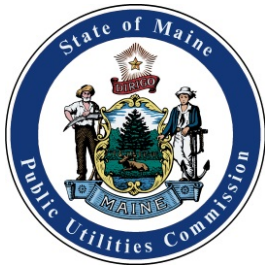
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Table of Contents

<u>Section</u>	<u>Page</u>
1. Commissioners' Letter.....	1
2. Organization Overview	4
3. Executive Summary	6
4. Telecommunications	8
5. Electric	20
6. Natural Gas	41
7. Gas Safety	49
8. Dig Safe	53
9. Water	57
10. Emergency Services Communication Bureau	62
11. Consumer Assistance.....	71
12. Summary of Commission Rulemakings.....	78
13. Summary of Law Court Appeals	79
14. Reports to the Legislature	82
15. Fiscal Information	83
16. Commissioners' Biographies	86
17. Past Commissioners	87



Commissioners

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Carlisle J. T. McLean
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Telephone and Water

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Electric and Gas

Maria Jacques
Emergency Services Communication Bureau

Harry Lanphear
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Commissioners' Letter

This Annual Report provides an overview of the work conducted by the Maine Public Utilities Commission (Commission) in 2015 administering the laws concerning public utilities in Maine. This past year included work on several complex cases involving gas utilities, a continuation of the Commission's efforts to carry out legislation concerning enhancing the region's energy infrastructure, and a major reduction in standard offer electricity prices benefiting Maine consumers and businesses.

The Emergency Services Communication Bureau successfully collaborated with the United States Coast Guard (USCG) on a Next Generation 911 (NG911) demonstration project. The goal of the project was to transfer both voice and location data associated with a wireless 911 call originating off the coast of Maine and received by a Maine Public Safety Answering Point (PSAP) to the USCG regional dispatch center. The USCG will build on the success of this project for its nationwide NG911 plan development.

The Commission's Consumer Assistance and Safety Division (CASD) resolved more complaints in 2015 than it has in the past five years, with most of the complaints dealing with consumer concerns about credit and collection activity from electric utilities. The CASD also enforced several gas safety violations and, for the first time, received a prestigious 100% score from the United States DOT's Pipeline & Hazardous Materials Safety Administration (PHMSA) for the administration of federal rules related to pipeline safety.

Natural Gas

The Maine Energy Cost Reduction Act (ECRA) authorized the Commission, in consultation with the Public Advocate and the Governor's Energy Office, to execute or direct one or more utilities to execute, consistent with specific pre-conditions, an "Energy Cost Reduction Contract" (ECRC) to procure capacity on a natural gas pipeline that would increase the flow of natural gas into New England. The Commission and the parties in this adjudicatory proceeding are currently reviewing economic modelling analysis provided by London Economics on the costs and benefits of ECRC proposals that have been submitted by major pipeline companies. This economic analysis and modelling assumes that Maine acts in coordination with other New England states in the possible procurement of additional pipeline capacity. The Commission expects to complete this proceeding and make a decision in this case by June 2016.

Electricity

Retail electricity supply prices decreased significantly in 2015 reflecting a downward trend in wholesale electricity prices in the New England market. The Standard Offer request for proposals conducted by the Commission resulted in electricity supply prices for CMP residential and small business consumers effective March 1 through December 31, 2015, of 6.54 cents/kWh and 6.50 cents/kWh for Emera Maine – Bangor Hydro District residential and small business consumers. These prices are 13%-14% lower than the prior year standard offer prices. The standard offer price reduction creates real savings for Maine consumers and businesses.

Telecommunications

Since 2010, the use of traditional access lines for basic service has declined by 29%. The trends in the telecommunications industry have continued, with increased use of wireless and internet-based voice communications offered by cable television companies, and decreased purchases by consumers of wireline service from traditional telephone companies.

FairPoint filed a request for an increase in its rates for Provider of Last Resort (POLR) telephone service and the Commission approved a \$2.30 per customer per month increase for residential POLR service and \$2.25 per customer per month increase for business POLR service. In addition, the Commission opened an investigation into FairPoint's failure to meet certain Service Quality Index (SQI) benchmarks related to its POLR service during the third and fourth quarters of 2014.

Water

Several water utilities asked for and received relatively modest rate increases in 2015. The reason for all of these increases was to allow these utilities to replace their aging infrastructure. The cost associated with replacing this aging infrastructure for all Maine water utilities over the next 20 years is estimated at \$1.2 billion.

In 2014, the Legislature enacted An Act to Reform the Regulation of Consumer-owned Water Utilities authorizing the Commission to grant exemptions of certain portions of Title 35-A to consumer-owned water utilities. The Commission opened a rulemaking proceeding in fulfillment of the Legislature's direction. Consumer-owned water utilities and industry groups participated in this proceeding which culminated in the adoption by the Commission of Chapter 615, Exemptions from Regulatory Requirements for Consumer-owned Water Utilities. The Portland Water District became the first in Maine to avail itself of the regulatory reform provisions. The Commission approved the Portland Water Districts request noting that the District had demonstrated an ability to manage its infrastructure, rates, and the terms and conditions upon which it provides service sufficient to ensure just, adequate and safe service at reasonable rates.

Conclusion

The Commission developed a new section of our annual report this year to highlight some of the more noteworthy cases and events that occurred during calendar year 2015. The Executive Summary of the report is detailed on page 6.

In all aspects of its work, the Commission continues to diligently exercise its regulatory, adjudicatory and public policy responsibilities to ensure that utility services for Maine residential and business consumers are provided at rates that are just and reasonable and consistent with good utility practice. We look forward to working with the Legislature this year on energy and utilities issues.

Finally, the Commission would like to acknowledge that Commissioners Carlisle McLean and Bruce Williamson were both reviewed by the Joint Standing Committee on Energy, Utilities and Technology and confirmed by the Maine State Senate in 2015.

With regards,



Mark A. Vannoy
Chairman



Carlisle J. T. McLean
Commissioner



R. Bruce Williamson
Commissioner

2. ORGANIZATION OVERVIEW

The Maine Public Utilities Commission regulates electric, gas, telephone and water utilities to ensure that Maine citizens have access to safe and reliable utility services at rates that are just and reasonable for residential and business consumers.

The Commission, created by the Maine Legislature in 1913, has broad powers to regulate public utilities in Maine including electricity, telephone, water, and gas providers. 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 and has limited authority over rates and service of ferry transportation in Casco Bay.

Like a court, the Commission adjudicates cases and may take testimony, subpoena witnesses and records, issue decisions or orders, hold public and evidentiary hearings. The Commission encourages participation by all affected parties, including utility customers. The Commission also conducts investigations and rulemakings, investigates allegations of illegal utility activity and responds to legislative directives.

The three full-time Commissioners are nominated by the Governor, reviewed by the Legislature's Joint Standing Committee on Energy, Utilities and Technology and confirmed by the full Senate, for staggered terms of 6 years. The Governor designates one Commissioner as Chairman. The Commissioners make all final Commission decisions by public vote and action of the majority.

The Commission's staff of 60 includes accountants, engineers, lawyers, financial analysts, economists, consumer specialists, and administrative and support staff. It is divided into six operating areas (See Figure 1) according to industry area or function.

The Telephone and Water Division and the **Electric and Gas Division** are designated to work on the issues related to these industries. Division staff conduct technical and financial investigations and analyses of utility operations, analyze applications by utilities to issue securities, advise the Commissioners on matters of rate base, revenues, expenses, depreciation, cost of capital, engineering, rate design, energy science, statistics and other technical elements of these utility areas. Staff also conduct various supply procurement processes, including standard offer service.

The Emergency Services Communication Bureau manages the statewide Enhanced 911 (E911) system, including program development and implementation. The statewide 911 system is the component of the emergency response system that delivers 911 calls and displays the telephone number and physical location of the caller at one of Maine's 26 predetermined Public Safety Answering Points (PSAPs).

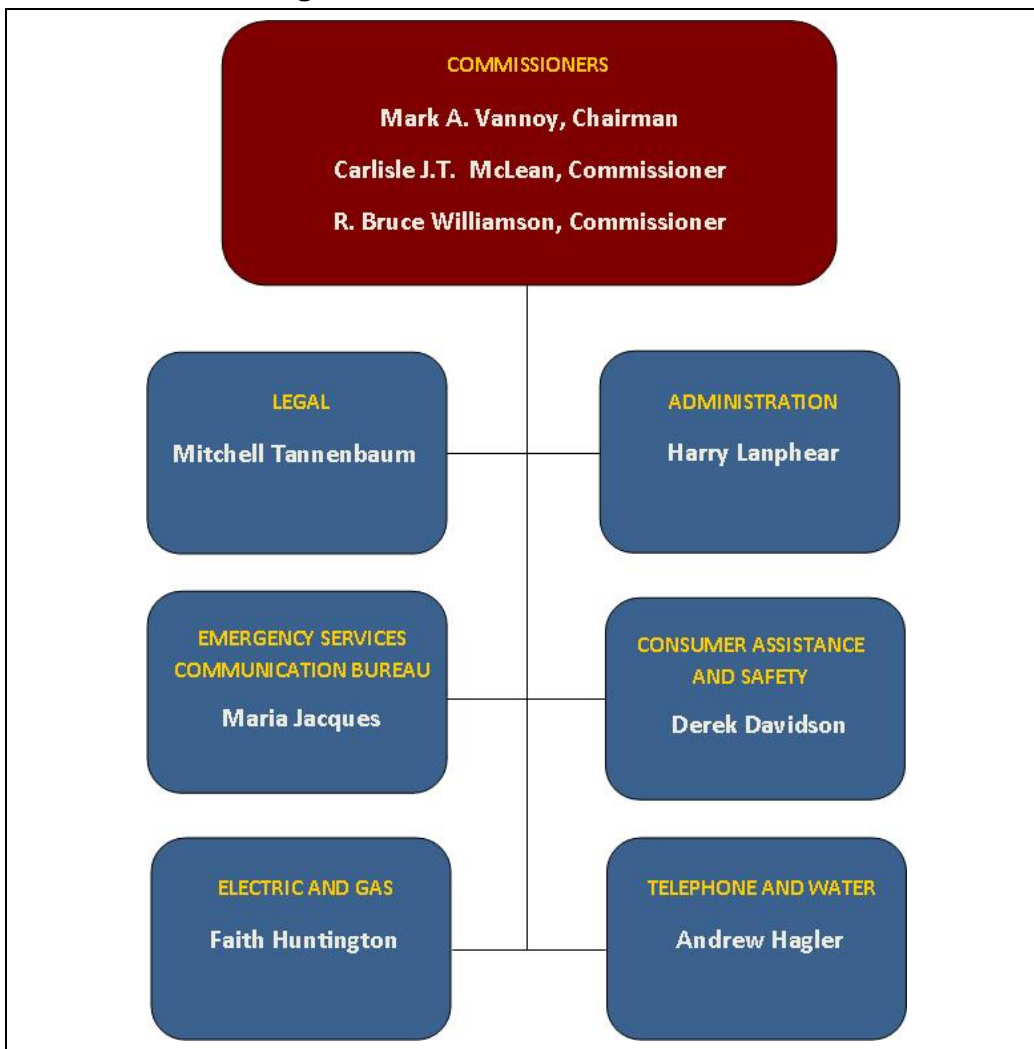
The Consumer Assistance and Safety Division (CASD) provides information and assistance to utility customers to help them resolve disputes with utilities. CASD investigates a variety of complaints involving utility service, including quality of utility

service, billing disputes, payment arrangements, rates or charges, disconnection, and utility repairs. The CASD educates the public and utilities about consumer rights and responsibilities and evaluates utility compliance with state statutes and Commission rules. The CASD also oversees gas safety regulation and enforcement as well as underground facilities damage prevention.

The Legal Division provides hearing officers in cases before the Commission and assists in preparing and presenting Commission views on legislative proposals. This division represents the Commission before federal and state appellate and trial courts, and various regional and federal administrative and regulatory agencies.

The Administrative Division handles day-to-day operational management of the Commission, with responsibilities for fiscal and personnel matters, contract and docket management, legislative analysis and the Commission's facilities. This division also oversees information technology including the Commission's Case Management and Consumer Complaint System.

Figure 1 – Commission Organizational Chart



3. EXECUTIVE SUMMARY

The Commission is providing this new section of the annual report to highlight some of the more noteworthy cases and events that occurred during calendar year 2015.

Topic	Description
Awards	<p>The Commission received three <u>national</u> awards in 2015.</p> <ul style="list-style-type: none"> • The ESCB received a Special Achievement Award from Esri, a world market leader in GIS software. ESCB uses Esri ArcGIS technology in its NG911 system to ensure that emergency calls are accurately routed and mapped so that first responders can more quickly locate people requiring assistance. • The United States DOT's Pipeline & Hazardous Materials Safety Administration (PHMSA) gave the CASD a perfect score of 100% for the Commission's pipeline safety program. • The Pipeline Safety Trust ranked the Commission's web site 3rd in the nation for its gas safety focus and ease of use.
United States Coast Guard 911 Demonstration Project	<p>The ESCB successfully completed a demonstration project with the United States Coast Guard (USCG) using the 911 system to help them better identify or locate vessels that might be lost or in trouble off the coast of Maine. The USCG plans to use this project to expand their 911 capability nationally.</p>
Standard Offer Price Reduction	<p>The Standard Offer RFP conducted by the Commission resulted in prices for CMP residential and small business consumers effective March 1 through December 31, 2015, of 6.54 cents/kWh and 6.50 cents/kWh for Emera Maine – Bangor Hydro District residential and small business consumers. These prices are 13%-14% lower than the prior year standard offer prices.</p>
Efficiency Maine Trust (EMT) Rulemaking	<p>In April 2015, the Commission issued an order adopting rules that would establish a funding cap for the EMT based on electricity transmission and distribution sales, but not electricity supply sales. In June 2015, the Legislature enacted legislation (P.L. 2015, Ch. 255) that clarified that the calculation of the cap should include revenue from electricity supply sales resulting in a funding cap of approximately \$58 million. The Commission adopted a rule reflecting this change.</p>
Northern Maine Reliability	<p>Throughout 2015, the Commission conducted an adjudicatory proceeding to address a solution to system reliability issues in Northern Maine. The Commission denied the Emera Maine CPCN petition on the grounds that it had not established the need for the proposed transmission line. The Commission found that, in the short term, the continued operation of in-region biomass plants will address the reliability issue. In the longer term, the Commission concluded that upgrading the transformer at the Tinker Station and related transmission lines was a more cost-effective solution.</p>

EXECUTIVE SUMMARY CONTINUED

Topic	Description
Maine Energy Cost Reduction Act	The Act authorized the Commission, in consultation with the Public Advocate and the Governor's Energy Office, to execute or direct one or more utilities to execute, consistent with specific pre-conditions, an "Energy Cost Reduction Contract" (ECRC) to procure capacity on a natural gas pipeline that would increase the flow of natural gas into New England. The Commission and the parties in this case are currently reviewing economic modelling analysis provided by London Economics on the costs and benefits of ECRC proposals assuming that Maine acts in coordination with other New England states. The Commission expects to complete this review and make a decision in this case by June 2016.
Maine Natural Gas Rate Case	In March 2015, Maine Natural Gas Company (MNG) filed for an increase in its delivery service rates coupled with a 3-year rate plan. Under its proposal, MNG would be authorized to increase its rates by 21% in year 1, 21% in year 2 and 39% in year 3. The major driver of these proposed increases was MNG's investment for its Augusta expansion project. A Stipulation was considered by the Commission, but ultimately rejected. The case is likely to be fully adjudicated with a decision expected in early 2016.
Gas Safety-Summit Natural Gas of Maine (SNGME)	The Commission issued an Order requesting and approving a voluntary mitigation plan submitted by SNGME for the replacement of improperly installed electrofusion couplings. Field inspections of newly installed electrofusion couplings revealed that contractors working for SNGME had failed to follow proper installation procedures. As a result, the Commission required SNGME to file a remediation plan to a) address the improperly installed couplings and b) to provide customers who could potentially be impacted by the remediation with alternative fuel sources if necessary. The majority of the coupling replacement work has been completed.
FairPoint Service Quality Index	FairPoint filed Service Quality Index (SQI) reports for the third and fourth quarters of 2014 as required by Commission rules. FairPoint missed the minimum benchmark of some of these SQI metrics in 2014. The Commission has opened an investigation to determine why the benchmarks were not met and whether administrative penalties should be assessed.
Portland Water District Regulatory Reform Case	The Portland Water District became the first water utility in Maine to avail itself of the recently approved Act to Reform the Regulation of Consumer-owned Water Utilities regulatory reform provisions. The Commission approved the Portland Water District's request granting exemptions of certain portions of Title 35-A. The Commission noted in its Order that the District had demonstrated an ability to manage its operations and services to ensure just, adequate and safe service at reasonable rates.

4. TELECOMMUNICATIONS

REGULATION OF THE TELEPHONE INDUSTRY IN MAINE

As a result of changes in law enacted by the 125th Maine Legislature, the only retail telephone service offering that falls within the Commission's regulatory authority is Provider of Last Resort (POLR) service. POLR service is presently offered by incumbent local exchange carriers (ILECs) and provides consumers the ability to receive a flat-rate service with voice-grade access to the public switched telephone network within a basic local calling area. The non-POLR offerings of the ILECs, Competitive Local Exchange Carriers (CLECs), and the wireless and Voice over Internet Protocol (VoIP) carriers, including ancillary service and in-state long distance, are no longer subject to Commission rate regulation.

Wholesale services and the enforcement of certain provisions of the federal telecommunications statutes remain subject to the Commission's jurisdiction. In addition, the Commission continues to certificate CLECs. The Commission does not regulate the broadband services offered by telephone, cable television, or cellular telephone companies. Interstate services are regulated by the Federal Communications Commission (FCC), which also has regulatory jurisdiction over wireless mobile carriers. Figure 2 on page 11 shows the POLR carrier service territories in Maine.

INDUSTRY TRENDS

Competition

The telecommunications industry in Maine is characterized by increasing competition. All consumers can obtain long distance service from an interexchange carrier (IXC) other than their local exchange carrier. CLECs serve a large portion of Maine's customers. Telephone service employing VoIP technology – particularly the offerings of Time Warner and Comcast – competes aggressively with traditional ILEC service in those areas where cable broadband is available. The mobile cellular market continues to grow and there are now more than 1.2 million cell phone subscribers in the state. This compares to roughly 311,649 retail wireline access lines in use by customers served by ILECs. An increasing number of customers are substituting mobile wireless service for traditional wireline service. Satellite VoIP service is also emerging as a new option for retail phone and broadband service in rural areas. Table 1 below, for calendar years 2010 through 2014, details a 29% reduction in traditional wireline telephone service throughout the state.

Table 1 – ILEC Access Line Summary

ILEC	2010 Access Lines	2011 Access Lines	2012 Access Lines	2013 Access Lines	2014 Access Lines	Change 2013- 2014	Change 2010- 2014
China Telephone	2,032	1,775	1,517	1,328	1,181	-11%	-42%
Northland Telephone Co.	17,381	16,232	15,342	14,193	13,243	-7%	-24%
Community Service Telephone Co.	7,306	6,684	6,314	5,786	5,303	-8%	-27%
Sidney Telephone Co.	933	777	719	631	540	-14%	-42%
Maine Telephone Co.	5,928	5,125	4,772	4,239	3,745	-12%	-37%
Standish Telephone Co.	4,093	3,440	3,097	2,772	2,466	-11%	-40%
FairPoint NNE	340,333	313,254	289,412	266,161	237,812	-11%	-30%
UniTel Co.	4,001	3,817	3,677	3,527	3,417	-3%	-15%
Union River	1,190	1,169	1,115	1,074	1,050	-2%	-12%
Cobboseecontee Tel & Tel Co.	501	478	457	418	385	-8%	-23%
Hampden Telephone Co.	2,439	2,229	2,084	2,105	1,973	-6%	-19%
Hartland & St. Albans Telephone Co.	3,104	2,993	2,823	2,713	2,565	-5%	-17%
Island Telephone Co.	591	593	580	556	557	0%	-6%
Somerset Telephone Co.	9,200	8,874	8,422	8,177	7,911	-3%	-14%
Warren Telephone Co.	1,250	1,187	1,091	1,014	942	-7%	-25%
West Penobscot Telephone Co.	1,963	1,906	1,839	1,781	1,722	-3%	-12%
Lincolnton Networks	1,689	1,630	1,598	1,571	1,550	-1%	-8%
Tidewater Telecom	9,378	8,954	8,667	8,342	7,787	-7%	-17%
Mid-Maine Communications	4,228	3,890	3,592	3,204	2,954	-8%	-30%
Pine Tree Tel & Tel Co.	4,202	3,751	3,435	3,052	2,755	-10%	-34%
Saco River Tel. & Tel Co.	5,444	4,881	4,447	4,019	3,609	-10%	-34%
Oxford West Telephone Co.	5,709	5,438	5,228	4,934	4,472	-9%	-22%
Oxford Telephone Co.	5,032	4,810	4,527	4,183	3,710	-11%	-26%
Total Retail Lines	437,927	403,887	374,755	345,780	311,649	-10%	-29%

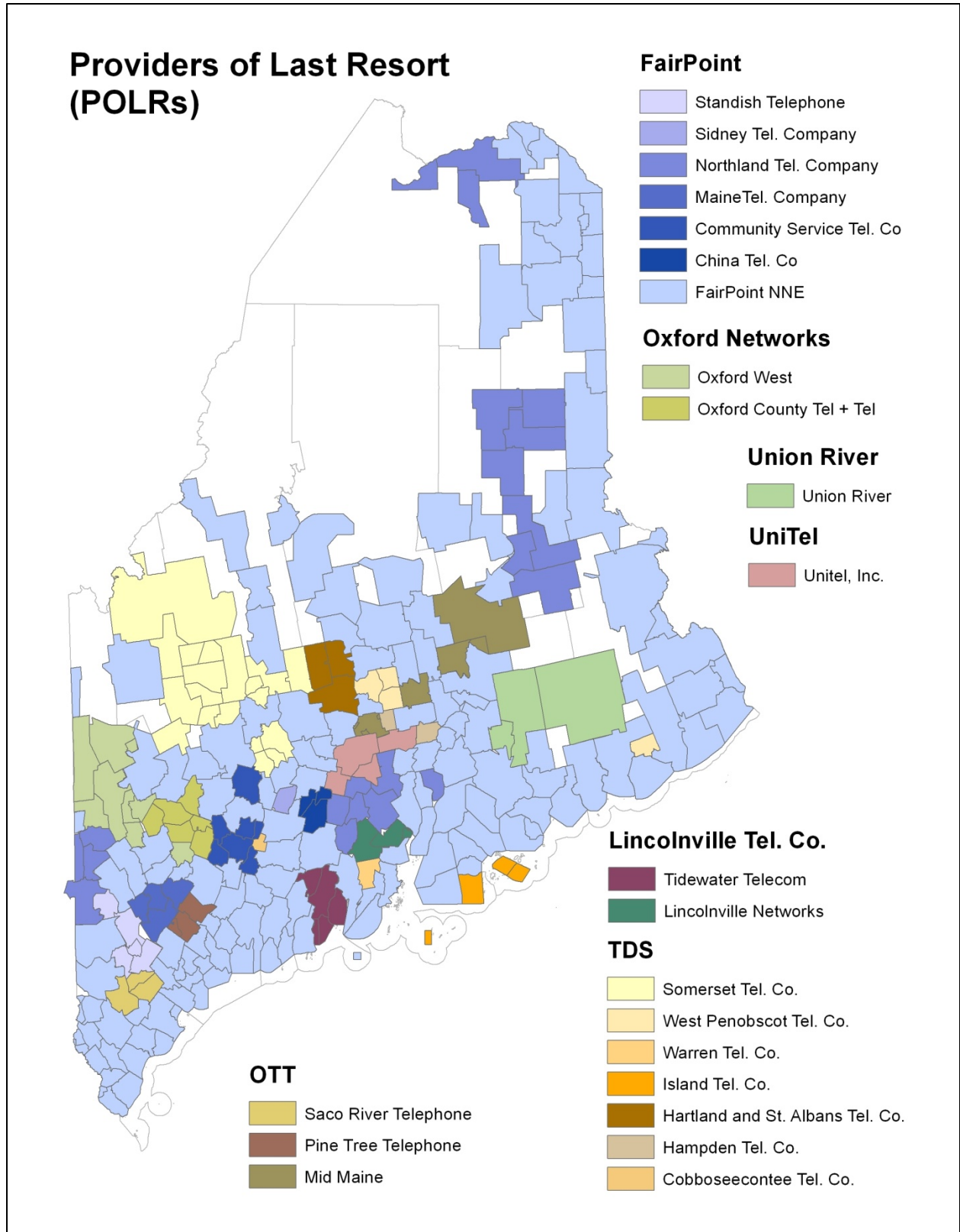
Provider of Last Resort (POLR) Service.

Under Maine law, the Commission's regulatory authority with respect to retail rates for telephone service extends only to the most basic form of local exchange telephone service which is defined in Title 35-A as "provider of last resort" (POLR) service. Presently, all ILECs (the traditional wireline carriers) are obligated to offer POLR service to any customer desiring to purchase it, and they must do so throughout the entirety of their service territories. As is the case with traditional wireline service in general, an ever-decreasing number of individuals and business are electing to purchase POLR service. For instance, in the year ending 2012, approximately 29,000 FairPoint customers purchased POLR service. Currently, approximately 23,500 FairPoint customers purchase POLR service. In all, approximately 48,000 residential and business customers purchase POLR service in Maine. Table 2 provides the number of POLR customers for each of Maine's ILECs. Figure 2 below shows the POLR carrier service territories in Maine.

Table 2 – 2014 POLR Customers

ILEC	2014
China Telephone	241
Northland Telephone	2,344
Community Service	1,133
Sidney Telephone	162
Maine Telephone	932
Standish Telephone	542
FairPoint NNE	24,488
UniTel	428
Union River Tel.	1,048
Cobboseecontee Tel.	77
Hampden Tel.	314
Hartland & St. Albans.	441
Island Telephone Co.	209
Somerset Telephone	1,586
Warren Telephone Co.	184
West Penobscot Tel.	282
Lincolnville Networks	154
Tidewater Telecom	1,070
Mid-Maine Comm.	1,343
Pine Tree Tel.	1,802
Saco River Tel.	1,723
Oxford West Tel.	4,348
Oxford Telephone Co.	3,666
Total POLR Lines	48,517

Figure 2 – Provider of Last Resort



Broadband

The Commission does not directly regulate broadband services, although it does, within the scope of its authority, support the State's goal of extending broadband access to as many Maine customers as possible. For instance, the Commission's order approving FairPoint's acquisition of the network previously operated by Verizon required FairPoint to expand broadband coverage to a large portion of its network. This was accomplished through multi-protocol label switching (MPLS) in rural areas of the FairPoint network with suitable copper loop lengths.

In 2014, the FCC continued in its efforts to modernize the federal Universal Service Fund by redirecting resources previously used to support voice services in high cost area to focus on the support of broadband services. The Connect America Fund II (CAF II) represents the second phase of the transition in the \$1.8 billion program, and will rely on a complex forward looking cost model to determine where broadband funds should be distributed to unserved and underserved areas. Locations eligible for CAF II support are identified on a "census block" basis, and include areas where there does not already exist an unsubsidized wireline or fixed wireless competitor. This federal support must be used by a carrier to supply unserved or underserved areas with broadband at download speeds of at least 10 Mbps and upload speeds of 1 Mbps.

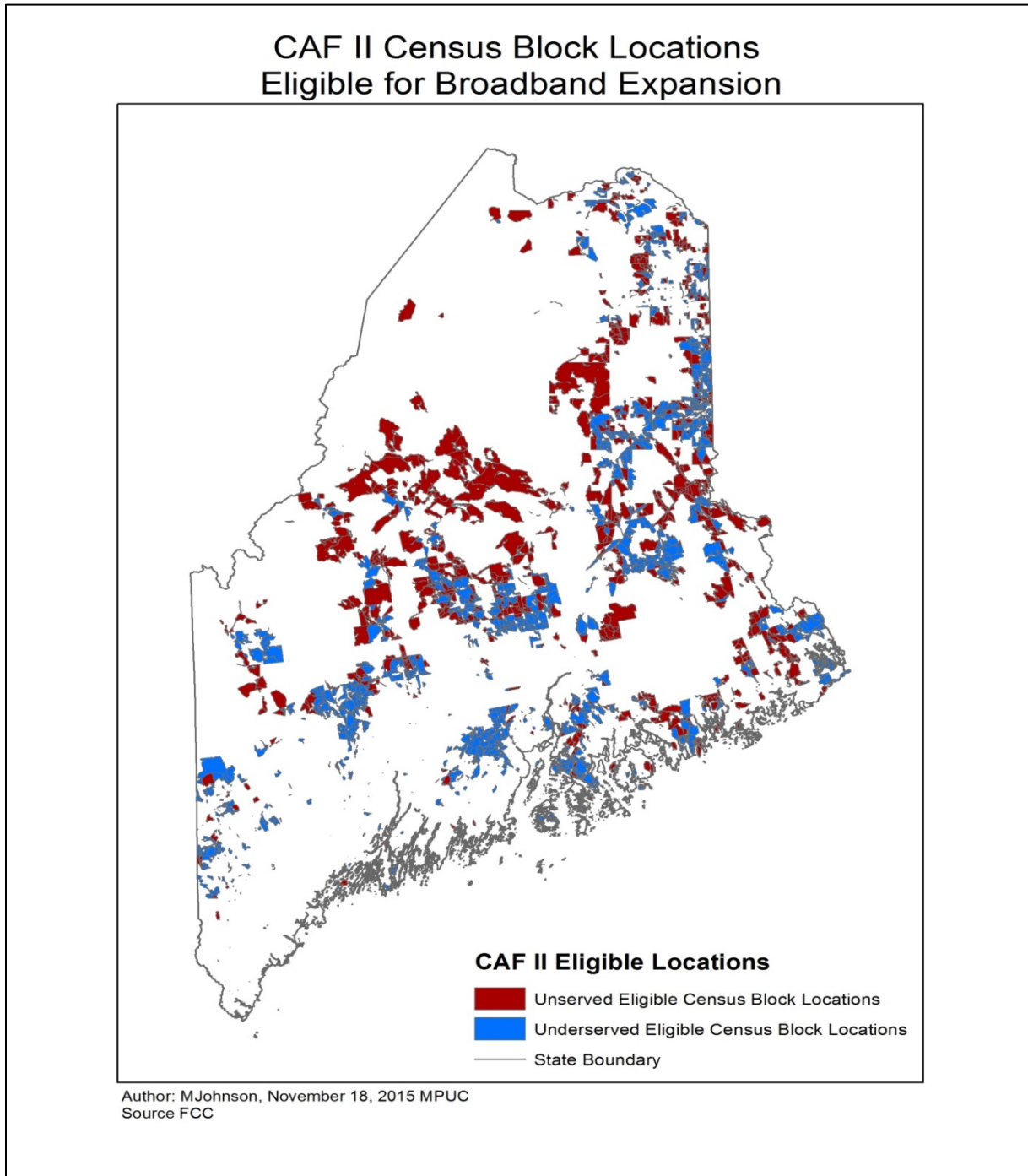
In August, 2015, FairPoint accepted a CAF II grant in the amount of \$37.4 million, to be disbursed over a period of 6 years. The federal grant obligates FairPoint to provide broadband to 13,000 previously unserved customer locations and 22,500 previously underserved locations. The identification of the specific locations where broadband infrastructure will be built or improved, and the timing of that work, is largely within the discretion of FairPoint, provided that the company meets certain benchmarks established by the FCC. The MPUC does not possess oversight authority in connection with the use of CAF II funds. Figure 3 on the following page identifies the particular census blocks in which the CAF II funding must be spent.

Preservation of Area Code 207

The Commission continues to enforce measures designed to ensure that telecommunications carriers use numbering resources in Maine efficiently to maintain a single area code (207) for as long as possible. Although the federal telecommunications statute assigns primary responsibility to the FCC with respect to the North American Numbering Plan (NANP), the FCC has delegated certain responsibilities to the states. Pursuant to this delegation, the Commission acts as Maine's numbering coordinator. In this role, and within the confines of federal law, the Commission works closely with the federal numbering administrator to advance the state's goal of ensuring that numbering resources are used as efficiently as possible. In this regard, the Commission enforces rules established by the FCC. In general, the industry has cooperated with these efforts. With more customers relying on wireless phones and devices, as well as increased direct machine-to-machine communications, there is increased pressure on the State's numbering resources. The latest forecast from Neustar, the national number administrator, estimates that the area code 207 exhaust will occur by the end of quarter three in 2021, which is two and a half years later than

that indicated in the 2014 Neustar forecasts. The Commission will continue its activities to promote number conservation in an effort to delay the need to establish a second area code in the State.

Figure 3- Census Blocks for Which FairPoint Accepted \$37.4 Million in Federal Connect America Funding (CAF II) to Improve Broadband Access



KEY EVENTS

FairPoint POLR Rate Increase

On October 31, 2014, FairPoint filed a request for an increase in the rates for residential POLR telephone service to \$18.99 and for business POLR service to \$36.53. The rate increase represented an annual increase of approximately \$600,000 in revenues derived from the sale of POLR service, with the rate for POLR service increasing by 13.8%, or \$2.30 per customer per month for residential POLR service and by 6.6%, or \$2.25 per customer per month for business POLR service. The rates charged for POLR service are the only retail telephone service rates that are subject to the Commission's regulatory authority. The Commission found that because the additional revenues of \$600,000 sought through the POLR rate increase represented only approximately 0.2% of FairPoint's approximately \$260 million in reported 2014 gross operating revenue the requested increase did not constitute a "general increase in rates" pursuant to 35-A M.R.S. § 307 such that one year must elapse between increases in POLR rates. Recognizing, however, that on the one hand the percentage increase in rates that POLR service customers would experience would be significant, and on the other that FairPoint should not be required to bear expenses in litigating a rate proceeding that would far exceed the revenue derived from the increase itself, the Commission required that FairPoint re-file the schedules that it had submitted in its most recent, 2013 rate case (as a result of which POLR rates were increased by \$2.00) utilizing the various adjustments reflected in the Commission's 2014 Order in that proceeding. FairPoint made such a filing on June 23, 2015. The filings reflected an intrastate revenue deficiency far in excess of the additional revenues that would be earned through increased POLR service rates, and the proposed rate increase went into effect, by operation of law, on July 28, 2015.

POLR Service Quality Index (SQI)

As required by 35-A M.R.S. § 7225, in June, 2014, the Commission adopted "major substantive" rules establishing an index of five discrete measures of the service quality performance of providers of POLR service. Pursuant to the statute and Chapter 201 of the Commission's rules, the Commission may investigate substandard performance and, where appropriate, assess monetary penalties. Specifically, all POLR service providers are required by Chapter 201 to report their SQI results to the Commission. If a POLR service provider reports service quality for any of the five metrics that does not meet the Chapter 201 benchmarks, based on a four quarter rolling average, the provider is required to make a filing with the Commission explaining the reasons the provider did not meet the minimum standards. Pursuant to Chapter 201, the Commission may, at its discretion, further investigate a provider's quarterly SQI report, and, after such an investigation, the Commission may impose a penalty on POLR service providers for failure to meet minimum service quality standards. Table 2 shows the 3rd Quarter 2015 and twelve-month average POLR SQI performance of Maine's 23 ILECs. Items highlighted in **RED** indicate areas where performance failed to meet the benchmarks established in Chapter 201. Results indicated with an asterisk (*), while above the benchmark, are anomalous results that are an artifact of the method of calculating results, and should not be considered failures to meet the applicable

benchmark. 2015 fourth quarter data was not available at the time of the publication of this report.

Table 3 SQI Data for 3rd Quarter 2015

Company	Network Trouble Report Rate		% Troubles Not Cleared in 24hrs		% Install Appts. Not Met		Avg. Delay Days for Missed Appts.		Outage	
	Q3/2015	Rolling Avg.	Q3/2015	Rolling Avg.	Q3/2015	Rolling Avg.	Q3/2015	Rolling Avg.	Q3/2015	Rolling Total.
Benchmark		1.52		12.35		.975		8.91		234
China Telephone Co.	1.05	1.37	0	0	0	0	0	0	0	1
Cobbosseecontee Telephone Co.	1.10	0.94	0	0	0	2.7*	0	0	0	0
Community Serv. Tel.	0.75	0.53	0	0	0	0	0	0	0	0
FairPoint -NNE	1.66	1.68	62.7	64.0	6.2	3.5	7.3	14.0	5	9
Hampden Tel. Co.	.71	1.10	0	4.7	0	0	0	0	0	0
Hartland & St. Albans	1.24	1.40	5.0	5.4	0.8	0.2	2	1.5	0	0
Island Telephone Co.	1.61	0.79	13.3	6.2	0	0	0	0	0	0
Lincolntonville Tel. Co.	0.17	0.14	0	0	0	0	0	0	0	0
Maine Telephone Co.	1.07	0.62	.9	1.2	0	0	0	0	0	0
Mid Maine Telecom	0.45	0.42	0	0.8	0	0	0	0	0	0
Northland Tel. Co.	1.24	1.29	2.2	3.3	0	0	0	0	0	1
Oxford Telephone Co.	0.55	0.84	5.1	5.3	0	0	0	0	0	0
Oxford West Tel. Co.	0.59	1.00	6.4	5.7	0	0	0	0	1	1
Pine Tree Telephone	0.46	0.36	0	1.3	0	0	0	0	0	0
Saco River Telephone	0.57	0.41	4.8	3.7	0	0	0	0	0	2
Sidney Telephone Co.	0.52	0.39	0	0	0	0	0	0	0	0
Somerset Tel. Co.	1.52	1.22	7.5	7.6	0.5	0.2	1	3.6	0	0
Standish Tel. Co.	1.34	0.91	3.8	2.5	0	0	0	0	0	0
Tidewater Telecom	0.25	0.15	0	0	0	0	0	0	0	0
Union River Tel. Co.	0.61	0.42	0	0	0	0	0	0	0	0
UniTel, Inc.	1.36	1.05	0	0	0	0	0	0	0	0
Warren Telephone.	0.69	1.04	0	6.9	0	0	0	0	0	0
W. Penobscot Tel. .	1.04	1.19	7.6	7.0	0	0	0	0	0	0

Items indicated with an asterisk () are anomalous results that are an artifact of the method of calculating results, and should not be considered failures to meet the appropriate benchmark.

FairPoint POLR Service Quality Investigation In late 2014 and early 2015, respectively, Northern New England Telephone Operations LLC d/b/a FairPoint Communications-NNE (FairPoint) filed SQI reports for the third and fourth quarters of 2014. In its third quarter (Q3) 2014 SQI report, the Company reported that for the metric "Percentage of Network Troubles Not Resolved in 24 Hours," its four-quarter Rolling Average was 44.77%, a figure that exceeded the Chapter 201 benchmark of 12.35%. In addition, FairPoint reported that for the metric "Percentage of Installation Appointments Not Met (Company Reasons)" the Company missed the scheduled appointment 1.44% of the time, exceeding the Chapter 201 benchmark of 0.975% by

nearly fifty percent. In its fourth quarter (Q4) 2014 SQI report, FairPoint reported that for the "Percentage of Network Troubles Not Resolved Within 24 Hours" metric, the Company's four-quarter Rolling Average was 59.62%, and for the "Percentage of Installation Appointments Not Met (Company Reasons)" metric, the Company a reported Rolling Average of 1.73%; both results substantially exceeded their respective benchmarks.

FairPoint made the required explanatory filings for both its Q3 and Q4 2014 SQI reports. For Q3, FairPoint asserted that it failed to meet the benchmarks in question due to a marked increase in trouble reports for the Company's broadband service, which resulted in a significant work load increase for its technicians. For Q4, FairPoint claimed that its failure to meet the benchmarks was due to a strike by many of its front-line personnel combined with two severe winter storms. FairPoint also asserted that that it is unlikely to meet the two service quality benchmark metrics in the future, and that today's highly competitive telecommunications market provides all of the discipline necessary to ensure that customers receive the level of service quality that they require. In FairPoint's view, it is no longer necessary to subject it to administrative benchmarks and the possible imposition of regulatory penalties in order to ensure the appropriate level of service quality, and that continuing to do so places FairPoint at a further competitive disadvantage in relation to carriers that are not subject to service quality regulations.

In early 2015, the Commission opened an investigation to further investigate FairPoint's failure to meet the Chapter 201 benchmarks for Q3 2014, and expanded its investigation in March of 2015 to encompass FairPoint's Q4 2014 SQI results. As a part of the investigation, Commission Staff and the Office of the Public Advocate conducted discovery on FairPoint to gather further information from the Company regarding the broadband service and personnel issues. The Commission has also conducted a technical conference to enable Staff and the OPA to question FairPoint management directly. At the conclusion of the investigation, Commission Staff will issued a Recommended Decision regarding FairPoint's failures to meet the minimum POLR service quality standards contained in Chapter 201, and affording FairPoint the opportunity for a hearing before the Commission. The Commission is expected to issue a final decision in the first quarter of 2016.

Pole Attachment Inquiry

In September, 2015 the Commission opened an inquiry to obtain information and insights from utilities and telecommunications companies regarding possible amendments to Chapter 880 of the Commission's rules. Chapter 880, which has not been amended in the 20 years since it was first promulgated, governs joint use of utilities poles and the attachment on those poles of facilities. The rule is particularly focused on the methodology for apportioning the costs of space on the poles and establishing rates for attaching facilities to them. Among the issues to be considered in the inquiry are those raised by the Office of the Public Advocate (OPA) in a filing it made in June, 2015, suggesting that that the current rule is an imperfect vehicle for the regulation of pole attachments in an era where otherwise unregulated carriers seek access to poles in order to build out fiber-based infrastructure and wireless networks.

Central to the inquiry will be an exploration of how best to ensure clear and predictable policies governing the terms and conditions of pole attachments and the resolution of disputes in a way which encourages the efficient and timely investment in advanced telecommunications capabilities while at the same time preserving the ability of regulated telephone and electric transmission and distribution utilities to ensure the safety and reliability of their infrastructure. The relative merits of draft revisions to Chapter 880 submitted by the OPA, and by other industry commenters, will also be evaluated as will the more up-to-date federal rules of the FCC which govern pole attachments in states that, unlike Maine, have not undertaken their own regulation of the field. Based upon the information obtained through the inquiry, the Commission may initiate a rulemaking to modify Chapter 880.

LEGISLATIVE MANDATES

Maine Telecommunications Education Access Fund (MTEAF)

The Commission administers the MTEAF, which provides funding to Networkmaine (an entity within the University of Maine System) to operate the Maine School and Library Network (MSLN). The MSLN provides qualified schools and libraries within the State with high-speed Internet access, content databases and search capabilities, content filtering and training, as needed. The MTEAF receives funds from all carriers offering telecommunications services in Maine. The carriers may pass on their MTEAF contributions to their customers in the form of a surcharge that must be explicitly identified on their customers' bills. An independent administrator selected by the Commission collects the required contributions and reimburses Networkmaine for MSLN's expenses. The Commission approves the annual budget request from Networkmaine and establishes the contribution rate, which by statute cannot exceed 0.7%. In 2014, the Commission approved a budget of \$4.13 million for fiscal year 2015/16 and a contribution rate of 0.7%.

Public Interest Phones (PIPs)

Beginning in 2007, pursuant to 35-A M.R.S. § 7508 and Chapter 252 of the Commission's Rules, the Commission has overseen the installation of Public Interest Payphone (PIP) sites throughout Maine. The annual cost of the program, which currently includes 34 PIPs, is approximately \$36,000 and is funded by the MUSF.¹

Communications Equipment Fund

Section 7104 (5) of Title 35-A requires the Commission to transfer annually \$85, 000 from the Maine Universal Service Fund (MUSF) to the Communications Equipment Fund (CEF) established under Title 27, Section 1419-A. In addition, at the request of the Department of Labor, Bureau of Rehabilitation Services, the Commission will transfer an additional \$100,000 to the CEF if the Bureau of Rehabilitation Services (BRS) does not receive from federal or other sources sufficient funds to carry out the purposes of the CEF and requests the additional amount. The CEF is used by the Division of Deaf, Hard of Hearing and Late Deafened within the BRS for the purchase, lease, distribution, upgrading, installation, maintenance and repair of specialized

¹ The Commission is required to report on this information pursuant to 35-A M.R.S. § 7508(4).

customer communications equipment for deaf, hard of hearing, late deafened or speech impaired persons and persons with disabilities, for training in the use of such equipment and for administrative costs associated with these uses of the fund. In each of the past five years, the BRS has requested that \$185,000 be transferred to the CEF, and the Commission has transferred that amount from the MUSF. The same section of Title 35-A allows the BRS to request that up to \$57,500 be transferred annually from the MUSF to the CEF to support the emergency alert telecommunications service program, which is established pursuant to Title 26, Section 1419-A (6). Prior to transferring the funds, the Commission must find that the funds are necessary to carry out the program and that sufficient attempts have been made by the BRS to maximize federal support for the program. Any funds transferred must be used exclusively for the purpose of supporting the discount program established under Title 26, Section 1419-A (6). The BRS has not requested funds under this provision for the past four years.

Telecommunications Relay Services

Section 7104 (7) of Title 35-A requires the Commission to establish funding support within the MUSF for telecommunications relay services (TRS) in Maine, including related outreach programs. TRS are used to allow deaf, hard-of-hearing and speech impaired persons to place and receive voice telephone calls with the assistance of a third-party intermediary. The funding level for the TRS is established by the Commission based upon the recommendation of the Telecommunications Relay Services Advisory Council, as established in Section 8704 of Title 35-A. The statute further directs the Commission to require contributions to the MUSF to meet the established TRS funding support levels. In determining the reasonable funding levels for the TRS, the Commission may consider whether the recommended funding is for TRS that are (1) federally required; (2) services provided in other states with a similar deaf, hard-of-hearing and speech impaired population as Maine; and (3) services that are designed to maximize the effectiveness of TRS through the application of new technologies.

The provision of TRS, including outreach programs, in Maine has been handled for many years through a contract between the TRS Advisory Council and Hamilton Telecommunications. Through June 30, 2014, the contract amount was \$55,000 per month, or \$660,000 annually. As of July 1, 2014, the monthly contract amount was reduced to \$50,000 per month, or \$600,000 annually. The reduction was mainly due to a decrease in the usage of TRS as new technologies presented alternative methods of communications to deaf, hard-of-hearing and speech impaired persons. The contract contained provisions that require a reduction (liquidated damages) in the monthly amount due to Hamilton's failure to meet certain service quality benchmarks. Relatively small amounts of liquidated damages were assessed each year. The TRS Advisory Council continues to monitor the use of TRS in Maine.

Lifeline

The Federal Lifeline program seeks to encourage telephone subscribership among low-income customers, and provides discounts on basic telephone service rates for those that qualify. To participate in the program, consumers must have an income that

is at or below 135% of the federal poverty guidelines or participate in a qualifying state, federal or tribal assistance program. Consumers qualify for Lifeline if they, or one or more of the consumer's dependents, or the consumer's household receives benefits from one of the following federal programs: Medicaid, the Low-Income Home Energy Assistance Program (LIHEAP), Supplemental Nutrition Assistance Program (SNAP), Supplemental Security Income (SSI), Federal Public Housing Assistance (Section 8), the Temporary Assistance to Needy Families Program (TANF), or the National School Lunch Program's free lunch program. The FCC has established a national database that carriers must use to ensure that eligible subscribers, or their dependents or household units, receive only one Lifeline subsidy.

Eligible Lifeline subscribers receive a federal discount of \$9.25, which is used to offset the federal Subscriber Line Charge (SLC), which is \$6.18 for FairPoint and \$6.50 for all other Maine ILECs. The remainder of the discount offsets a portion of the customer's basic local service rate. In addition, FairPoint provides a state Lifeline discount of \$5.76, and most other ILECs provide a state discount of \$3.50. An exception is Community Service Telephone Co., which provides a state discount of \$5.28. The state Lifeline discounts provided by FairPoint and Community Service vary from the Commission-mandated state discount of \$3.50 as a result of certain decisions reached by the Commission in rate cases involving those companies. The state Lifeline discount is used as an offset to the eligible subscriber's basic local rate. Lifeline subscribers also are not charged two federally-mandated surcharges, providing those customers with an additional reduction in their monthly bills. Lifeline customers may qualify for toll restriction at no charge. This allows them to limit their household's potential charges for long-distance calls.

In Maine, U.S. Cellular, TracFone, Virgin Mobile, Cintex, Nexus, TerraCom, Budget Wireless, Q Link, Tag Mobile, and Telrite also receive federal subsidies in order to offer Lifeline service to their wireless customers. In general, a wireless Lifeline customer receives a free cellular phone and a fixed amount of minutes of use each month at no charge. An eligible Lifeline customer may receive a subsidy for either a wireline or wireless plan, but not for both.

Telephone Exemptions In accordance with statutory changes passed in the 125th Maine Legislature, the Commission may grant exemptions from certain portions of Title 35-A to POLR service providers. The Commission received no requests for exemptions from POLR service providers in 2015.²

² Pursuant to 35-A M.R.S. § 120(5), the Commission is required to report on this information in its annual report.

5. ELECTRIC

THE ELECTRIC INDUSTRY IN MAINE³

Electricity service to Maine consumers is comprised of two components: delivery and supply. Delivery includes transmission, distribution and customer-related items such as metering and billing, and supply includes the production and provision of electric energy and capacity. Delivery encompasses high-voltage transmission and lower-voltage distribution systems, including the construction, operation and maintenance of those facilities. Delivery is considered to be a monopoly service and is fully regulated. Supply is not considered to be a monopoly service, and is provided by various entities operating in regional and state wholesale and retail markets with less regulation and oversight. At the retail level, consumers in Maine receive delivery service from a regulated transmission and distribution (T&D) utility, and supply service from a licensed competitive electricity provider (CEP).

T&D rates are comprised of three components: transmission, distribution, and stranded costs. Transmission rates cover the cost of constructing and operating the transmission system in Maine, as well as costs allocated to Maine for regional pool transmission facilities (PTF) -- high voltage transmission lines which serve as the backbone of the New England system and are paid for by all New England ratepayers. Distribution rates cover costs incurred by the T&D utility to construct and operate the local distribution system, as well as costs for customer-related activities such as metering and billing. Stranded cost rates cover the net, above-market costs for generation obligations that utilities incurred prior to industry restructuring, as well as net costs from more recent contracts authorized pursuant to specific statutory provisions, such as the long-term contracting statute (35-A M.R.S. § 3210-C), the Community-based Renewable Energy Pilot Program statute (35-A M.R.S. § 3601-3609), and unallocated language, Section A-6, of the Ocean Energy Act (PL 2009, Ch. 615).

Most of Maine is part of the regional bulk power and wholesale market systems that are operated and administered by the New England Independent System Operator (ISO-NE). The exception to this is northern Maine, which is not directly interconnected with the ISO-NE system. Northern Maine is interconnected to the New Brunswick Power system, and has its own system administrator, the Northern Maine Independent System Administrator (NMISA).

Electricity use by Maine consumers is currently about 12 million megawatt hours (MWh) per year, with a peak demand of about 2,200 MW. Maine is currently a net electricity exporter, with total generation capacity from in-state plants in the range of 3,200 MW.

³ In addition to reporting on the electric industry, this section includes the Commission's Reports on Electric Restructuring required pursuant to 35-A M.R.S. § 3217, Electric Incentive Ratemaking required pursuant to 35-A M.R.S. § 3195(5) and Smart Grid Infrastructure pursuant to 35-A M.R.S. § 3143.

The Commission regulates the operations and rates of the Maine T&D utilities, except for transmission rates, which are regulated by the Federal Energy Regulatory Commission (FERC). The Commission licenses retail electricity suppliers and marketers, and generally oversees the Maine retail market. The Commission also administers competitive procurement processes for standard offer service, and administers other power supply procurement processes pursuant to specific statutory direction and authority. Finally, the Commission monitors regional wholesale markets and bulk power and transmission systems, including the ISO-NE and NMISA systems, and advocates for Maine consumers in regional forums and before FERC.

There are twelve T&D utilities in Maine: two investor-owned utilities (IOUs) and ten consumer-owned utilities (COUs). The IOUs, Central Maine Power Company (CMP) and Emera Maine (EME), serve about 95% of the total state load. Figure 4 below shows the geographic areas each utility serves.

Figure 4 – T&D Service Areas

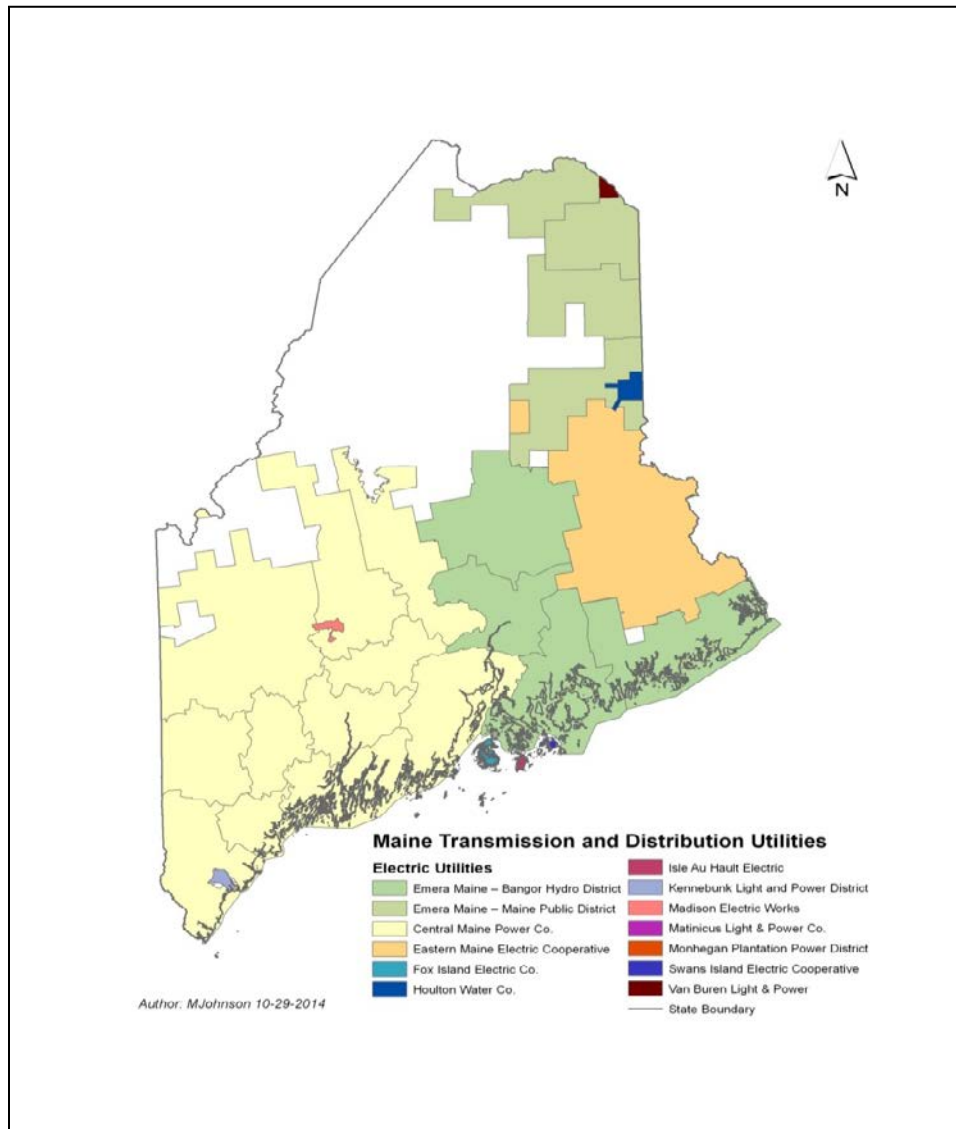


Figure 4 reflects the 2013 Commission approved merger of Bangor Hydro-Electric Company and Maine Public Service Company into a single utility - Emera Maine. The merger became effective January 1, 2014. Emera Maine currently maintains separate terms and conditions and rate schedules for what is now referred to as the Bangor Hydro district and the Maine Public Service district. In addition, on December 16, 2015 Iberdrola USA (CMP's parent company) and UIL Holdings Corporation (based in Connecticut) announced the closing of a merger between their companies. The merger creates a diversified energy and utility company with \$30 billion in assets and operations in 25 states. The company will operate under the name AVANGRID, Inc.

There are approximately 240 Maine-licensed CEPs with whom customers have made arrangements for supply for about 55% of Maine's retail electricity usage. The remaining usage is supplied by the suppliers selected by the Commission to provide "default" service or "standard offer service".

MARKET TRENDS AND CONSUMER PRICES

Wholesale Energy Market

On an annual average basis, regional wholesale energy prices in the ISO-NE spot market during the 12-month period ending October 2015 were \$45.64/MWh, which is about 34% lower than prices during the prior 12-month period. During the winter period, prices for 2014/2015 were 43% lower than the prior winter period. The latest available average prices over the last several years are shown in Figures 5 and 6 below.

Figure 5 - ISO-NE Day-Ahead Locational Marginal Pricing (LMP); Average Monthly

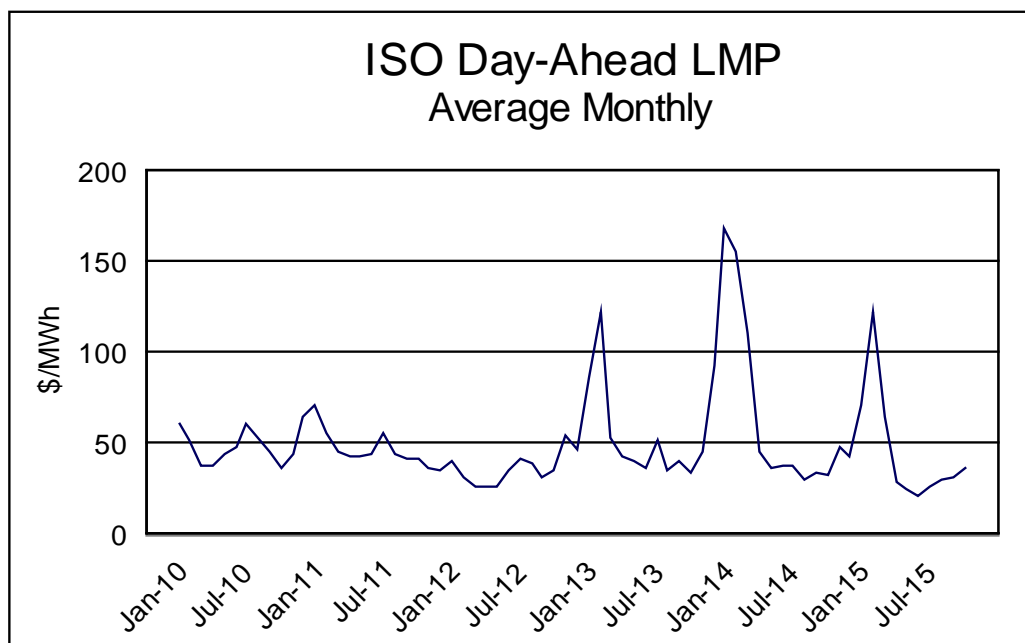
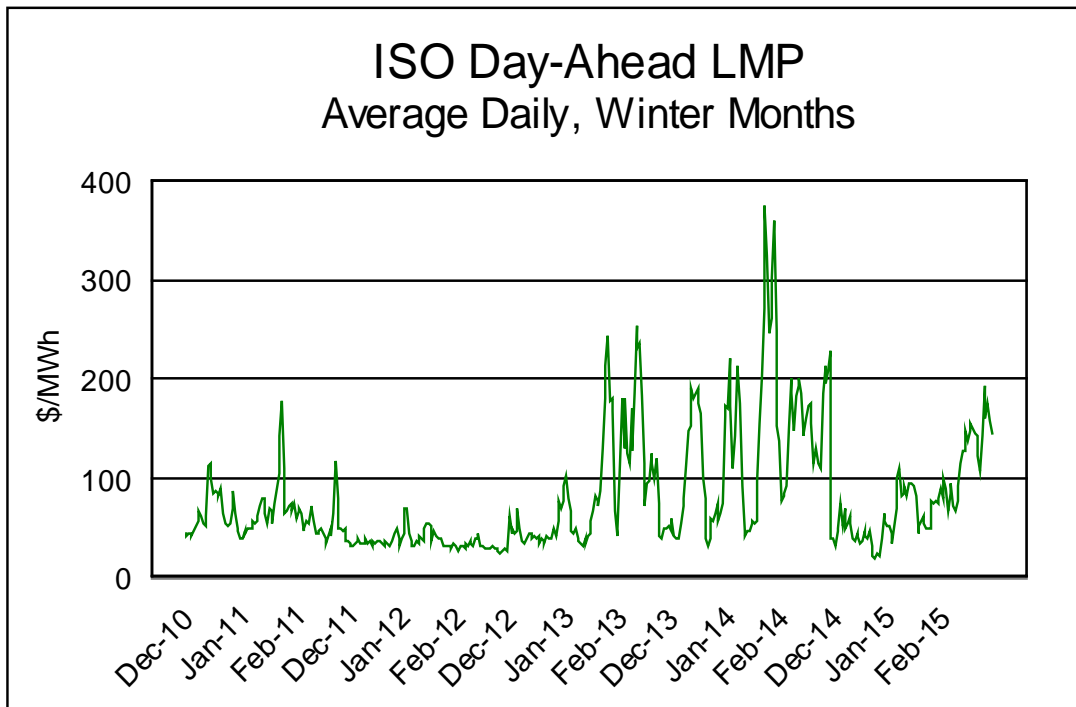


Figure 6 – ISO-NE Day-Ahead LMP; Daily Average Winter Months



Wholesale prices in the forward markets reflected similarly declining trends. As shown in Figures 7 and 8 below, the declines are particularly pronounced in the winter months. These declines in both the spot and forward markets reflect similar conditions in natural gas commodity prices, and may also reflect market expectations about new pipeline capacity in the region.

Figure 7 – ISO-NE Wholesale Electricity Prices

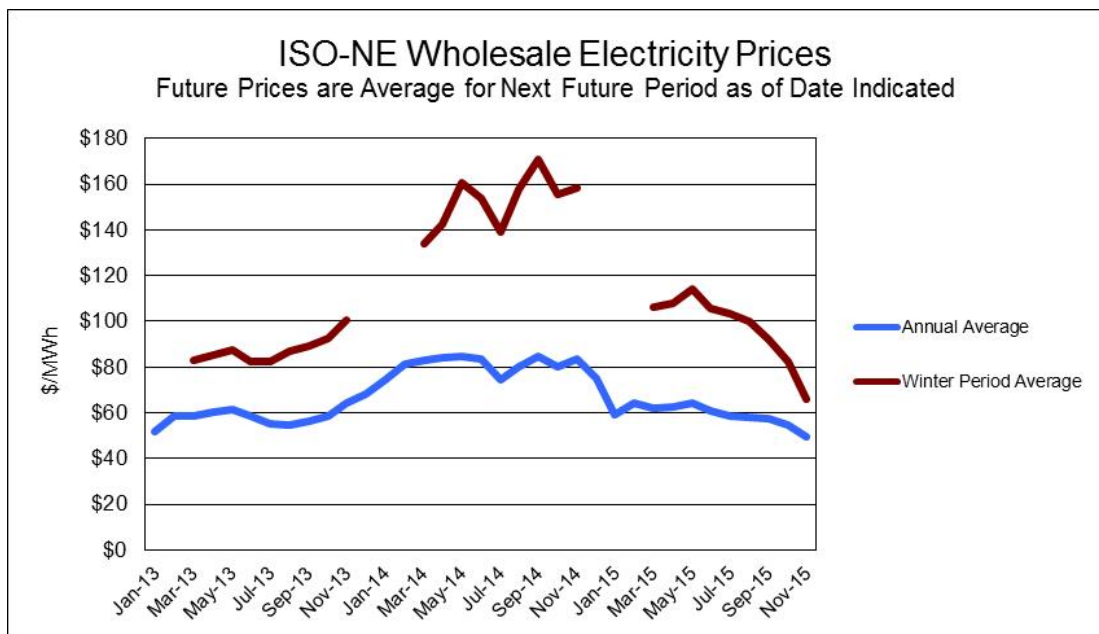
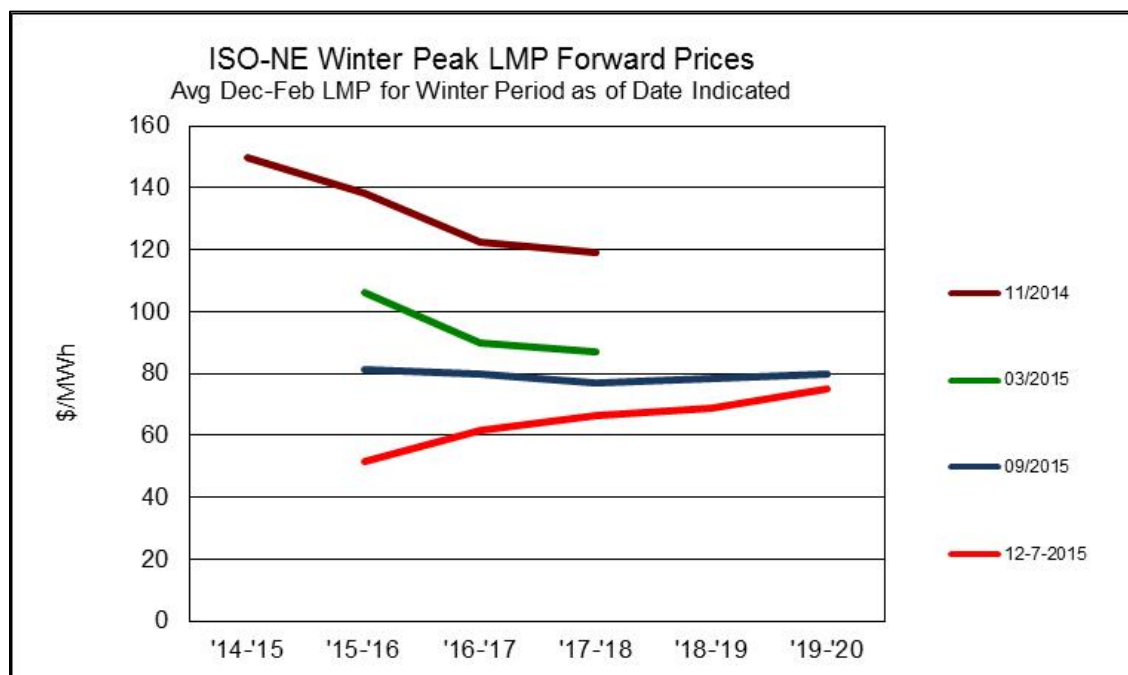


Figure 8 – ISO-NE Winter Peak LMP Forward prices



Retail Supply Prices

In January 2015, the Commission accepted bids and set new standard offer service prices for customers of CMP and Emera Maine (BHD). The new prices were effective for the ten-month term beginning March 1, 2015.

For CMP residential and small business customers, the accepted bids resulted in a new standard offer price of 6.54 cents/kWh, which reflected a 13.4% decrease compared to the prior price of 7.56 cents/kWh. For CMP medium business customers, the new prices equated to about 6.44 cents/kWh on average over the term, which reflected a decrease of 17.3% compared to the same ten-month period in the prior year. The bid accepted for large business customers was indexed to the market, and prices have been set by the Commission in advance of each month based on then-current market prices. For Emera Maine residential and small business customers, the accepted bids resulted in a new standard offer price of 6.50 cents/kWh, which reflected a 14% decrease compared to the prior price of 7.58 cents/kWh. For Emera Maine medium business customers, the new prices equated to about 6.66 cents/kWh on average over the term, which reflected a decrease of 17% compared to the same ten-month period in the prior year. Prices for Emera Maine's large business customers have been set in the same manner as described above for CMP.

In November 2015, the Commission again accepted bids and set new prices for standard offer service for CMP and Emera Maine (BHD) customers for a twelve-month term beginning January 1, 2016. For CMP residential and small business customers, the accepted bids resulted in a new standard offer price of 6.46 cents/kWh on an annual average basis, which reflects a 3.7% decrease compared to the annual average price

during 2015. For CMP medium business customers, the new prices equated to about 6.92 cents/kWh on an annual average basis, which reflects a decrease of 11% compared to 2015. For Emera Maine residential and small business customers, the accepted bids resulted in new standard offer prices that equated to 6.624 cents/kWh on an annual average basis, which reflects a decrease of 0.9% decrease compared to the annual average price during 2015. For Emera Maine medium business customers, the new prices equated to 6.744 cents/kWh on an annual average basis, which reflects a decrease of 17.4% compared to 2015. Standard offer prices for large business customers will continue to be set on a month-to-month basis, as described above.

Prices available from CEPs were varied. For residential and small business customers, CEP prices were generally higher than standard offer prices.

Retail Supply Market Migration

Since March 2000, consumers in Maine have had the right to select their electricity supply products and suppliers. For many years there was a robust market throughout most of Maine for medium and large commercial and industrial (C&I) customers, but virtually none for residential and small commercial customers. However, beginning in 2012, retail competition increased substantially for residential and small commercial customers, and there are now several CEPs serving this sector. However, during 2015, the amount of residential and small commercial supply served by CEPs continued to decline due to the availability of lower supply prices for standard offer service. As of September 2015, about 21% of residential/small commercial supply was served by CEPs, down from a high of 35% in June of 2013. Figures 9 and 10 below show the migration patterns of customers, by sector, over the past several years, as well as the patterns of residential and small commercial customers over the last several months.

Figure 9 – Load served by Competitive Electricity Providers

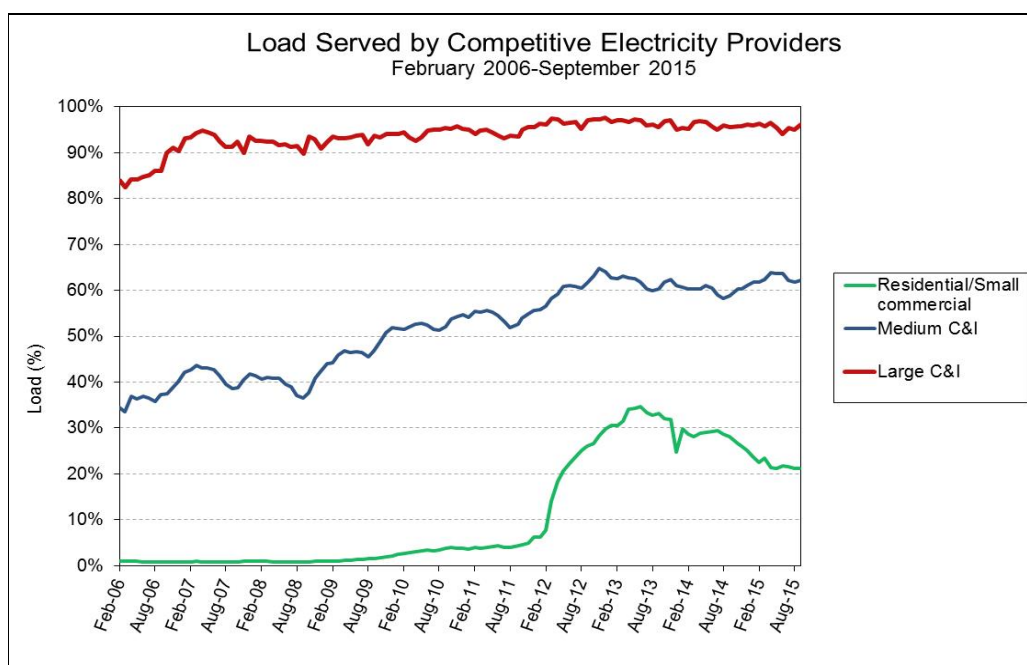
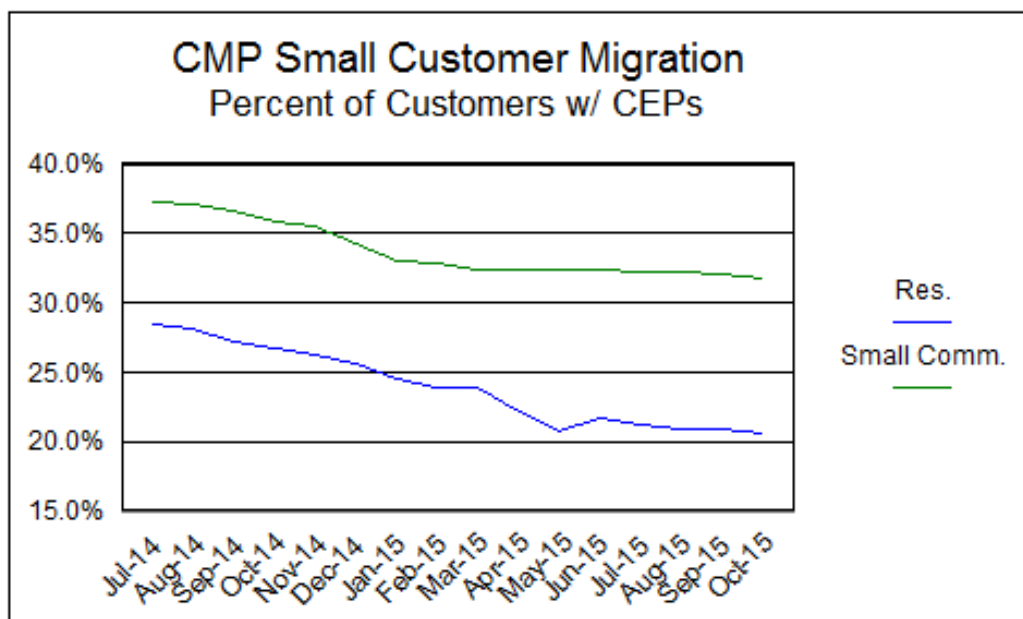


Figure 10 – CMP Small Customer Migration; Percent of Customers with CEPs



During 2015, the presence of competition in the residential and small commercial customer sector continued to generate customer confusion and complaints, including several complaints to the Commission’s Consumer Assistance and Safety Division (see Section 11). In response to this, in 2014 the Commission initiated a rulemaking to examine comprehensive changes to its CEP licensing and consumer protection rule, and on January 14, 2015, the Commission adopted several changes to the rule. In general, the changes were intended to strengthen various consumer protection provisions, including those related to CEP promotion, customer information disclosure, contractual renewal and variable rates plans.⁴

As has been the case in prior years, during 2015 competition remained weak in northern Maine due to its electrical isolation from a functional wholesale market, such as the market in the ISO-NE region. This isolation has hindered the retail market from developing in this part of the state since retail access began in 2000.

Specialized supply products for residential and small commercial customers continued to be available during 2015, including a green power program that allows customers to purchase renewable energy credits (RECs).

Utility Delivery Service Rates

Delivery service rates include distribution, transmission and stranded cost components. Distribution rates include the capital and operating costs of the electric distribution

⁴ Amendments to Licensing Requirements, Annual Reporting, Enforcement and Consumer Protection Provisions for Competitive Provision of Electricity (Chapter 305), Docket No. 2014-00214, (July 24, 2014)

systems, as well as customer-related costs such as metering and billing. During 2015, there was a minor decrease (0.9%) in CMP's distribution rates, while Emera Maine's BHD and MPD distribution rates were unchanged compared to 2014.

Stranded cost rates include the net costs associated with pre-restructuring power purchase agreements. Net costs that result from more recently approved power purchase contracts authorized pursuant to the long-term contracting statute, the Community-based Renewable Energy Pilot Program statutes and the Ocean Energy Act are not technically stranded costs, but are addressed in the stranded cost rate processes and reflected in stranded cost rates. In addition, expenses associated with prior nuclear power arrangements are also included in the stranded costs. Accordingly, the Department of Energy (DOE) damage awards related to Maine Yankee, Connecticut Yankee and Yankee Atomic companies (\$40.7 million of Phase I awards and \$32 million in Phase II awards for the benefit of Maine ratepayers) are also included in stranded cost rates.

The stranded cost rates of CMP and Emera Maine have decreased substantially over the 2014-2015 period as a result of the inclusion of the amounts related to the flow-back of the DOE awards, with both CMP and Emera Maine's MPD ratepayers seeing negative stranded cost rates. In 2014, CMP's stranded cost revenue requirement was negative \$11.0 million. In 2015, its stranded cost revenue requirement increased to approximately \$6 million due primarily to removal of the 2014 DOE award money from rates. Emera Maine's BHD included the DOE award in the July 2014 rate change but because of future expiring contracts, no change was made to the stranded cost rates in 2015. Stranded cost rates for Emera Maine's MPD were adjusted effective January 1, 2015 to reflect the DOE award and resulted in a decrease from an annual revenue requirement of \$5.1 million to a negative \$1.8 million annually.

Transmission rates include the costs of local transmission facilities, as well as Maine's share of regional Pool Transmission Facilities (PTF). Transmission rates for CMP increased by approximately 4% overall in 2015, for Emera Maine's BHD by about 27%, and decreased for Emera Maine's MPD by approximately 22%. As noted in prior Annual Reports, transmission rates for CMP and Emera Maine's BHD have increased significantly over the last ten years. By way of illustration, the transmission rate for a CMP residential customer increased from 0.7 ¢/kWh in 2003 to 2.4 ¢/kWh in 2015. The current transmission rate for Emera Maine's BHD residential customers is even higher, at 3.2 ¢/kWh. These increases are due largely to major transmission system upgrades throughout New England, including by CMP and Emera Maine. Under the ISO-NE tariff, costs of PTF projects in New England are shared among all New England states in proportion to load, so that Maine customers pay 8%-9% of the cost of regional PTF projects regardless of where they are physically located. In contrast, the transmission rate for an Emera Maine's MPD residential customers is about 0.7 ¢/kWh reflecting, in part, the fact that Emera Maine's MPD is not part of the ISO-NE system. Current retail rates for Maine residential consumers are summarized in the Table 4 below.

Table 4 – Residential Electricity Rates

RESIDENTIAL ELECTRICITY RATES IN MAINE							
As of December 31, 2015*							
	% of State Residential Load	kWh	Delivery Rate			Standard Offer Rate ¢/kWh	Total Rate ¢/kWh
			T&D ¢/kWh	Stranded Cost ¢/kWh	Total Delivery ¢/kWh		
INVESTOR-OWNED UTILITIES							
Central Maine Power*	78.8%	3,682,211,999	7.7	0.1	7.8	6.6	14.4 ¢/kWh
Emera Maine - BHD*	13.4%	626,576,503	9.1	1.7	10.8	6.6	17.4 ¢/kWh
Emera Maine - MPD*	4.1%	190,259,091	6.5	-0.4	6.1	8.5	14.6 ¢/kWh
COOPERATIVES & MUNICIPAL-OWNED UTILITIES							
Eastern Maine Electric Cooperative	1.2%	56,848,305	9.2	N/A	9.2	6.7	15.9 ¢/kWh
Houlton	0.7%	31,133,209	3.7	N/A	3.7	6.7	10.4 ¢/kWh
Van Buren	0.2%	7,752,920	4.8	N/A	4.8	6.7	11.5 ¢/kWh
Kennebunk Light & Power	1.0%	48,272,681	4.4	N/A	4.4	7.9	12.3 ¢/kWh
Madison Electric Works	0.4%	17,947,193	6.9	N/A	6.9	8.3	15.2 ¢/kWh
Matinicus	0.0%	212,921	Exempt from Standard Offer requirements				79.9 ¢/kWh
Monhegan	0.0%	309,479	Exempt from Standard Offer requirements				73.0 ¢/kWh
Fox Island	0.1%	6,485,461	19.1	N/A	19.1	3.8	22.9 ¢/kWh
Isle au Haut	0.0%	190,097	32.3	N/A	32.3	12.8	45.1 ¢/kWh
Swans Island	0.0%	2,106,495	25.0	N/A	25.0	12.8	37.8 ¢/kWh
STATE AVERAGE	100.0%	4,670,306,354	7.8	0.3	8.1	6.7	14.8 ¢/kWh

* Central Maine Power, Emera Maine - Bangor Hydro District and Emera Maine - Maine Public District information based on residential rates as of 7/1/15 and standard offer rates to be in effect March 1, 2016. Consumer-owned utilities' information based on 2014 annual reports (filed in 2015) and supply rates in effect 12/31/15.

MAJOR CASES, ISSUES AND PROCEEDINGS

Energy Cost Reduction Act and Related Events

During its 2013 session, the Maine Legislature enacted The Maine Energy Cost Reduction Act.⁵ (Act). The Act resulted from concerns about regional natural gas price increases, and the resulting impact on electricity prices in Maine over the past several years, driven by constraints on natural gas supply into and within the New England region. The Act authorized the Commission, in consultation with the Public Advocate and the Governor's Energy Office, to execute or direct one or more utilities to execute, consistent with specific pre-conditions, an "Energy Cost Reduction Contract" (ECRC) to procure capacity on a natural gas pipeline that would increase the flow of natural gas into New England. The Act requires that the Commission consider ECRCs in the context of an adjudicatory process. Before the Commission may authorize an ECRC, the Act requires that it must have pursued, in the appropriate regional and federal forums, market and rule changes that would reduce the constraints on natural gas delivered into New England.

Pursuant to the Act, on March 20, 2014, the Commission initiated an adjudicatory investigation to consider issues regarding whether and, if so, how it should exercise its authority to approve an ECRC. A Phase 1 Order was issued on November 13, 2014 in which the Commission found that, based on the evidence, it could not determine that an ECRC would be cost-effective. However, given the importance of the issue, the Commission decided to proceed to Phase 2 in order to receive and consider actual ECRC proposals. The Commission received three proposals in December 2014.

The Commission engaged London Economics International (LEI) to conduct an independent analysis of whether the benefits to Maine electricity and natural gas consumers from any of the ECRC proposals would be likely to outweigh the costs. On July 14, 2015, LEI submitted its Report which concluded that none of the ECRCs proposals would provide net benefits. The Report did not imply that new gas pipeline capacity into New England would be uneconomic or a bad investment; rather, that the costs of Maine acting alone would outweigh the benefits because, although Maine would pay the entire cost for the new pipeline capacity, it would receive a relatively small share of the benefits, which would be spread across all of the region.

After submission of the Report, parties conducted discovery and provided testimony on the merits of the LEI Report. The process then allowed for the parties and LEI to provide evidence and analysis on the costs and benefits of ECRC proposals assuming that Maine acts in coordination with other New England states. The schedule provides for a Commission decision on the ECRC proposals in June 2016.

On a regional level, Massachusetts, Connecticut, Rhode Island and New Hampshire are all proceeding to consider pipeline capacity contracts with their utilities as a means to support the expansion of capacity into and within New England. Each state has

⁵ P.L. 2013, c.369, codified at 35-A M.R.S. § 1901 *et seq.*

differing statutory authority and requirements and is proceeding according to its individual processes and procedures. The Commission continues to monitor these activities and to consider opportunities to act in conjunction with other New England states to support pipeline expansion.

Northern Maine System Reliability and Market

Throughout 2015, the Commission continued to conduct an adjudicatory proceeding to address a solution to system reliability issues in northern Maine (Docket No. 2014-00048). The proceeding began when Emera Maine, in March of 2014, submitted a petition for a Certificate of Public Convenience and Necessity (CPCN) for a new 3.5 mile 138 kV transmission line connection from Monticello, Maine to Woodstock New Brunswick, as its proposed reliability solution. As part of its review, the Commission considered other proposals to address the reliability issues including projects that would connect the northern Maine system to ISO-NE as well as projects that would provide in-region generation. Projects that would interconnect with ISO-NE have the potential to provide additional benefits to the northern Maine region, but may also result in additional costs.

On October 8, 2015, the Commission issued an Order denying the Emera Maine CPCN petition on the grounds that it had not established the need for the proposed line. Specifically, the Commission found that, in the short term, the continued operation of in-region biomass plants will address the reliability issue in the short term. In the longer term, the Commission concluded that upgrading the transformer at the Tinker Station and related transmission lines will provide a more cost-effective alternative to Emera's proposed transmission line. To further examine the merits of interconnecting northern Maine with ISO-NE, the Commission deferred consideration of the proposals that would do so to further proceedings.

CMP Waterville-Winslow Project

On February 18, 2014, CMP notified the Commission of its intent to file a request for a CPCN for a transmission project referred to as the Waterville-Winslow Project. The proposed Waterville-Winslow Project included the construction of a new eight mile 115 kV line and the installation of two new transformers. Pursuant to the provisions of statute^[1], the Commission retained a consultant to analyze non-transmission alternatives (NTAs) to the proposed transmission project. The NTA consultant concluded that NTA scenarios that produced comparable reliability to CMP's proposed project were significantly higher than the cost of the project. CMP then filed its petition for approval of a CPCN for the Waterville-Winslow project. The proceeding was then noticed and various parties intervened. On November 24, 2015, CMP filed a stipulation agreed to by the OPA and not opposed by any of the parties. The stipulation indicates the signing parties' agreement that the Commission should grant the CPCN because the project is needed to address CMP's local transmission planning standards. The total cost of the project is estimated at approximately \$38.3 million, of which Maine's share is estimated to be approximately \$15 million. The Commission approved the Stipulation on December 28, 2015.

^[1] 35-A M.R.S. § 3132 (2-C)(C).

CMP Lakes Region Project

On February 19, 2014, CMP notified the Commission of its intent to file a request for a CPCN for a transmission project (referred to as the Lake Region Project) in the Raymond/New Gloucester area. The proposed Lakes Region Project included construction of a new 115/34.5 kV substation in New Gloucester and an eight mile 115 kV transmission line connecting the New Gloucester substation to CMP's Surowiec substation. Pursuant to the provisions of statute, the Commission retained a consultant to analyze non-transmission alternatives (NTAs) to the construction of the proposed transmission project. The NTA report, filed with the Commission on March 3, 2015, concluded that the cost of the transmission solution to Maine's ratepayers would be less than the costs NTA alternatives. It is expected that CMP will file its formal CPCN application in 2016.

Boothbay Non-Transmission Alternative (NTA) Pilot

On April 30, 2012, the Commission approved a NTA Pilot Project to be coordinated by GridSolar, LLC (GridSolar) for the Boothbay region of the Mid-Coast area. Under the terms of the Pilot Project, GridSolar would procure NTA resources to address reliability concerns in the Boothbay region that would otherwise require transmission upgrades. During 2014, GridSolar finalized the procurement of NTA resources, including energy efficiency, solar photovoltaic, a diesel back-up generator, battery storage and peak-load shifting, and also conducted several tests of the NTA resources to determine their viability in meeting the area's reliability needs. GridSolar is expected to file its Final Report on January 19, 2016 regarding the evaluation of the NTA in meeting reliability needs and whether and how the Boothbay Pilot should be extended. Other parties to the Pilot Project case were provided an opportunity to comment on GridSolar's Report. It is anticipated that the Commission will consider the GridSolar Report and the parties' comments during the first quarter of 2016.

Smart Grid Coordinator

In 2010, the Legislature enacted "An Act to Create a Smart Grid Policy in the State" (the Act). The Act identified specific smart grid goals and provided that the Commission determine, through an adjudicatory proceeding, whether a smart grid coordinator is in the public interest. In December 2013, GridSolar filed a petition, pursuant to 35-A M.R.S. § 3143(5), requesting that the Commission designate it as the Smart Grid Coordinator (SGC) for Maine. GridSolar's petition broadly defined the services it proposed to provide as the SGC, including NTA development, implementation, and operation, as well as services related to rate design, pricing trials, consumer education, market segmentation, and technology. By Order dated May 11, 2015, the Commission denied the petition of GridSolar, finding that it was not in the public interest to designate an SGC to provide the proposed scope of services, but that there may be value in establishing an NTA coordinator. On June 30, 2015, the Commission issued a Notice of Inquiry to obtain general comment from interested persons on defining the proper role of a NTA coordinator and the parameters for procuring NTA coordinator services. The Commission will open a formal investigation that will resolve contested issues regarding the designation of a NTA coordinator and its specified functions.

Long-term Contract RFP-2014

In February 2015, due to substantial changes in the energy markets, the Commission voted to reconsider the long term contract term sheets of the Highland Wind and Weaver Wind projects resulting from a 2014 RFP. The Commission obtained an updated market forecast from its consultant in April 2015. On May 4, 2015, Sun Edison filed a letter withdrawing the Weaver Wind project from consideration for a long-term contract. On May 15, 2015, Highland Wind filed a revised proposal that was approved at deliberations held on May 20, 2015.

Long-term Contract RFP-2015

On February 2, 2015, the Commission issued a Request for Proposals (RFP) for long-term contracts for capacity and associated energy pursuant to 35-A M.R.S. § 3210-C and Chapter 316 of the Commission rules. Pursuant to the RFP, initial proposals were due on or before May 1, 2015. The Commission received multiple timely submissions. After Staff discussions and exchanges of alternative proposals with the RFP respondents, final Term Sheets were submitted to the Commission for formal consideration. On December 17, 2015, the Commission approved a Term Sheet for the Dirigo Solar, LLC project, for capacity and energy from up to 75 MW of photovoltaic arrays located in the CMP or Emera Maine (Bangor Hydro District) service territories. The Term Sheet provides for purchase of capacity and energy for a 20-year term at a bundled price of \$34/MWh in the first contract year, with 2.5% annual escalation.

Community-Based Renewable Program

During the 2015 session, the Legislature adopted P.L. 2015 Ch. 232, An Act to Amend the Community-based Renewable Energy Pilot Program. The Amendment directed the Commission to review all certified program participant projects that had not yet reached commercial operations to determine whether the projects are reasonably likely to achieve commercial operations within a 3-year period and, to the extent there is capacity remaining under the 50 MW statutory cap, to conduct an expedited request for proposals (RFP) to select community-based renewable energy projects to become program participants and enter into long-term contracts. The Commission completed its viability assessments and, on September 24, 2015, determined that a number of projects were likely to achieve commercial operations before December 31, 2018 and would, therefore, retain their prior contract awards. The Commission identified approximately 21 MW of capacity available for contract awards and, on September 30, 2015, issued a RFP for community-based renewable energy proposals. Proposals were received on November 6, 2015 from projects that represent a range of generating resources. On December 22, 2015, the Commission made contract awards to 1) Clear Energy, LLC and Cianbro for a 9.9 MW solar array in Monroe, Maine, 2) Georges River Energy, LLC for a 7.5 MW biomass plan in Searsmont, Maine 3) Mayo Mill LLC for a 310 kW hydro plant and 85.68kW solar array in Dover-Foxcroft, Maine and 4) Shamrock Partners, LLC for a 1.0 MW wind generator in Limestone, Maine.

Solar Stakeholder Group

During its 2015 session, the Maine Legislature enacted L.D. 1263, Resolve, To Create Sustainable Growth in Maine's Distributed Energy Sector That Uses Market Forces To Fairly Compensate Energy Producers (Resolve). Resolves 2015, Ch. 37.

The Resolve directed the Commission to convene a stakeholder group to examine options for a distributed solar policy in Maine and to develop an alternative to net energy billing for the promotion of solar development. The Resolve specifies that recommendations from the stakeholder group should reflect a consensus among the participants. The Commission initiated the stakeholder process through the issuance of a Notice of Inquiry on August 11, 2015. (Docket No. 2015-00218). The Commission held six work sessions with stakeholders to discuss the various issues and possible consensus positions. As required by the Resolve, the Commission will submit its Report to the Legislature by January 30, 2016.

EMD/GMD Report

During its 2013 session, the Legislature enacted Resolve, Directing the Public Utilities Commission to Examine Measures to Mitigate the Effects of Geomagnetic Disturbances and Electromagnetic Pulse on the State's Transmission System. Resolves 2013, Ch. 45. The Resolve directed the Commission to examine the vulnerabilities of the State's transmission infrastructure to the potential negative impacts of a Geomagnetic Disturbance (GMD) or an Electromagnetic Pulse (EMP) capable of disabling, disrupting or destroying a transmission and distribution system and identify potential mitigation measures. The Resolve also directed the Commission to actively monitor various federal and regional efforts to develop reliability standards related to GMD and EMP and provide a report to the Committee by January 20, 2014. After the submission of the January 2014 report, the Commission has continued to participate in a voluntary working group consisting of the electrical utilities, ISO-NE, equipment providers and other stakeholders interested in GMD and EMP issues. On February 6, 2015, the Commission presented the work of the study group, which provided information on a range of GMD and EMP events, potential mitigation measures and costs associated with those mitigation measures. The study group continues to meet to provide input on further modeling being done by CMP.

Street Lighting

On June 26, 2013, the Legislature enacted An Act to Reduce Energy Costs, Increase Energy Efficiency, Promote Electric System Reliability and Protect the Environment. Part E of this Act provided that, on or after October 1, 2014, T&D utilities shall provide options to municipalities to own and maintain their own street lights. The Act required the Commission to establish the requirements, parameters, and charges for such municipal ownership of streetlights. In 2013, the Commission began this process by issuing a Notice of Inquiry in Docket No. 2013-00448. This proceeding was followed by additional process in Docket No. 2014-00313 (related to details surrounding the transition for CMP) and Docket No. 2014-00317 (related to the transition for Emera Maine). Final rate schedules providing municipalities with street lighting options become effective November 1, 2015.

Maine Green Power

Maine Green Power is a program overseen by the Commission that allows T&D customers to elect to purchase 100% renewable energy through a renewable credit purchase directly on their utility bill. The program completed its second year in April

2015 and has reached approximately 2,000 customers state-wide. The Commission is currently conducting a competitive solicitation to select a program manager for a five-year extension through March 2021.

EFFICIENCY MAINE TRUST OVERSIGHT

Ongoing Oversight

Pursuant to the Efficiency Maine Trust Act, the Commission oversees the efficiency programs administered by the Efficiency Maine Trust (EMT or Trust), and the Commission is charged with the review and approval of the Trust's triennial plans. 35-A M.R.S. §§ 10101-10123. As part of the Omnibus Energy Act, P.L. 2013, Ch. 369, An Act to Reduce Energy Costs, Increase Energy Efficiency, Promote Electric System Reliability and Protect the Environment (as codified in relevant part at 35-A M.R.S. § 10120(3)), the 126th Legislature directed the Commission to establish an oversight and evaluation fund to defray the Commission's costs for ongoing oversight of the Trust's programs and results. The Commission's oversight role may include, for example, reviewing the calculation of program costs and benefits, reviewing the measurement and verification procedures, and reviewing program evaluations. In late 2014, the Commission issued a Request for Proposals (RFP), seeking to hire a consultant to assist the Commission with respect to its ongoing oversight role of the Trust.

In April 2015, the Commission hired Energy Futures Group (EFG) under a two-year contract to assist it in this regard. EFG is an energy efficiency program, policy, and evaluation consulting firm located in Hinesburg, Vermont. On behalf of the Commission, EFG reviewed the Trust's existing programs and its implementation and evaluation of those programs. EFG's review included a comparison of the Trust's existing programs and implementation thereof relative to common industry practices. In October 2015, EFG finalized a report, captioned Benchmarking Maine's Energy Efficiency Performance, and presented it to the Commission. The purpose of the report is to assist the Commission in the larger context of the Commission's upcoming review of the Trust's Third Triennial Plan.

Third Triennial Plan Filing

In December 2015 the Commission received the Trust's proposed Third Triennial Plan for review and approval in accordance with 35-A M.R.S. § 10104(4). The Third Triennial Plan will govern the Trust's efficiency programs and budgets for fiscal years 2017, 2018, and 2019.

Funding Cap Rulemaking

During its 2014 session, the Legislature directed the Commission to establish by rule a cap on ratepayer funding of the Trust's electric efficiency programs equal to 4% of total retail electricity transmission and distribution sales in the State. On April 8, 2015, the Commission issued an order adopting rules that would establish the cap based on electricity transmission and distribution sales, but not electricity supply sales. On June 23, 2015, the Legislature enacted legislation (P.L. 2015, Ch. 255, An Act to Provide Lower Energy Costs to Maine Businesses and Residences by Carrying Out the

Legislature's Intent Regarding Funding of the Efficiency Maine Trust (as codified at 35-A M.R.S. § 10110(4-A)) that clarified that the calculation of the cap should include revenue from electricity supply sales.

In October, the Commission issued a Notice of Rulemaking with regard to the Efficiency Maine Trust Procurement Funding Cap. The purpose of the rulemaking is to establish the process and requirements by which the Commission would determine the funding cap pursuant to the Legislature's enactment of P.L. 2015, Ch. 255, which, as noted above, directs the Commission to include retail electricity and transmission and distribution sales for the purpose of calculating the ratepayer funding cap. The Commission held a public hearing on this matter in November 2015, and the Commission adopted the final rule on December 16, 2015. The Commission anticipates the final rule becoming effective by the end of April 2016.

REGIONAL MATTERS

The Commission participates in electricity-related regional and national matters in four ways. First, the Commission participates directly in electricity market rule development at the regional stakeholder meetings of the Regional Transmission Operator (RTO), ISO New England Inc. (ISO-NE), and intervenes and files comments in proceedings at the Federal Energy Regulatory Commission (FERC). Second, the Commission may join with other state commissions in participating in federal advocacy, either through the National Association of Regulatory Utility Commissioners (NARUC) or the New England Conference of Public Utility Commissioners (NECPUC). Third, the New England States Committee on Electricity (NESCOE), an organization established pursuant to an order of the FERC for the purpose of advice and advocacy in energy matters in New England and funded through the ISO-NE tariff provides support and advocacy for New England state commissions and state energy offices. Finally, individual commissioners participate in regional and national activities (such as the Regional Greenhouse Gas Initiative (RGGI) and various committees of NARUC that may have an impact on utilities or utility customers in Maine. Chairman Vannoy sits on NARUC's Water Committee and Critical Infrastructure Committee, and Commissioner McLean serves on the RGGI Executive Committee as Treasurer. Summarized below are the regional matters that the Commission was involved in during 2015.

Forward Capacity Market (FCM)

The ninth ISO-NE forward capacity auction (FCA 9) was conducted in February 2015. The region acquired 34,189 megawatts (MW) for the 2018–2019 capacity year. The estimated total cost of the New England capacity market for the FCA 9 period is approximately \$4 billion, compared to the cost of approximately \$3 billion for the prior period. Several factors contributed to higher capacity prices for FCA 9. First, the region needed new resources to meet the reliability need identified by ISO-NE. Second, the sloped demand curve was implemented for the first time in this auction. The sloped demand curve results in higher prices when capacity is tighter (along with the ability to purchase less than the identified reliability need) and lower prices when capacity is in excess (along with the requirement to purchase resources in excess of the identified

reliability need). Third, resources that bid into the auction likely included risk premiums in their bids because their payments in the performance year of 2018-2019 will be subject to the resources' actual performance in accordance with the Pay-for-Performance rules which will be in place in that performance year.

Winter Reliability Program 2015/2016

Like last year's program, the 2014/15 program is aimed at addressing concerns about reliability during cold weather events when natural gas supplies may be constrained. Specifically, the program is designed to ensure there will be adequate fuel supplies by creating incentives for dual-fuel resource capability and participation, offsetting the carrying costs of unused firm fuel purchased by generators, and providing compensation for demand response services. This year's program funds the operating cost for remaining oil inventories after the end of the winter months rather than simply paying for the cost of maintaining a fuel inventory. This year's program is expected to cost approximately \$41 million down from \$45 million for 2014-2015 and approximately \$71 million in 2013-2014.

ROE Complaint

The Commission, together with NESCOE and NECPUC, filed comments that the FERC allowed returns on equity (ROE) for transmission should be significantly reduced from its then current level of 11.14%. On June 16 2014, FERC issued a decision setting the ROE at 10.56%. Another ROE complaint supported by the Commission seeks a further reduction to 8.84%. This complaint and an additional one were consolidated and proceeded through a full hearing process at FERC. An initial decision on these complaints is scheduled to be issued on March 31, 2016.

Photovoltaic (PV) Resources in the Load Forecast

For the first time, ISO-NE, with the encouragement of NESCOE, has proposed using a load forecast (to be used in FCA 10) that reflects PV resources in the region. NESCOE had underscored the rapid growth of PV resources in New England, noted that if ISO-NE did not account for PV resources, the region's power needs would be overstated, resulting in significant levels of unnecessary cost. As a result of FERC directives, ISO-NE engaged in numerous regional discussions over a 10 month period to develop the 2015 PV forecast.

Demand Response

In 2015, the Supreme Court received briefs and heard argument on FERC's appeal of the decision of a divided panel of the D.C. Court of Appeals which rejected a FERC order (Order No. 745) allowing Demand Response to participate in wholesale energy markets. The Court of Appeals determined that FERC had infringed on state jurisdiction over retail rates. A decision from the Supreme Court is expected in 2016.

Yankee - DOE Litigation Awards

In 2013, the Commission, along with other New England states, negotiated an agreement that addresses the disposition of damage awards associated with DOE's failure to meet its obligation to remove spent nuclear fuel and a process for dealing with

future DOE damage awards. The agreement provides for \$40.7 million of Phase I awards to be returned over a three-year period (2013-2015) to CMP and Emera Maine for the benefit of ratepayers. On September 30, 2015, the third installment of the Phase I award of \$9.8 million was received by the Maine T&D utilities.

EPA’s Clean Power Rules for CO₂ Emissions from Power Plants

On June 2, 2014, the Environmental Protection Agency (EPA) released the Clean Power Plan (“CPP”) – a draft rule to regulate CO₂ emissions from power plants under construction or in operation as of January 2014. Coal, oil, and natural gas fossil fuel generation are covered pursuant to EPA’s authority under the Clean Air Act.

On August 3, 2015, the EPA released the Clean Power Plan (“CPP”) – a rule to regulate CO₂ emissions from power plants under construction or in operation as of January 2014. Maine and the RGGI⁶ states are generally well-positioned to comply with the Clean Power Plan assuming the regional compliance mechanism can be modified as needed to comply with the rule.

The Commission continues to participate in RGGI as the states work through the implications of EPA’s CPP. The Maine Department of Environmental Protection (DEP) is the compliance agency for the CPP, and the Commission has remained involved.

Cybersecurity

Significant threats to utility operations continue to emerge. These utility operations are regulated at both the federal and state level. Commissioners have maintained a dialogue with the Federal Energy Regulatory Commission concerning the threat and response. The Commission is working with federal regulators and the utilities to improve the ability of local utilities to minimize their vulnerabilities and respond to emerging threats.

ELECTRICITY SUPPLY RESOURCES

Renewable Portfolio Standard (RPS)

Maine’s Electricity Restructuring Act originally established a 30% resource portfolio standard (RPS), requiring electricity suppliers (including standard offer suppliers) to supply 30% of their Maine load from “eligible resources.” The Act defined eligible resources to be generating units with capacity that does not exceed 100 MW 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.

In 2007, the Legislature expanded the RPS to also require that an additional amount of electricity come from “new” renewable resources, which are generally renewable facilities that have an in-service date after September 1, 2005. New renewable resources include fuel cells, tidal power, solar arrays and installations, geothermal installations, wind generators, hydroelectric generators that meet all state and federal

⁶ RGGI is a market based program by several northeastern and mid-Atlantic states to limit carbon dioxide (CO₂) emissions from generation facilities.

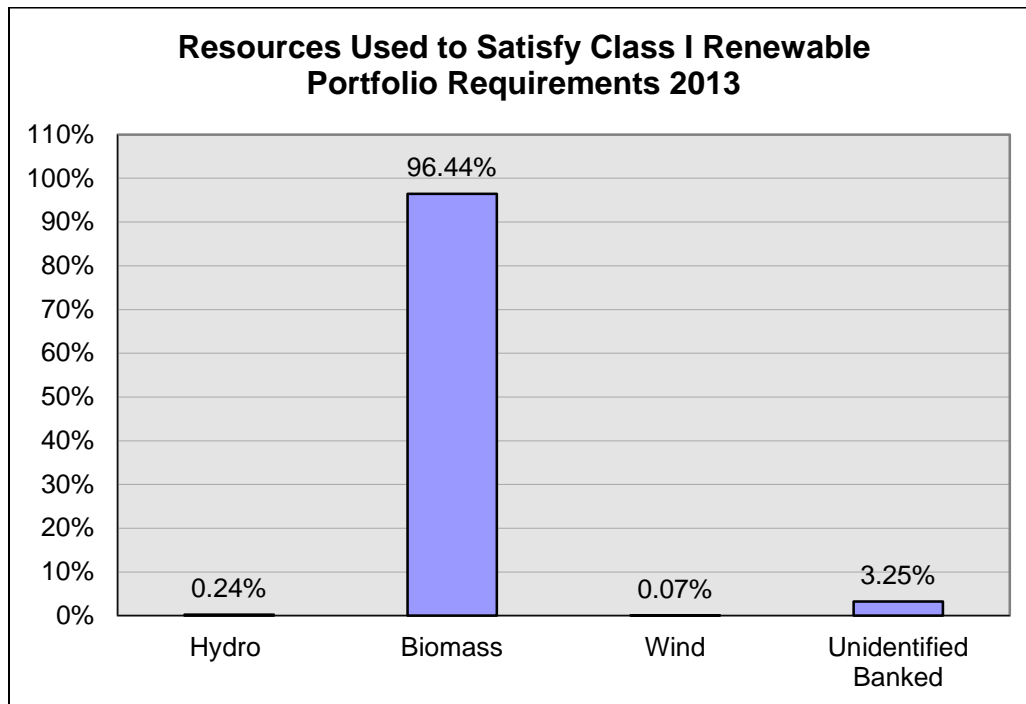
fish passage requirements, and biomass generators including generators fueled by landfill gas. The “new” requirement (also referred to as “Class 1”) began at one percent of load in 2008 and increases by one percent per year to ten percent in 2017, unless the Commission suspends the requirement pursuant to the Act.⁷

Any generation facility used toward a supplier’s Class I RPS obligation must be certified by the Commission. During 2015, the Commission certified one generator as Class I compliant, bringing the total certified generators to 72, many of which are located in and also certified for the RPS of other New England states.

A list of all certified Class I facilities can be obtained from the Commission’s website: <http://www.maine.gov/mpuc/electricity/rps-class-i-list.shtml>

To comply with the Maine RPS, and to provide “green” supply products, suppliers use Renewable Energy Credits (RECs) which are traded and tracked through the regional Generation Information System (GIS). RECs represent the attribute of the energy, such as the fuel used for production. Maine suppliers may purchase RECs from energy generated throughout the region. Figure 11 below shows the mix of RECs used for Maine customers in 2013, the most recent year for which data is available.

Figure 11 – Class I Renewable Portfolio



Source: Annual RPS Report issued on March 31, 2015 (The 2014 data will be available in the Annual RPS report issued by March 31, 2016.)

⁷ Pursuant to 35-A M.R.S. § 3210(3-A)(C), the Commission provides a comprehensive report on the RPS to the Legislature by March 31st of each year.

As reported in the Commission’s March 31, 2015 Annual Report on New Renewable Resource Requirement, the cost of Maine Class I RECs used for compliance in 2013 ranged from approximately \$1.50 per MWh to \$60 per MWh, with a weighted average cost of \$19.87 per MWh. Through September 2015, Maine Class I RECs declined substantially, and were trading at \$5 per MWh or less.⁸ This decline is attributable to the large amount of supply available to meet Maine Class I RPS demand. As of the end of 2015, these prices appear to be rebounding into the \$20-30 range. Maine Class II RECs continued to be priced at about \$0.16 per MWh, as was the case for the prior year.

In-State Generation Resources

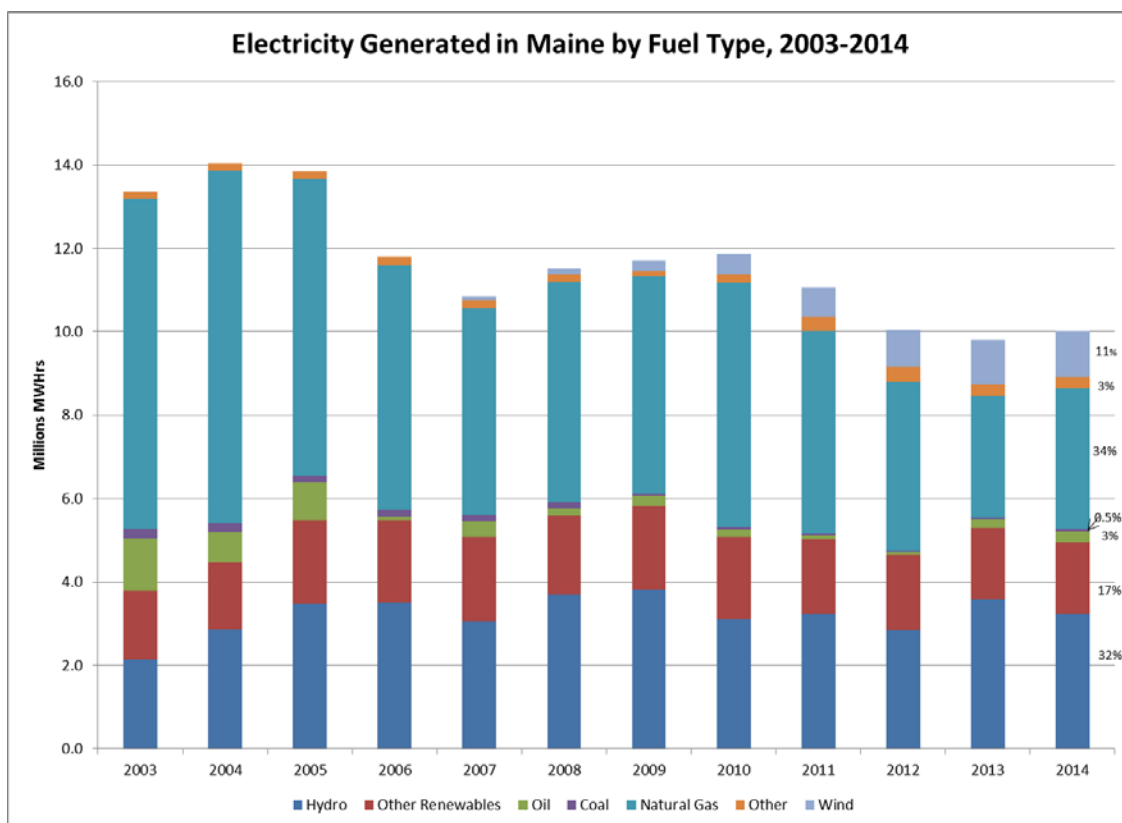
There are about 3,200 MW of generating capacity located in Maine. Much of the energy produced by these plants is in excess of Maine’s demand and, thus, serves load in other states in the region. A complete list of generating plants in Maine is available through:

ISO-NE: http://www.iso-ne.com/genrtion_resrcs/snl_clmd_cap/index.html

NMISA: <http://www.nmisa.com/>

The fuel sources of electricity produced in Maine during 2014 (the most recent year for which data is available) are shown in Figure 12 below:

Figure 12 – Electricity Generation by Fuel



⁸ DOE website: <http://apps3.eere.energy.gov/greenpower/markets/certificates.shtml?page=5>.

SUMMARY OF ELECTRIC RESTRUCTURING ACTIVITY IN OTHER STATES

The Restructuring Act directs the Commission to report on activities in other states associated with changes in the regulation of electric utilities. Since the restructuring late-1990s, a small number of states have continued efforts to develop competitive markets. Although fully implemented restructured markets remain primarily concentrated in the northeast and mid-Atlantic states, several other states continue to examine deregulating electricity markets, particularly for residential customers. Detailed information on a state-by-state basis is provided at the link below:

http://www.eia.gov/electricity/policies/restructuring/restructure_elect.html

6. NATURAL GAS

THE NATURAL GAS INDUSTRY IN MAINE

Natural gas service to Maine consumers is comprised of delivery and supply components. Local delivery service is provided by Maine local distribution companies (LDCs) at rates and terms that are regulated by the Commission. Interstate pipeline companies provide for the transportation of natural gas from supply producing regions, such as Canada and the Marcellus Shale, at rates and terms that are regulated by the FERC. Natural gas supply is provided, for some customers, by an LDC and, for others by non-utility suppliers or marketers.⁹ Prices for supply from the LDCs are set by Commission-approved cost of gas charges, which reflect the actual costs incurred by an LDC for natural gas as well as for upstream transportation and storage arrangements. The supply prices of non-utility suppliers and marketers are not regulated.

The Commission also regulates sales, acquisitions or mergers among corporations owning LDCs doing business in the State. In addition, the Commission oversees the safety aspects of LDC operations and facilities, as well as of certain propane facilities (See Section 7). Finally, in areas of the natural gas industry where federal agencies have jurisdiction over issues that affect Maine consumers, the Commission actively monitors federal proceedings and participates as warranted.

There are four natural gas LDCs authorized to provide service in Maine. Northern Utilities, Inc. d/b/a Unitil (Northern) serves customers in the south-central Maine area, primarily in greater Portland/South Portland/Westbrook, greater Lewiston/Auburn, Biddeford/Saco and Kittery. Maine Natural Gas Corporation, a subsidiary of Iberdrola USA, serves customers in the Windham, Gorham, Brunswick, Freeport, Bath and Topsham areas, and during 2013 expanded into Augusta. Bangor Gas Company, LLC, owned by Energy West, Inc., serves customers in the greater Bangor area. Finally, in 2013, Summit Natural Gas of Maine (SNG-Maine or Summit) was granted authority to provide service in Maine, and serves customers in the Kennebec Valley area as well as in the municipalities of Yarmouth, Cumberland and Falmouth.

There are three interstate pipelines with facilities located in Maine: Maritimes & Northeast Pipeline, Portland Natural Gas Transmission System (PNGTS), and Granite State Gas Transmission, an affiliate of Northern. Figure 13 below provides a map of the LDC service areas and interstate pipelines located in Maine.

⁹ Business customers have the option of purchasing their gas supply from a non-LDC supplier or marketer.

Figure 13 – Natural Gas Pipelines and LDC Service Areas

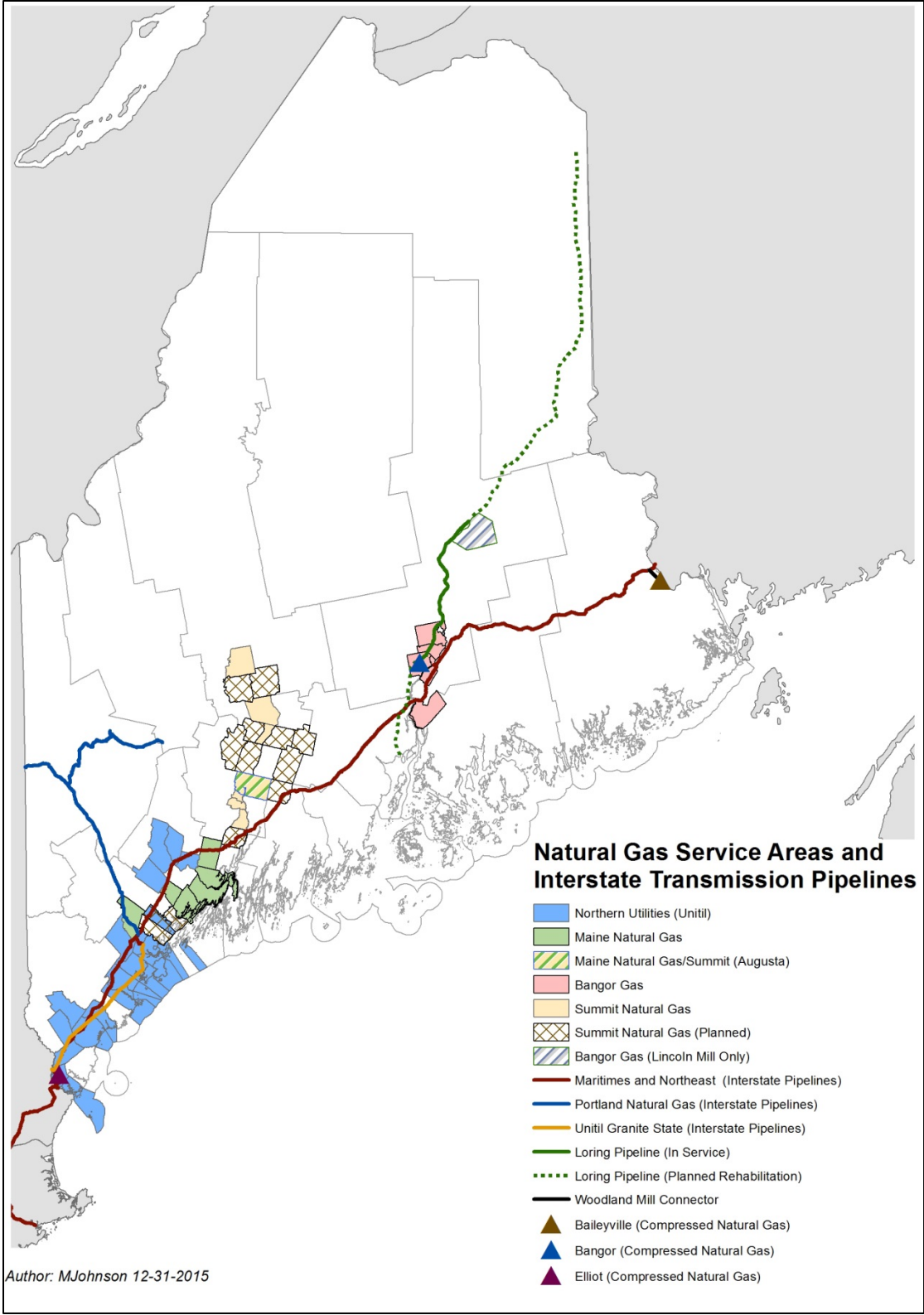


Table 5 below provides a summary of how many customers each LDC serves, as well as customer growth over the past few years.

Table 5 - Natural Gas LDCs Customers

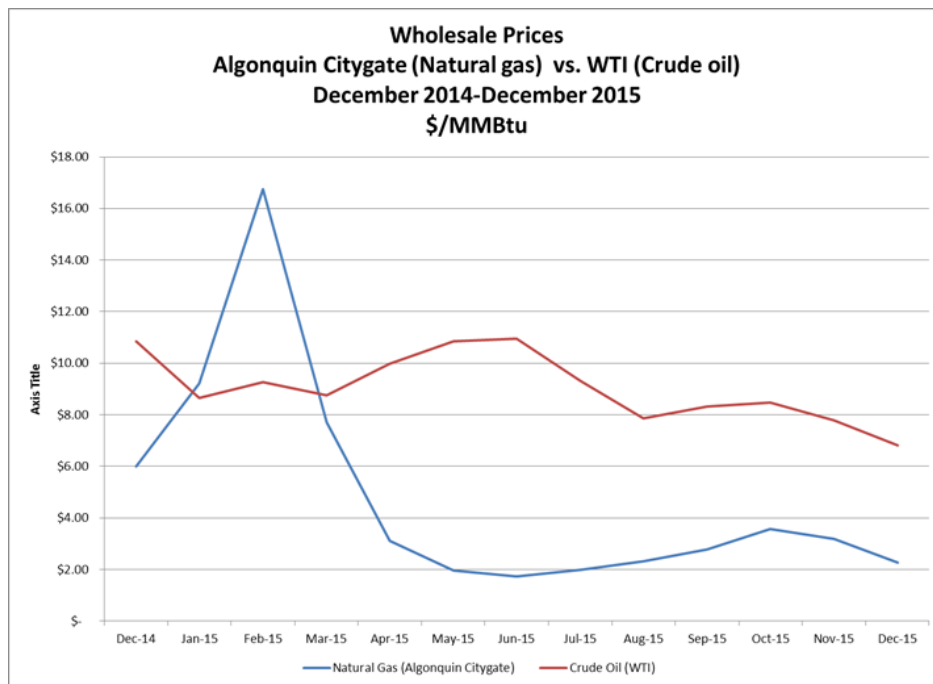
Company	2012 Customers ¹⁰	2013 Customers ¹⁰	2014 Customers ¹⁰	2015 Customers ¹⁰
Bangor Gas	2,929	3,922	5,430	5,838
Maine Natural Gas	2,937	3,313	4,200	4,432
Summit Natural Gas	0	0	n/a ¹¹	n/a ¹¹
Unitil	26,128	27,096	30,830	31,544
Total	31,994	34,331	40,460	41,814

MARKET TRENDS AND CONSUMER PRICES

Wholesale Market

Wholesale natural gas commodity prices in much of the U.S. have been on the decline over the past several years due to substantial increases in domestic production, most notably, from the Marcellus Shale. Prices continued to decline during 2015. As compared to the average spot price in 2014 of \$4.37 per million British thermal units (MMBtu) at Henry Hub (a standard U.S. pricing index as reported by EIA), wholesale prices in 2015 averaged \$2.62/MMBtu. In recent years, New England wholesale gas prices have diverged significantly from the rest of the country, particularly during cold winter weather conditions. This divergence, referred to as “basis differential” or “basis”, is due to constraints on pipeline capacity into and within the region.

Figure 14 – Wholesale Prices



¹⁰ Average number of customers by month.

¹¹ Summit has requested that its customer count be considered confidential. The Commission granted this request for a limited time period.

Figure 14 above provides historic wholesale prices at Henry Hub and prices at the Algonquin Citygate (a standard New England index). Looking forward, the observed downward trends in wholesale electricity prices may suggest a market expectation that the basis differential will be declining. These expected declines may be attributable to several factors, including relatively lower oil and LNG prices, weather conditions, and pipeline expansion projects that are expected to be completed in the next few years. The efforts to expand pipeline capacity are intended to ensure that Maine consumers are not adversely affected by the constraints experienced over the past few years.

Retail Market

Table 6 below provides the current average retail residential natural gas rates for each of the four Maine LDCs, and a comparison to rates a year ago.

Table 6 – Comparison of LDC Rates

Local Distribution Company	Distribution Rate ^e	Cost of Gas Rate ^e	Total Rate	% Change from 2014	Notes
Northern Utilities d/b/a Unitil	\$ 0.5843	\$ 0.6175	\$ 1.2018	-31%	a
Maine Natural Gas Company	\$ 0.5608	\$ 0.8437	\$ 1.4045	-36%	b
Bangor Gas Company	\$ 0.4966	\$ 1.0090	\$ 1.5056	-21%	c
Summit Natural Gas	\$ 1.0370	\$ 0.8289	\$ 1.8659	26%	d

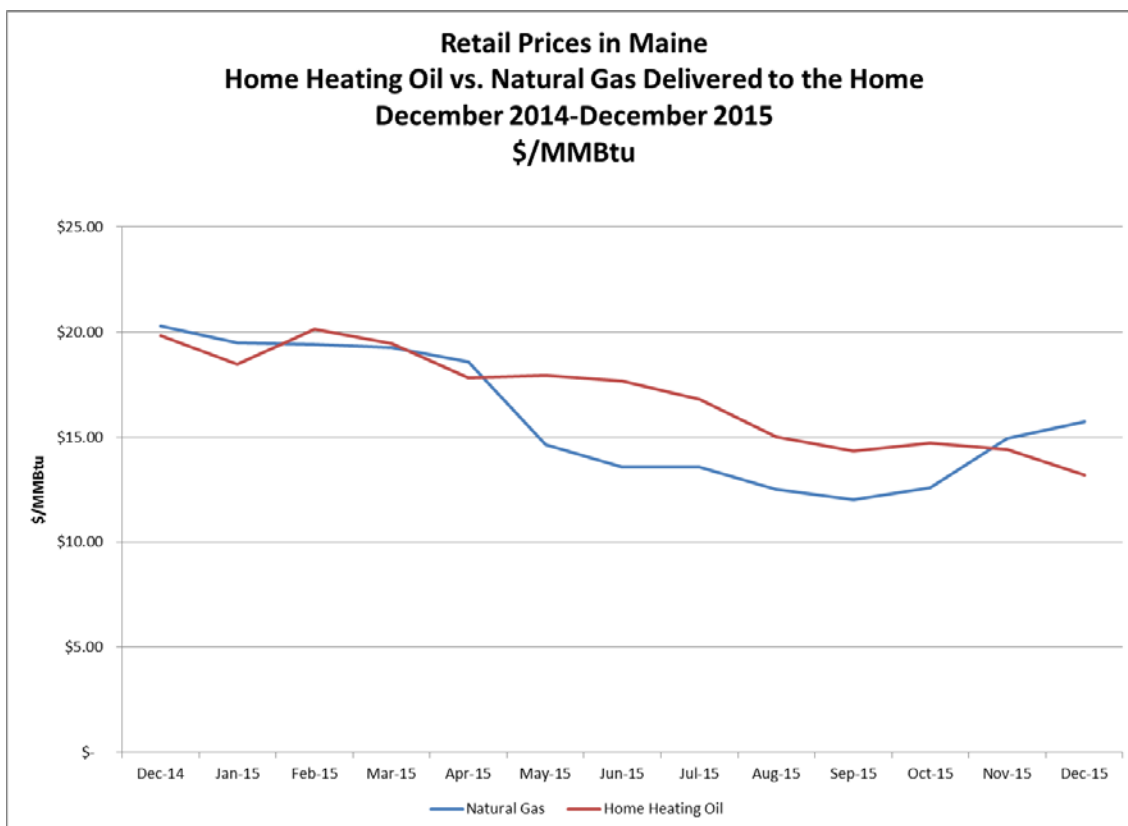
NOTES:

- a. Northern Utilities has a seasonal cost of gas rate - above us based on winter season
- b. Maine Natural Gas has a monthly cost of gas rate - above is based upon December rates
- c. Bangor Gas Company has a monthly cost of gas rate - above is based on December rates
- d. Summit Natural Gas has an annual cost of gas rate
- e. Average rates reflect monthly usage of 120 therms or ccf

For the past several years, natural gas has had a substantial price advantage compared to heating oil. However, the dramatic decline in worldwide oil prices has eroded and even reversed this advantage. During 2015, Brent crude, the European oil benchmark, declined considerably, falling from a range of \$70 to \$79 per barrel in November 2014 to between \$40 to \$45/barrel in November 2015. WTI, the U.S. benchmark, also declined to similar levels as of November 2015. At the retail level, as reported by the Governor’s Energy Office, consumer prices for heating oil two years ago averaged \$27.11/MMBtu compared to \$15.50/MMBtu for natural gas (delivered). By November 2014, prices were much closer, with heating oil at \$22.06/MMBtu and natural gas at \$18.82/MMBtu. By November 2015, however, natural gas prices were just above heating oil, with

natural gas at \$14.19/MMBtu and heating oil at \$14.78/MMBtu. As noted below, this trend continues today. Figure 15 illustrates the retail prices for natural gas and home heating oil in Maine over the past thirteen months.

Figure 15 – Retail Heating Oil vs Natural Gas



OTHER KEY EVENTS AND PROCEEDINGS

Maine Natural Gas Rate Case

On March 1, 2015, Maine Natural Gas Company (MNG) filed for an increase in its delivery service rates coupled with a 3-year rate plan. Under its proposal, MNG would be authorized to increase its rates by \$1.9 million (21%) effective 12/1/15, an additional \$2.6 million (21%) on 12/1/16, and an additional \$6.1 million (39%) on 12/1/17. In total, at the conclusion of the rate plan, MNG’s residential rates would be approximately 62% higher than current rates. The major driver of these proposed increases was MNGs investment for its Augusta expansion project. Thus, this investment and how it should be recovered from ratepayers is a major focus of the proceeding. On November 6, 2015, MNG, the Public Advocate and the City of Augusta filed a Stipulation with the Commission that provides for three annual rate increases of 17.4%, one each on January 1, 2016, 2017 and 2018. These delivery service rate increases would then be followed by two annual decreases: 6.0% on January 1, 2019 and 2.8% on January 1, 2020. The Stipulation was opposed by the Town of Brunswick, Bowdoin College and the MidCoast Regional Development Authority (the Brunswick Intervenors). A hearing

on the Stipulation was held on December 3, 2015 and the Commission did not approve the Stipulation. The case will be fully adjudicated and decided in early 2016.

MNG Atlantic Bridge Precedent Agreement

On March 26, 2015, Maine Natural Gas Corporation (MNG) filed a Petition for Approval of the Atlantic Bridge Precedent Agreement for firm upstream natural gas transmission capacity on the Atlantic Bridge pipeline project (Docket No. 2015-00063). On July 17, 2015, MNG filed a Stipulation with the Commission that was executed by MNG, the OPA, and Northeast Energy Solutions (NEES). By Orders issued August 28, 2015 and September 24, 2015, the Commission approved the Stipulation. The Commission found that it is reasonable for MNG, in that it has become an established local distribution company (LDC), to contract for firm capacity on upstream pipelines in a quantity that covers a portion of its supply load. The Commission further found that the capacity will provide a new supply path for gas to flow to MNG's system from liquid supply hubs to the south into Maine, offering a potential for more stable costs and increased reliability through enhanced source of supply options.

Northern Utilities Retail Choice

In May 2014, Northern Utilities, d/b/a Unutil, (Northern) filed a petition to modify its retail choice program in Maine. Under the program, Northern's commercial and industrial customers have the option of acquiring natural gas supply from third party suppliers or marketers, rather than from Northern. Commercial and industrial customers (or their marketers) opting to acquire their own natural gas supply in this manner are assigned and pay the costs of a portion of certain Northern supply assets. The May 2014 petition proposed to change the existing program in several respects. Northern proposed to implement certain changes in Phase 1, and the remaining changes in Phase 2.

In November 2014, the Commission rejected a partial stipulation regarding the Phase 1 proposal. The stipulation was entered into by Northern and the OPA and opposed by the marketers. The Commission found, in part, that the parties joining the agreement did not represent a sufficiently broad spectrum of interests. After additional process, on October 5, 2015, a stipulation entered into by Northern, the OPA and the marketers was filed to resolve the Phase 1 issues. On October 26, 2015, the Commission issued an order that approved the stipulation. The parties are in the process of litigating the Phase 2 issues and a decision on those issues is expected in the spring of 2016.

Summit Natural Gas Affiliated Conversion Company

On September 15, 2014, the Commission approved a Stipulation allowing Summit Utilities, Inc., the parent of Summit Natural Gas of Maine (SNG-Maine), to create a wholly-owned subsidiary, Natural Gas Conversion Company (NGCC), to provide natural gas conversion services to customers. These conversion services included the installation of natural gas heating systems and other equipment, conversion of oil and propane systems and appliances to natural gas, rentals of conversion burners and water heaters, and ongoing repair and maintenance. The Stipulation contained a variety of provisions designed to ensure separation between SNG-Maine and its affiliate, NGCC.

On March 18, 2015, SNG-Maine filed a petition to modify its relationship with NGCC in a way that would provide SNG-Maine with greater flexibility in marketing conversion services to its customers. SNG-Maine stated that the modifications were necessary to relieve a substantial backlog of SNG-Maine customers who had signed contracts with SNG-Maine for gas service but had not yet been converted to natural gas. SNG-Maine argued that the major reason for the backlog was the current lack of conversion contractor resources. After the parties had reviewed and commented on SNG-Maine's initial petition, SNG-Maine filed a Stipulation on August 27, 2015, which narrowed the scope of its request. On October 6, 2015, the Commission Staff issued an Examiner's Report recommending that the Stipulation be rejected because SNG-Maine had not adequately demonstrated that the proposed changes were in the public interest. On October 13, 2015, SNG-Maine filed a letter withdrawing its petition in this case.

Summit Natural Gas Commercial Rebate Program

When the Commission authorized SNG-Maine to provide service in Maine in 2013, the Commission approved Summit's proposed residential rebate program. The program offers conversion rebates to residential customers and is intended to reduce the cost to convert to natural gas equipment, the cost of which SNG-Maine had identified as a significant barrier to those wishing to take natural gas service. On February 20, 2015, SNG-Maine filed a petition proposing to create a complementary program to offer rebates to potential commercial customers for equipment conversions. On December 15, 2015, Summit and the Office of the Public Advocate filed a stipulation recommending the approval of a modified commercial rebate program which the Commission approved on January 12, 2016.

Summit Natural Gas Promotional Programs

On July 17, 2015, SNG-Maine filed a request for permission to offer promotional programs without prior Commission approval. Promotional programs currently being offered by SNG-Maine include a primary heat conversion coupon program, a propane conversion coupon program, and a water heater conversion coupon program. SNG-Maine stated that it needs the flexibility to implement such programs without the delays associated with prior Commission review and approval so that it can effectively participate in a competitive environment. In support of its request, SNG-Maine also stated that the Commission had granted comparable flexibility to other local distribution companies during the start-up phase of their operations. This case is still pending, with a Commission decision anticipated in early 2016.

35-A M.R.S. § 4706 REQUIRED REPORTING

Alternative Rate-Making Mechanisms

The Commission is authorized by statute (35-A M.R.S. § 4706) to adopt alternative ratemaking mechanisms for gas utilities "to promote efficiency in operations, create appropriate financial incentives, promote rate stability and promote equitable cost recovery." In particular, the Commission may do the following: adopt multi-year ratemaking plans with mechanisms for future rate changes, reconcile costs and

revenue, index revenues or rate changes, establish financial incentives, streamline regulation or deregulate services where not required to protect the public interest, approve rate flexibility programs and modify cost-of-gas adjustment requirements. . Section 4706 requires the Commission to report on any significant developments with respect to action taken or proposed to be taken by the Commission in this area as part of its annual report.

On June 24, 2015, the Commission initiated an inquiry to examine current and potential alternative regulatory and rate-setting approaches for natural gas LDC supply-related decisions and costs. The Commission requested comments in several areas, and comments were filed in August. The inquiry will continue into 2016.

Please also see the section above on the Maine Natural Gas Rate Case and Section 13 of this report regarding the Law Court Appeal related to Bangor Gas.

Low-Income Assistance Programs

Section 4706-B requires the Commission to report on low-income assistance programs offered by LDCs. During 2015, Northern continued to provide a discount of 30% of total service charges to low-income residential customers. Maine Natural Gas continued to provide a discount to low-income residential customers equal to 50% of the customer charge. Finally, Summit continued to offer higher levels of conversion incentives to low-income residential customers.

The Commission regulates the rates and terms of service for Maine's natural gas local distribution utility companies (LDCs) to ensure that they are just and reasonable. The Commission also regulates sales, acquisitions or mergers among corporations owning LDCs doing business in the State. The Commission reviews and analyzes gas purchasing strategies and pricing options that can stabilize retail prices. In addition, the Commission oversees the safety aspects of LDC operations and facilities, as well as of certain propane facilities. Finally, in areas of the natural gas industry where federal agencies have jurisdiction over issues that affect Maine consumers, the Commission actively monitors federal proceedings and participates as warranted.

7. GAS SAFETY

GAS SAFETY REGULATION AND ENFORCEMENT IN MAINE

The Commission regulates natural gas service reliability and ensures compliance with safety standards for 1,118 miles of natural gas distribution mains, 84 miles of intra-state transmission pipelines (including the five mile private pipeline operated by Woodland Pulp, LLC), and 31,862 services. These facilities were in service throughout Maine as of December 31, 2014 as denoted in the operators' annual reports to the U.S.

Department of Transportation's Pipeline and Hazardous Material Safety Administration (PHMSA) filed March 15, 2015. In addition, the Commission enforces safety standards for over 700 propane gas distribution facilities that deliver propane service to multi-unit housing complexes, commercial buildings and other facilities where propane system failures would likely impact large numbers of people.

The Commission derives its authority for safety oversight from both state and federal laws. Chapters 420 and 421 of the Commission's Rules adopt federal safety regulations for pipelines that transport hazardous gases to protect the public and govern the safe operation of distribution and intrastate transmission facilities within the State. During 2015, the Commission completed a rulemaking that modified Chapter 420, Safety Standards for Natural Gas and Liquefied Natural Gas Facility Operators, as follows:

- Added a Public Awareness message requirement regarding the use of trenchless technology to install gas mains and lines;
- Added an Operator Qualification requirement for personnel constructing new natural gas pipelines;
- Modified the requirement regarding the location of regulator vents with regard to building openings and sources of ignition;
- Modified the inspection requirements for pipe joining;
- Established a shielding requirement above pipe buried at less than the required cover depth;
- Established GIS requirements for the tracking of pipe, fittings, and appurtenances installed in pipeline systems;
- Established training and testing requirements for personnel involved in the construction, operation, or maintenance of natural gas facilities;
- Established a requirement that certain documents submitted to the Commission be stamped by a Professional Engineer; and
- Modified the deadline for the submission of monthly leak survey and odor response reports to the Commission; and modified the rule's waiver provision.

The Commission is also a certified agent for PHMSA. In this role, the Commission ensures that intrastate natural gas transmission and distribution systems are in compliance with federal pipeline safety standards and corresponding state regulations through operator inspections. Additionally, the Commission performs investigations of

natural gas safety incidents and pursues enforcement actions for violations of the federal or state safety regulations.

PHMSA conducts annual evaluations of the pipeline safety programs for all states which have agency certification. PHMSA's 2015 evaluation, for calendar year 2014, resulted in a perfect score of 100% for the Commission's pipeline safety program. The staff continues to improve the program based on feedback provided by PHMSA in previous evaluations and plans to begin using electronic tablets to complete inspection forms in the field in 2016. This should significantly reduce the amount of time it takes for staff to complete inspection forms which in turn should allow staff to spend more time in the field completing inspections.

During 2015, the gas safety staff spent 254 person days conducting inspections and compliance audits of liquid propane gas (LPG) and natural gas facilities (see explanation of "person days" in Table 7 below). The purpose of the inspections and audits were to determine whether operators complied with the design, construction, operating, and maintenance requirements of the safety regulations. Approximately 150 inspections involved LPG facilities and 250 inspections involved natural gas facilities. Table 7 below depicts the various types of inspections completed by the gas safety staff over the past three years.

Table 7 – Inspection Data

Inspection Type – Natural Gas	Inspection Person Days*		
	2013	2014	2015
Procedures & Records	8	24	28.5
Construction	113	121	78
Integrity Management Programs	3	1	5.5
Operator Qualification Programs	2	19	10.5
Accident or Incident Investigations	1	N/A	1
Damage Prevention	2	6	2
Public Awareness Programs	5	3	5
Drug & Alcohol Testing Programs	3	4	1
Compliance Follow-Up	4	6	61
Operator Training	2	3	3
Inspection Type - Propane			
Procedures & Records	N/A	39	25
Operator Training	3	N/A	3
Integrity Management Programs	1	19	N/A
Damage Prevention	N/A	N/A	1.5
Compliance Follow-Up	1	5	3
# of Facilities Inspected (not Inspection Person Days)	166	178	153

*An "inspection person day" is defined by PHMSA as all or part of a day spent by pipeline safety staff in on-site evaluation of an operator's system to determine compliance with Federal or State pipeline safety regulations; or in on-site investigation of a pipeline incident; or in training of an operator.

The majority of the LPG inspections conducted in 2015 resulted in operators taking some corrective actions to bring their facilities into compliance. Most of these corrective

actions were handled through informal proceedings. However, 10 inspections resulted in the issuance of three Notices of Probable Violations (NOPVs) with associated penalties totaling \$10,250.

Inspections of natural gas operators also resulted in a number of corrective actions. Like those with the LPG operators, most corrective actions were resolved through informal proceedings. There were, however, two inspections in 2015 related to SNGME’s construction that resulted in the issuance of two NOPVs with associated penalties totaling \$2,000. In addition, NOPVs were also issued to Maine Natural Gas, in the amount of \$5,000, for inadequate leak survey records and to Unitil, in the amount of \$7,500, for failure to follow their Operating and Maintenance Procedures when inspecting valves.

In 2015, the Pipeline Safety Trust, a nonprofit public charity that promotes pipeline safety through education and advocacy, increased access to information, and partnerships with residents, safety advocates, government, and industry, ranked the Gas Safety section of the Commission’s web site third in the nation with regard to transparency and content.

KEY EVENTS

2015 Construction

In total the four natural gas LDC's in Maine added 48 miles of new mains and over 1,800 new services. Summit Natural Gas of Maine (SNGME) constructed approximately 12 miles of main and added 231 services in their Kennebec Valley service territory. In SNGME's Cumberland, Falmouth, and Yarmouth service territory, SNGME constructed approximately 21 miles of main and added 558 services. The total miles constructed by SNGME in the past three years is 168, resulting in 2,436 services.

Table 8 - 2015 Natural Gas Expansion

Utility	Mains (miles)		Number of Services	
	Added in 2015	Total	Added in 2015	Total
Bangor Natural Gas	8.3	249	470	5,900
Maine Natural Gas	0.9	189	108	4,023
Summit Natural Gas of Maine		168		2,436
Kennebec Valley	12.0		231	
Cumberland, Falmouth, Yarmouth	21.0		558	
Unitil (Northern Utilities)	5.8	559	475	21,345
Totals	48.0	1,165	1,842	33,704

Bangor Natural Gas constructed approximately 8.3 miles of main in 2015 and added 470 services. Unitil (Northern Utilities) constructed approximately 5.8 miles of main and added 475 services. Maine Natural Gas constructed approximately 0.9 miles of main and added 108 services. The approximate expansion information in Table 8 for 2015 (mains and services) was provided to Commission staff by each utility in November 2015. Total mains and services were calculated by adding each utility’s stated 2015

expansion to the length of main and services they reported in their Gas Distribution System Annual Report to the Pipeline and Hazardous Materials Safety Administration for Calendar Year 2014.

Cast Iron and Bare Steel Replacement Program

In 2010, the Commission approved a 14-year replacement program for Northern Utilities' cast iron and bare steel facilities. The program is intended to improve the safety of the system, as well as increase its capacity to serve customers in the Portland area. The Commission monitors Northern's program performance each year through compliance reports which are required to be filed by March 30. In 2015, Northern retired 4.67 miles of cast iron main, 2.33 miles of bare/unprotected steel or wrought iron main, and 1.31 miles of plastic pipe, on its low pressure system. The cumulative project totals are now: 17.85 miles (out of approximately 65 miles) of cast iron retired, 1.94 miles (out of approximately 10 miles) of bare/unprotected steel retired, and 4.91 miles of plastic pipe retired. In 2016, Northern expects to retire an additional 4.92 miles of cast iron and bare/unprotected steel or wrought iron mains. Northern will file its 2015 Cast Iron Replacement Program (CIRP) report with the Commission by February 28, 2016.

In 2013, the Commission approved a Targeted Infrastructure Recovery Mechanism (TIRA) that provided for annual increases to distribution base rates to recover the costs associated with the cast iron replacement program. Specifically, as long as the projects are tracking within the cost and schedule metrics established by the Earned Value Management (EVM) analysis, Northern is allowed an annual rate adjustment on May 1st to recover its investments. On May 1, 2015, Northern implemented a TIRA adjustment of 3.02% to distribution base rates.

Summit Coupling Replacement

The Commission issued an Order in October 2015 approving a voluntary mitigation plan submitted by SNGME for the replacement of improperly installed electrofusion couplings.¹² Field inspections of newly installed electrofusion couplings revealed that contractors working for SNGME had failed to follow proper procedures while installing some electrofusion couplings. As a result, the Commission required SNGME to file a remedial plan to address the improperly installed couplings. The Commission also required SNGME to file a contingency plan to provide customers who could potentially be impacted by the remediation with alternative fuel sources should SNGME not be able to complete the mitigation plan prior to the onset of winter conditions. The majority of the coupling replacement work has been completed.

¹² "Electrofusion" is a plastic pipe fusion technology that utilizes electric current to heat an appurtenance to a pipe (in this case a coupling) and fuse the appurtenance to the plastic pipe. A "coupling" is used to join two pieces of pipe together.

8. DIG SAFE

UNDERGROUND FACILITY DAMAGE PREVENTION AND ENFORCEMENT

The Damage Prevention section of the Consumer Assistance and Safety Division (CASD) is charged with enforcing Maine's underground facilities damage prevention law, called "the Dig Safe Law" (23 M.R.S. § 3360-A). This law is intended to prevent damage to underground utility facilities such as gas lines, water lines, or underground telecommunications and electric cables resulting from excavation.

Under the Dig Safe Law and the Commission's rule implementing the law, Chapter 895, any person or company planning to excavate near underground facilities must follow certain safety procedures, and must notify facility owners of the planned excavation. Most facility operators, such as large utilities, can be notified using the Dig Safe System. Excavators can access the Dig Safe System online at www.digsafe.com, or by calling 1-800-DIGSAFE or 811. Excavators must also notify facility operators who are not members of the Dig Safe System, such as municipalities and smaller utilities. To help excavators identify the non-member operators that own underground facilities near their intended excavation site, the Commission maintains the OKTODIG program, a database of non-member operators. Excavators can access this program by calling 1-800 OKTODIG or online at www.oktodig.com. Once informed of a pending excavation, utilities have an obligation to locate and mark their underground facilities in accordance with the Dig Safe Law so that excavators will be sufficiently aware of their location when they dig. Violations of the Dig Safe Law and Chapter 895 must be reported to the Commission, which then investigates the incident and determines the appropriate enforcement action, if any. To increase awareness of the provisions of the Dig Safe law and Chapter 895, the Commission performs regular training programs at its offices and also performs on-site training at the request of excavators or facility operators. The Commission also provides public education materials to improve awareness among private property owners of the importance of preventing damage to underground facilities. These materials are available on the Commission's website. A summary of Dig Safe activities is provided in Table 8 below.

The U.S. Department of Transportation's Pipeline and Hazardous Material Safety Administration (PHMSA) periodically evaluates state damage prevention programs with respect to the "nine elements of effective damage prevention programs" cited by Congress in the Pipeline Inspection, Protection, Enforcement and Safety (PIPES) Act of 2006. The resulting program evaluation is meant to help stakeholders better understand the successes of and challenges to the state damage prevention programs, where the programs may need improvement, and where PHMSA can focus further assistance. The last evaluation was completed in 2014 and PHMSA recognized Maine's damage prevention program as "fully implementing all nine elements of an effective damage prevention program."

INDUSTRY TRENDS

Telecommunications facilities continue to experience the most damage related to excavating, though the incident rate for telecommunications has been decreasing over the past three years. Incident rates for natural gas facilities, however, increased in 2015. This is part of a trend of increasing incident rates for gas incidents experienced since 2012 and depicted in Table 9 below. The increase in the natural gas incident rate is most likely attributable to the extensive amount of new natural gas infrastructure installed in 2014 and 2015, as discussed in the Gas Safety Section 7 of this report.

The Commission conducts an on-site investigation for each incident as soon as possible, in many cases on the same day, to determine the cause of the incident and to assess the risk posed to people and underground facilities. Based on this investigation, the Commission will determine any appropriate response to the incident, such as training or the assessment of a financial penalty for the violator.

Table 9 – Summary of Dig Safe Activities

Metric	2012	2013	2014	2015
Reported Total Incidents	419	452	419	387
Reported Electric Incidents	79	76	98	78
Reported Gas Incidents	41	30	53	59
Reported Telecom Incidents	144	116	109	106
Reported Water Incidents	44	42	50	30
Reported Sewer Incidents	22	25	32	14
Reported CATV Incidents	57	55	48	82
Excavator Violations	245	168	109	103
Operator Violations	135	123	95	96
Penalties Assessed	\$242,600	\$185,750	\$170,350	\$167,500
Penalties Waived with Training	\$62,000	\$34,000	\$51,500	\$48,000
Penalties Not Waived	\$180,600	\$151,750	\$118,850	\$119,500

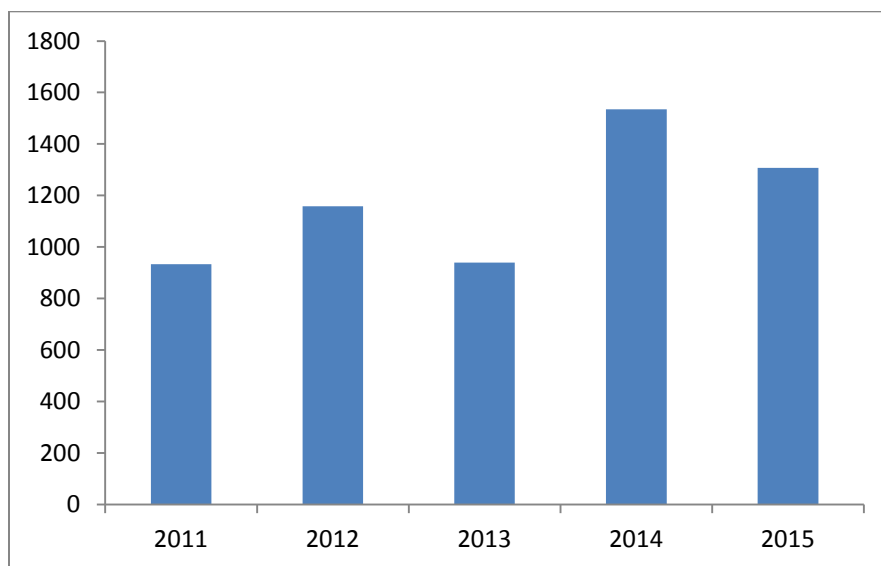
Public Awareness, Training and Education The Commission continues to strongly support and promote education and training about how to reduce and prevent damage incidents involving underground facilities and ensure the safety of residents and property located near those facilities. Maine's Underground Damage Prevention Rule (chapter 895) allows the Commission to require an excavator or member operator who has violated the rule to attend an educational training program. Often, this training is offered in lieu of a financial penalty. In addition, the Commission encourages

excavators and operators to periodically attend training sessions to ensure that they are up to date on the most recent technological and regulatory developments relating to underground facilities damage prevention. This emphasis on training is demonstrated by the trend of decreasing violations cited against both excavators and operators. As depicted in Table 8 above, violations cited against excavators have decreased by 58% from 245 violations cited in 2012 to 103 violations cited in 2015. The same trend is evident with regards to violations cited against operators, with 135 violations cited in 2012 and 96 cited in 2015, a 29% reduction.

In addition to coordinating and conducting its own education and training initiatives, the Commission also works with utilities, excavators, the regional Dig Safe organization, and private property owners to promote education and training of Maine's Dig Safe law. In 2015, the Commission supported training offered by the New England Committee of Managing Underground Safety Training (MUST), which includes Maine Dig Safe members, excavating contractors and underground facility location workers. Training seminars were held in Presque Isle, Auburn, Bangor, Augusta, and Saco. Discussions focused on safe work practices around underground facilities, compliant excavation site and underground facility markings, the design of various underground facilities and the risks involved when proper damage prevention steps are not taken.

The Commission also sponsored 42 certification and/or informational training sessions at various businesses, organizations, trade shows and at the Commission with over 1,308 participants. In the past five years, the Commission and MUST have trained over 7000 people on how to reduce and prevent damage incidents involving underground facilities as detailed in Figure 16 below.

Figure 16 - People trained by the Commission and MUST



MAJOR ACTIVITY

On April 22, 2014, L.D. 1647, An Act To Make Changes to the So-called Dig Safe Law, was enacted into law (Act). P.L 2013, Ch. 557. This was a Commission initiated bill. The Act directs the Commission to review its Dig Safe rules to identify ways to decrease the number of Dig Safe tickets issued that do not result in a marking. The Act also states that the Commission may submit a report with recommended changes to the law to the Joint Standing Committee of the Legislature having jurisdiction over utility matters by January 10, 2015, and that the Committee may report out a bill relating to the Commission's report to the First Regular Session of the 127th Legislature.

On June 23, 2014, the Commission opened a Notice of Inquiry (NOI), Docket No. 2014-00192, to solicit comments from interested stakeholders to implement the directives of L.D. 1647. On December 18, 2014, the Commission issued an Order Adopting Rule Amendments that, among other things, implemented measures to decrease the number of tickets issued by Dig Safe that do not result in a marking; and limits the situations where excavators are allowed to commence excavation without waiting up to 3 business days for those facilities to be marked to only those instances where the underground facilities are privately owned and provide service to a single family residence.

Because this rule is "major substantive" by 23 M.R.S.A. §3360-A(13), it requires legislative approval under 5 M.R.S. §§ 8071-8072. In compliance with these provisions, the Commission submitted the provisionally adopted rule to the Legislature for approval. On April 14, 2015, Resolves 2015, Ch. 9 became effective. This authorized the final adoption of the rule with the following modification: The rule must be amended in section 6(C)(4) to provide a specific time frame, not to exceed 10 business days, for a non-member operator to notify the Public Utilities Commission that the non-member operator's contact person who receives excavation notifications has changed or that the contact information of the contact person has changed for purposes of maintaining the commission's OKTODIG database. On October 7, 2015, the Commission initiated a rulemaking to implement the amendment required by P.L. 2015, Ch. 213. On December 15, 2015, the Commission issued an Order adopting the required amendment to Chapter 895.

9. WATER

THE WATER INDUSTRY IN MAINE

There are 153 water utilities in Maine. Water utilities are divided into two basic groups, investor owned water utilities and consumer owned water utilities, depending on the nature of utility ownership. Investor owned water utilities are privately held entities that provide water service for profit. They are organized in a manner similar to other privately held business entities. Consumer owned water utilities are not operated for profit and are organized as Water Districts or Water Departments. Water Districts are quasi-municipal entities, generally governed by elected or appointed boards of trustees. Water Districts are created by Private and Special Laws enacted by the Legislature that grants the Water District authority to provide water service in a specific area, called a service territory. The service territory of a Water District may include multiple municipalities. Similarly, Water Departments are divisions of municipalities and are governed by municipal governments. A Water Department will, generally provide service only to their particular municipality.

The Commission is charged with oversight of the rates and services of water utilities. The Department of Health and Human Service's Drinking Water Program regulates water quality through the enforcement of the Federal Safe Drinking Water Act. Finally, the Department of Environmental Protection is also involved in water utility issues, for example, with regulations on water sources.

KEY EVENTS

Rate Cases

The Commission allowed 23 rate changes to become effective pursuant to statutorily authorized procedures that do not require proceedings at the Commission absent customer petitions seeking Commission investigation. The major cause for these increases is due to the aging infrastructure that is reaching the end of its useful life as discussed below.

Chapter 675, Infrastructure Surcharge and Capital Reserve Accounts

The Commission adopted Chapter 657 which eases the burden of infrastructure replacement costs borne by customers by permitting the incremental recovery of capital costs between rate cases through adoption of infrastructure surcharges. Similarly, Chapter 675 authorizes the adoption by consumer owned water utilities of capital reserve accounts through which a water district may recover limited amounts of revenue through current rates to fund future infrastructure projects. In 2015, the Commission approved 11 water infrastructure surcharges for separate divisions of the Maine Water Company described below in Table 10.

Table 10 - Maine Water Company Infrastructure Surcharges

Maine Water Company Division	Docket Number	Effective Date	% Increase	Tariff Amount (per 100 cubic feet)	Calculated Average Quarterly Charge
Freeport	2015-00346	1/1/2016	0.83	0.0729	0.87
Hartland	2015-00345	1/1/2016	1.00	0.2222	2.67
Millinocket	2015-00330	12/15/2015	0.79	0.198	2.38
Kezar Falls	2015-00287	11/1/2015	2.47	0.0453	0.54
Bucksport	2015-00283	11/1/2015	0.93	0.2064	2.47
Camden/Rockland	2015-00258	10/1/2015	0.70	0.0793	0.95
Greenville	2015-00239	10/1/2015	2.74	0.5247	3.06
Camden/Rockland	2015-00014	3/1/2015	1.33	0.0519	0.62
Freeport	2014-00389	2/1/2015	1.14	0.0431	0.51
Oakland	2014-00388	2/1/2015	0.88	0.0462	0.55
Hartland	2014-00370	2/1/2015	1.62	0.1286	1.54

In each instance, the surcharge was calculated to recover the cost of completed projects, either replacement of water mains or water treatment facilities.

Additionally, one capital reserve account was filed by the Bangor Water District during their normal rate case in March 2015. The overall rate increase for the Bangor Water District was 9.8% and the capital reserve account was in the amount of \$553,476, which is 10% of that utility's revenue requirement.

INDUSTRY TRENDS

Increased Burden of Capital Expenditures

Water utilities both in Maine and nationwide, have confronted the pending need to replace water infrastructure that is currently at, or in the near future is expected to reach, the end of its useful life.

Much of the infrastructure used to currently deliver water service flows through pipes that were installed in response to growth and economic development in the late 1800s, World War I, 1920s, and in the immediate post-World War II period. The useful life of

these pipes varies considerably, depending on soil conditions, pipe material, and components of the water flowing through it. However, a significant portion of system components are becoming antiquated at approximately the same time. The Maine Drinking Water Program estimates that over the next 20 years, an investment of approximately \$1.2 billion is needed to fund infrastructure replacement in Maine. The cost associated with replacing this infrastructure for all water utilities nationally is estimated to exceed \$384 billion.

All water utilities can recover the cost for new infrastructure through rates over the life of the plant, and consumer-owned water utilities are also able to include in rates the full debt repayment for such projects. However, water infrastructure is expensive and the pumping and treatment facilities necessary to serve a thousand customers are roughly the same as those needed to serve a hundred customers. Due to the cost and scope of water systems, replacement of water infrastructure at the end of its useful life can present significant financial challenges to consumer-owned water utilities. As a result, new infrastructure needs can drive substantial rate increases to water utility customers.

Water Conservation and Resulting Decreased Water Revenues

Water utilities generally encourage water conservation through internal conservation measures such as leak detection on water mains and the monitoring of system water usage and by educating customers on conservation techniques. Conservation education typically includes posters newsletters and bill inserts explaining how customers can reduce their consumption of water. Some water utilities offer, at cost, low-flow shower heads and other kits that can help customers reduce their usage.

Successful water conservation measures tend to decrease the revenues earned by water utilities which, at a time when operational costs are either static or increasing, can diminish a utility's ability to finance its operations without a rate increase. Participants in a recent Commission Stakeholder Process reported declining usage in general, with Portland Water District, Bangor Water District, and the Maine Water Company reporting a trend of declining usage of approximately 1% per year.

MAJOR CASES

Commission Investigation into a Contract for Bulk Water Sales Between Fryeburg Water Company and Nestle Waters of North America

In September 2012, the Commission initiated an investigation into a proposed long term contract for water extraction and the lease of utility property between the Fryeburg Water Company and Nestle Waters of North America, Inc. This case drew considerable public attention. Ultimately, all three Commissioners recused themselves from considering the matter, resulting in the absence of the quorum necessary for Commission action. The proceeding was suspended until a sufficient number of Commissioners became available to decide the case. In response to this situation, the Legislature enacted P. L. 2013, Ch. 554, An Act To Provide for Temporary Commissioners at the Public Utilities Commission (the Act). Pursuant to the Act, the Governor appointed Justice Paul Rudman and Justice John Atwood to serve as

temporary commissioners. Temporary Commissioners Rudman and Atwood issued a decision resolving the case on November 21, 2014. The decision conditionally approved a long term contract between the Fryeburg Water Company and Nestle Waters of North America, Inc.. Under the contract, Nestle will lease a well from the Fryeburg Water Company and purchase untreated spring water for bottling and resale.

The national advocacy group, Food & Water Watch, which had opposed the approval of the contract, appealed the Commission's decision to the Law Court. The Law Court is expected to hold oral arguments on the matter in early 2016.

Portland Water District Request for Regulatory Exemptions

On June 8, 2015, the Portland Water District (District) filed a request, pursuant 35-A M.R.S. § 6114, for exemptions from several statutory requirements governing the operations of water districts and Commission oversight. In so petitioning, the District became the first in Maine to avail itself of the "regulatory reform" provisions enacted by the legislature in 2014. In its petition, the District provided the detailed information required pursuant to Chapter 615 – the rule adopted by the Commission in 2014 to implement the new "regulatory reform" statute. This information provided detail regarding the election of members of the District's Board of Trustees; decision making procedures; process for permitting customers to appeal decisions made by the District and its Board of Trustees; internal complaint resolution procedures; and its processes relating to District customers submitting complaints to the Commission's Consumer Assistance and Safety Division. The Commission also reviewed comments filed by the Office of the Public Advocate.

The Commission concluded that the District had met the statutory standard for granting the requested exemptions because it possesses adequate technical, financial and administrative capacity to perform the waived functions and requirements and that granting the exemptions would (1) be in the public interest; (2) not result in unjust or unreasonable rates; and (3) will not have a negative impact on the provision of safe, adequate and reliable service.

The Commission granted the District's petition for exemption from all, or parts, of 14 sections of Title 35-A and 10 Commission Rules. Most significantly, the Commission exempted the District from Commission oversight with respect to the District's rate setting activities and the filing of rate schedules at the Commission. In granting these exemptions, and making the requisite statutory findings, the Commission agreed with the underlying premises of the District's petition – that the popularly elected Board of Trustees has demonstrated familiarity with and responsiveness to the needs of the District's customers and has likewise demonstrated an ability to manage the District's infrastructure, rates, and the terms and conditions upon which it provides service sufficient to ensure just, adequate and safe service at reasonable rates, and that it may be able to continue doing so more efficiently without Commission supervision over the particular activities and requirements specified in the petition. The approval of the exemptions was subject to 15 separate conditions that address issues identified over the course of the review of the District's petition and which clarify the District's ongoing

obligations under Title 35-A notwithstanding the exemptions from Commission oversight.

Investigation Into Rate Increase of the Berwick Water Department

In November, 2014, the Berwick Water Department proposed an increase in rates of 11.41%. In February, 2015, the Commission received a petition bearing the signatures of 160 customers of the Department requesting an investigation of the proposed rate increase pursuant to 35-A M.R.S. §6104. After a period of discovery, the parties, including the OPA, engaged in settlement discussions leading to a Stipulation among the parties. Pursuant to the Stipulation, which the Commission approved in September, 2015, the rates of the Department were permitted to increase by 8.56%. In addition, the Stipulation provided for a change in rate design by which the usage level for the calculation of the minimum charge was reduced from 900 cubic feet to 500 cubic feet and an additional level of consumption included in the schedule of consumption charges.

Investigation into the Acts and Practices of the Machias Water Company

In March, 2015, the Commission opened an investigation into the reasonableness of the operations and maintenance practices of the Machias Water Company, an investor owned utility. Giving rise to the investigation was a complaint lodged with the Commission by the Town of Machias asserting, among other things, the asserted failure of a hydrant pipe at the scene of a fire in July, 2014. Following discovery, the parties, with the assistance of Commission Staff, engaged in extensive settlement discussions, leading to a Stipulation of the parties which the Commission approved on September, 2015. The Stipulation contains provisions regarding communication between the Company and the Machias Fire Department, testing of fire flow, end-of-line flushing, and hydrant inspections and replacement. In approving the Stipulation, the Commission noted that the record established in the investigation indicated that insufficient communications between the Company, the Town, and the Town's Fire Department may have contributed to a series of misunderstandings and corresponding friction between these parties in the recent past, and that the package of provisions contained in the Stipulation were intended to facilitate improved future communications and cooperation.

10. EMERGENCY SERVICES COMMUNICATION BUREAU

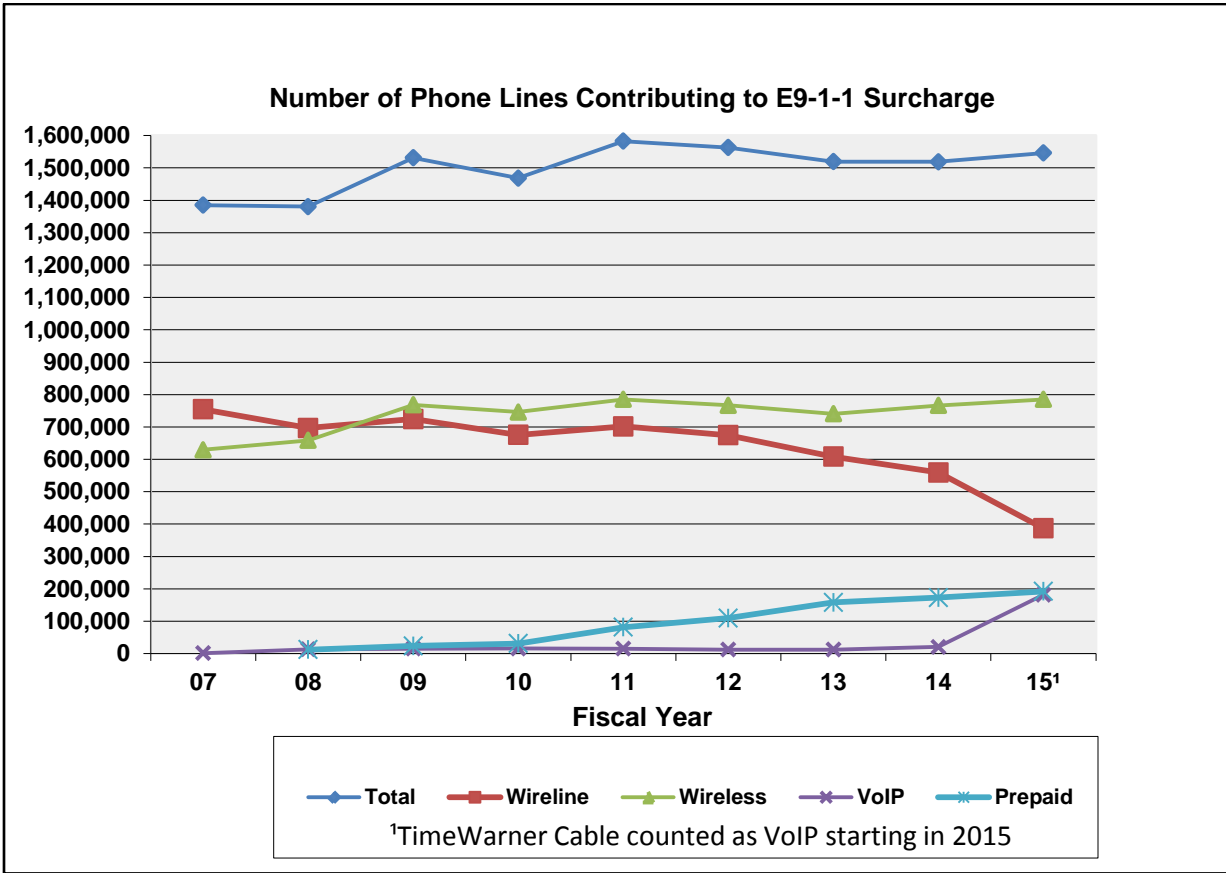
911 SERVICES IN MAINE

The Emergency Services Communication Bureau (ESCB) manages the state-wide 911 system, which is the component of the emergency response system that delivers 911 calls and displays the telephone number and physical location of the caller at one of Maine’s 26 predetermined Public Safety Answering Points (PSAPs). Figure 20 on page 69 shows the geographical coverage area of each of the PSAPs. The ESCB is funded by the E911 surcharge which is assessed on all wireline, wireless (prepaid and postpaid) and VoIP service.

INDUSTRY TRENDS

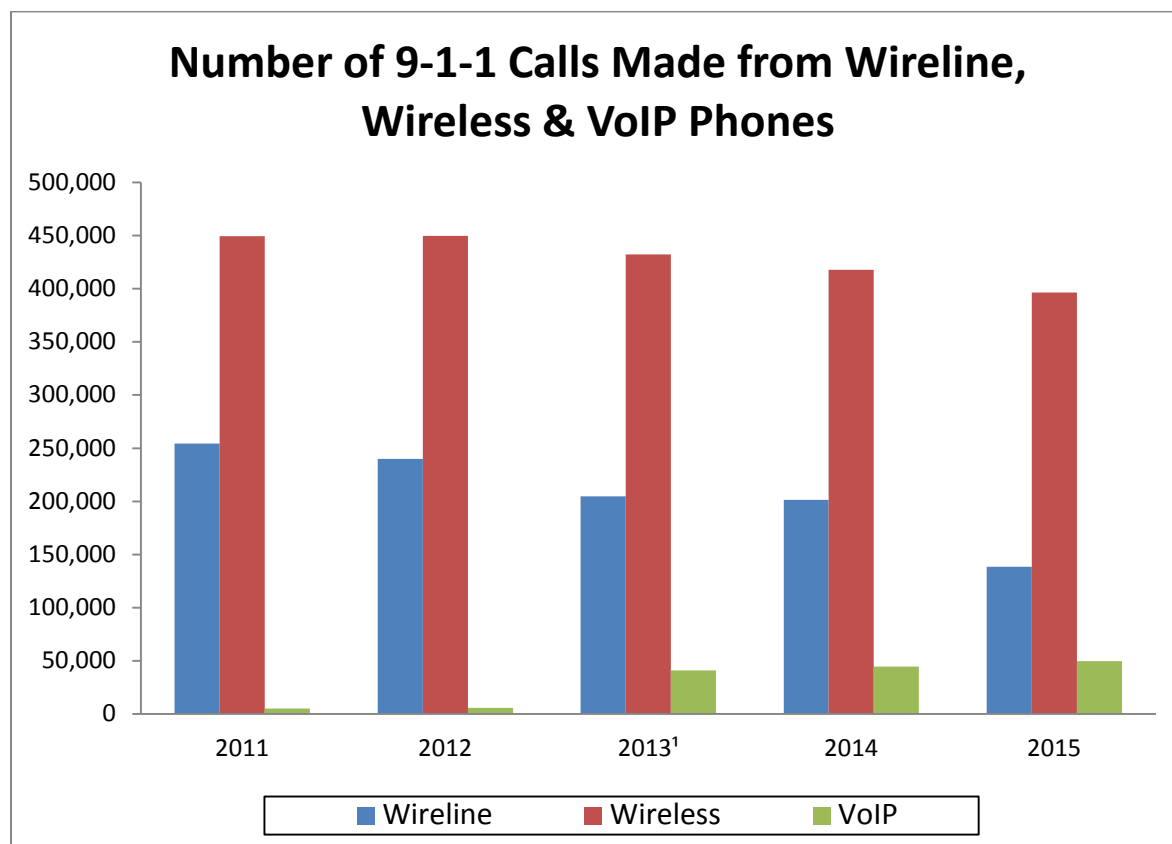
Nationally and in Maine, wireless phones have accounted for the largest portion of payments of the E911 surcharge. See Figure 17.

Figure 17 – Phone Lines Contributing to E911 Surcharge



In 2015, as in previous years, there were more 911 calls made from wireless phones (67%) than wireline and VoIP phones combined (33%) in Maine. See Figure 18.

Figure 18 - 911 Calls



¹In 2013, Time Warner Cable transitioned away from traditional wireline call routing to dynamic VoIP routing which accounts for the apparent sudden increase in VoIP calls.

KEY EVENTS

Next Generation 911 Implementation

A contract was executed with FairPoint Communications in March 2013 for Next Generation 911 (NG911) services to transition Maine’s aging E911 system to a modern standards-based system capable of handling new communication. The first PSAP was transitioned in March 2014. An aggressive implementation schedule resulted in all 26 PSAPs being successfully cutover to the new system by July 23, 2014. This completed one of the nation’s first statewide end-to-end NG911 system deployment based on the Detailed Functional and Interface Standards for the National Emergency Number Associations i3 Solution, positioning Maine well for accepting new applications. The ESCB has since focused on ensuring the system is operating as designed and that it is meeting the PSAPs’ needs. Monthly conference calls involving FairPoint, ESCB staff and PSAPs help identify and track any issues. The ESCB has also instituted a

PSAP site visit schedule to help them with the new equipment and identify system issues in need of improvement.

The ESCB began to migrate the current text to TTY solution to the more robust text via Internet Protocol that harnesses the rich features of the NG911 solution. This deployment will also distribute text calls to PSAPs based on location. This should be complete by mid-2016.

United States Coast Guard Demonstration Project

The ESCB, FairPoint Communications and Solacom successfully collaborated with the United States Coast Guard (USCG) on an NG911 demonstration project in 2016. The goal of the project was to transfer both voice and the location data associated with a wireless 911 call originating off the coast of Maine and received by a Maine PSAP to the USCG regional dispatch center. The transmission had to be sent from Maine's NG911 system and received by USCG in NG911 industry standard format without any manipulation. The USCG will build on the success of this project with the ESCB for its NG911 plan development across the nation.

Text Messaging

Enabling wireless consumers to send a text message to 911 will substantially improve accessibility to emergency services, particularly for people with hearing or speech disabilities. Although a complete solution in conjunction with NG911 is still several years away, the Federal Communications Commission (FCC) has taken several steps towards an interim solution for all carriers.

In December 2012, the FCC issued a Notice of Proposed Rulemaking to consider an interim solution that would enable consumers to send text messages to 911 as well as educate and inform them regarding future availability and its appropriate use. Specifically, under the proposed rules wireless carriers would need to provide a bounce back message by the end of June 2013 if the service is not available in an area. In May 2013, the FCC issued an order requiring a bounce back message by September 30, 2013.

In December 2013, four of the largest wireless carriers (Verizon, Sprint, T-Mobile and AT&T) submitted a voluntary letter of agreement to the FCC in which they committed to implementing interim SMS (text messaging) solutions absent an FCC order by May 2014, a goal they each met.

On August 8, 2014, the FCC took additional steps to make text-to-911 more widely available by adopting an order that will require all wireless carriers and other text messaging providers that enable consumers to send text messages to and from United States phone numbers to deliver emergency texts to PSAPs that request the service. Wireless carriers and other text messaging providers that are not already supporting text-to-911 must be capable of doing so by year end 2014, and must respond to PSAP requests to deliver text-to-911 by June 30, 2015, or six months from the date of the PSAP's request, whichever is later.

In 2013, Maine was Verizon Wireless's first applicant for its SMS to TTY interim 911 solution in the country. In keeping with the voluntary agreement of the larger carriers, the ESCB formally requested SMS to TTY with Sprint in July 2013 and AT&T in November 2013 and implemented the service with both carriers statewide in 2014. With the implementation of service with US Cellular and T-Mobile in 2015, Maine completed text to 911 deployments for the five major carriers with service in Maine.

Efforts in 2016 will focus on migrating text to TTY service to a more robust Internet Protocol based solution that will take advantage of the capabilities of Maine's NG911 system.

Call Taker and Dispatch Training

The ESCB offers a variety of courses to ensure that 911 call takers and dispatchers have all the necessary skills to handle emergency calls. See Table 11 for a summary of students trained.

- **Emergency Medical Dispatch** Maine is one of only twelve states to require that all 911 call-takers be trained and licensed in Emergency Medical Dispatch (EMD), an advanced training requirement that prepares the 911 call taker to assist callers/victims by providing life-saving instructions to follow while waiting for ambulance personnel to arrive on-scene. ESCB sponsors a 3-day EMD training including the training of new hires plus an additional 2-day training for supervisors on quality assurance review of the EMD calls.
- **Mandatory Basic Emergency Telecommunicator Course (ETC)** The ESCB offers a basic emergency telecommunicator 40-hour curriculum that covers topics including roles and responsibilities, technology, interpersonal communications call management, police/fire/emergency medical call classifications, radio dispatch procedures, quality improvement, catastrophic events, legal aspects and stress management. This training provides for a uniform base of knowledge for all newly hired emergency dispatchers statewide. All full-time dispatchers are required to take this class within one year of hire.
- **911 Equipment & Bureau Policy Training** Initial training for newly-hired PSAP call takers consists of a 2-day equipment and certification course, which must be completed within 90 days of assignment. PSAP system administrators complete an additional 2-day advanced course in system administration.
- **Continuing Education Courses** The ESCB recognizes the need for continual skills development as well as refresher opportunities for all communications personnel, and sponsors a variety of opportunities throughout the year.

Table 11 - Students Trained

Course Name	Students Trained in 2015
NG911/Vesta New Hire Training	56
Emergency Telecommunicator Course	42
Emergency Medical Dispatch Certification	79
Emergency Medical Dispatch Quality Assurance (ED-Q)	17
Emergency Medical Dispatch AQUA Training	13
Emergency Medical Dispatch ProQA	29

Quality Assurance Program Development

Expansion of Call Handling Protocols to Include Fire and Police

On June 22, 2015, L.D. 1256, An Act to Improve the Safety and Survival of 9-1-1 Callers and First Responders, was enacted into law (Act). The Act states that in order to assist public safety answering points (PSAPs) in the adoption and implementation of standardized dispatch protocols for answering fire 9-1-1 calls, the ESCB shall use up to 5¢ of each surcharge collected under 25 M.R.S. § 2927 subsections 1-E and 1-F to provide PSAPs dispatcher training consistent with the protocols, necessary software and printed support materials. It further provides that the ESCB shall provide quality assurance training and software to assist PSAPs in ensuring compliance with the protocols and directs the ESCB to adopt routine technical rules related to the adoption, implementation and administration of standardized dispatch protocols for answering fire 9-1-1 calls.

The Act directs the Commission to phase in, over a 3-year period, the required protocols for fire 9-1-1 calls by PSAPs and seek input from the management of all PSAPs in developing the program. It also directs the Commission to submit a report to the Committee by January 15, 2019, that includes the cost to adopt and implement standardized dispatch protocols for answering police 9-1-1 calls, the time it would take to phase in the adoption and implementation of police protocols based on available funding from the 9-1-1 surcharge, whether there should be a certification and licensing

requirement for all standardized dispatch protocols and any recommendations to ensure the efficient and effective oversight of the standardized dispatch protocols.

On November 17, 2015, the Commission initiated a Notice of Inquiry into Issues Related to the Commission's Upcoming 911 Fire Protocols Rulemaking Proceeding (Docket 2015-00333) in order to gather information and viewpoints from interested persons concerning various issues in advance of its rulemaking. Comments were due December 9, 2015 and a meeting to further discussion issues raised in comments was held December 15, 2015. Rulemaking is expected to commence in January 2016.

PSAP Audits

During 2015 an audit was performed at each PSAP to ensure laws, rules and required policies and procedures are being followed and that any deficiencies identified previously were resolved.

Common areas in need of improvement:

- Most PSAPs have a policy for reviewing police and fire calls and are documenting these reviews consistently. This includes providing valuable feedback to dispatchers. A few PSAPs are doing some call quality reviews on specific call types (Domestic Violence/Structure Fires) but the ESCB recommended that these reviews also be documented.
- Employee rosters for the Maine Criminal Justice Academy training database and also the PSAP master training spreadsheet were validated at each PSAP.
- Conducted Captel phone (captioned phones are ideal for some people with hearing loss) and silent call processing training with each PSAP director.
- Emphasized that the TTY testing program is still required and the PSAP most show evidence of regular, on-going training and testing.

ESCB staff regularly visited PSAPs to insure that the NG911 system was working optimally, to assist call takers and supervisors with understanding equipment functionality, and to gather feedback on how the program could be improved. Many suggestions have been adopted. The visits will continue in 2016.

ESCB rules require PSAPs to answer all calls in ten seconds or less 90% of the time. This data is measured on an annual basis. PSAP's falling below this requirement are notified and asked for a corrective action plan. See Table 12 on the following page.

Table 12 - 2015 PSAP Call Center Efficiency

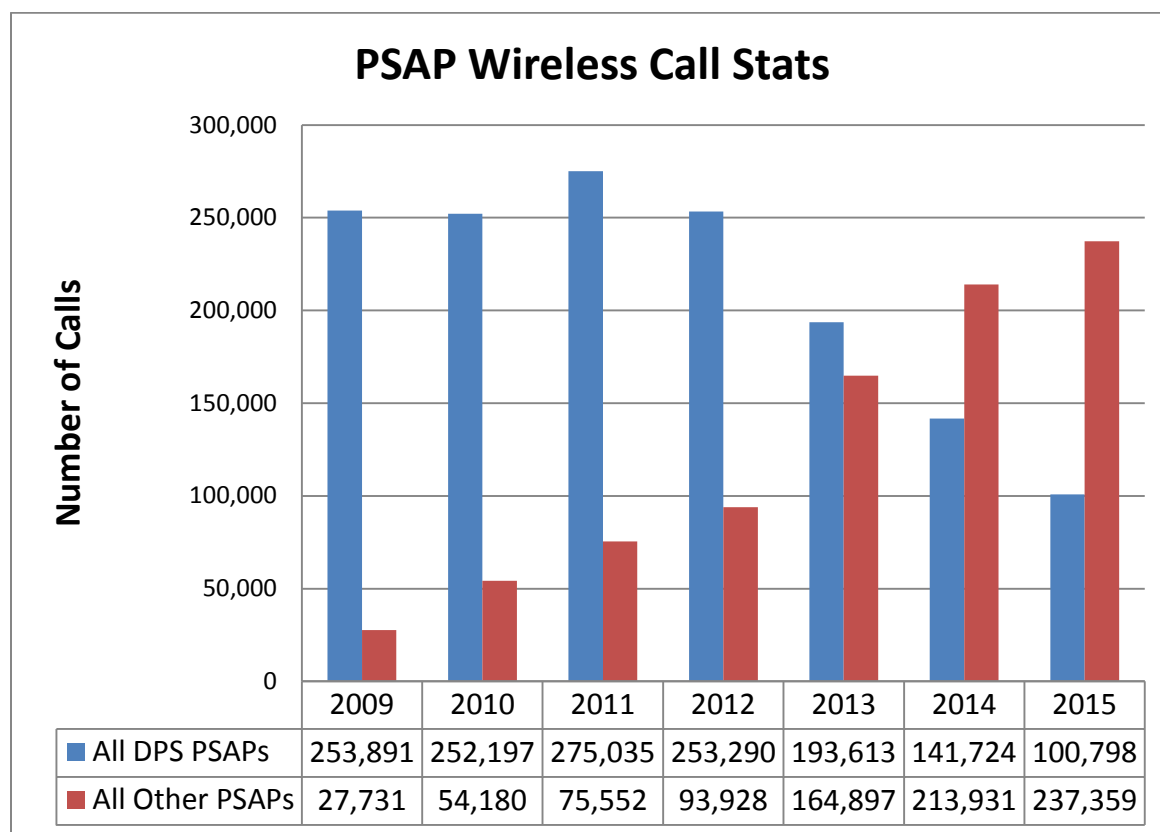
PSAP	Incoming 911 Calls 2015	% Calls Answered ≤ 10 seconds	Avg. Ring Duration
Piscataquis County SO	5,834	97.5	6.0
Waldo County RCC	10,122	95.6	7.0
Franklin County RCC	10,151	96.7	6.0
York PD	10,543	97.8	6.0
DPS Houlton	11,152	98.4	5.0
Lincoln County RCC	11,397	99.7	4.0
Scarborough PD	11,821	97.1	6.0
Androscoggin County SO	12,014	97.3	6.0
Washington County RCC	12,280	98.0	6.0
Brunswick PD	12,297	99.0	5.0
Knox County RCC	13,825	99.1	5.0
Westbrook PD	14,250	95.1	6.0
Hancock County RCC	15,557	97.7	6.0
Sagadahoc County RCC	16,400	99.5	4.0
Biddeford PD	17,331	99.0	6.0
Sanford PD	20,273	99.2	6.0
DPS Bangor	22,033	94.2	7.0
Bangor PD	23,845	95.1	6.0
Oxford County RCC	23,997	99.0	6.0
Cumberland County RCC	29,005	90.8	7.0
Somerset County RCC	36,745	99.3	5.0
DPS CMRCC	38,715	83.1	8.0
Penobscot County RCC	40,555	82.3	10.0
Lewiston Auburn 911	42,615	83.4	6.0
DPS Gray	57,537	84.7	7.0
Portland PD	64,534	79.8	9.0
Total Calls	584,828		

911 Cell Call Re-routing Legislative Directive In March 2012, the Joint Standing Committee on Energy, Utilities and Technology sent a letter encouraging the Commission to move as quickly as possible in redirecting wireless calls from Department of Public Safety (DPS) PSAPs to the PSAP most likely to dispatch the needed emergency service. The ESCB had substantially completed its initial effort by year end 2014.

In 2015, numerous cell sites were further reviewed to determine which locations could be redirected to minimize transfers and provide service more efficiently to emergency callers. This resulted in approximately 40,000 additional calls redirected from DPS PSAPs to county or municipal PSAPs.

Figure 19 illustrates the number of wireless calls answered by DPS PSAPs compared to all other PSAPs for the last seven years. Figure 15 shows the geographical coverage area of each of the PSAPs.

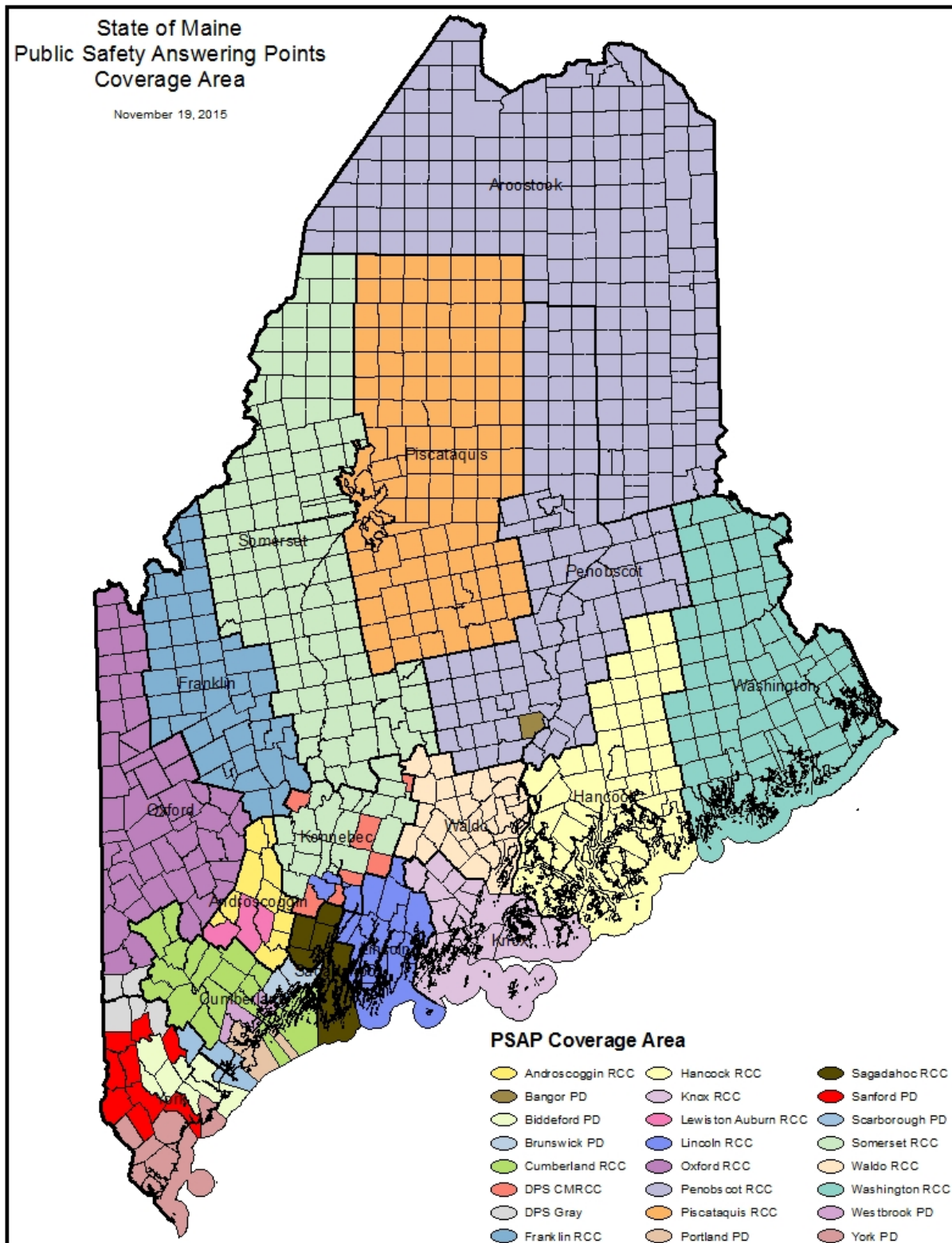
Figure 19 - PSAP Wireless Calls



Program Funding/Surcharge

Surcharge revenue is held in a dedicated, interest-bearing account and is tracked through the State’s accounting system. The current surcharge level is \$.45 a month. The Commission believes a surcharge level of \$.45 a month should produce sufficient revenues, when combined with an existing E911 fund balance, to finance the existing program through FY16.

Figure 20 - PSAP Coverage



11. CONSUMER ASSISTANCE

The Consumer Assistance section of the Consumer Assistance and Safety Division (CASD) is the Commission's primary link with utility customers. The CASD 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 its mission, the CASD is responsible for educating the public and utilities about consumer rights and responsibilities and other utility-related consumer issues, for investigating and resolving disputes between consumers and utilities, and for evaluating utility compliance with State statutes, Commission rules and the utility's Terms & Conditions for service. The Commission also uses information about consumer contacts with the CASD and other CASD data as a basis for enforcement actions, Commission investigations and in other Commission proceedings.

KEY EVENTS

In 2015, the CASD continued its efforts to monitor the effectiveness of the winter request to disconnect (WRTD) program. The purpose of the WRTD program is to encourage customers who are behind on their bills to contact the utility to establish a reasonable payment arrangement and avoid disconnection. Under the WRTD program, utilities are prohibited from disconnecting customers from November 15 to the following April 15 without receiving permission from the CASD. The WRTD process has several steps that encourage contact between the utility and customers having problems paying their bills. Utilities must first make significant attempts to personally contact customers who are behind on their bills to negotiate a payment arrangement prior to seeking permission to disconnect. When customers can be reached, either by the utility or by the CASD, the WRTD process ensures that the customer is placed on a reasonable payment arrangement to avoid disconnection.

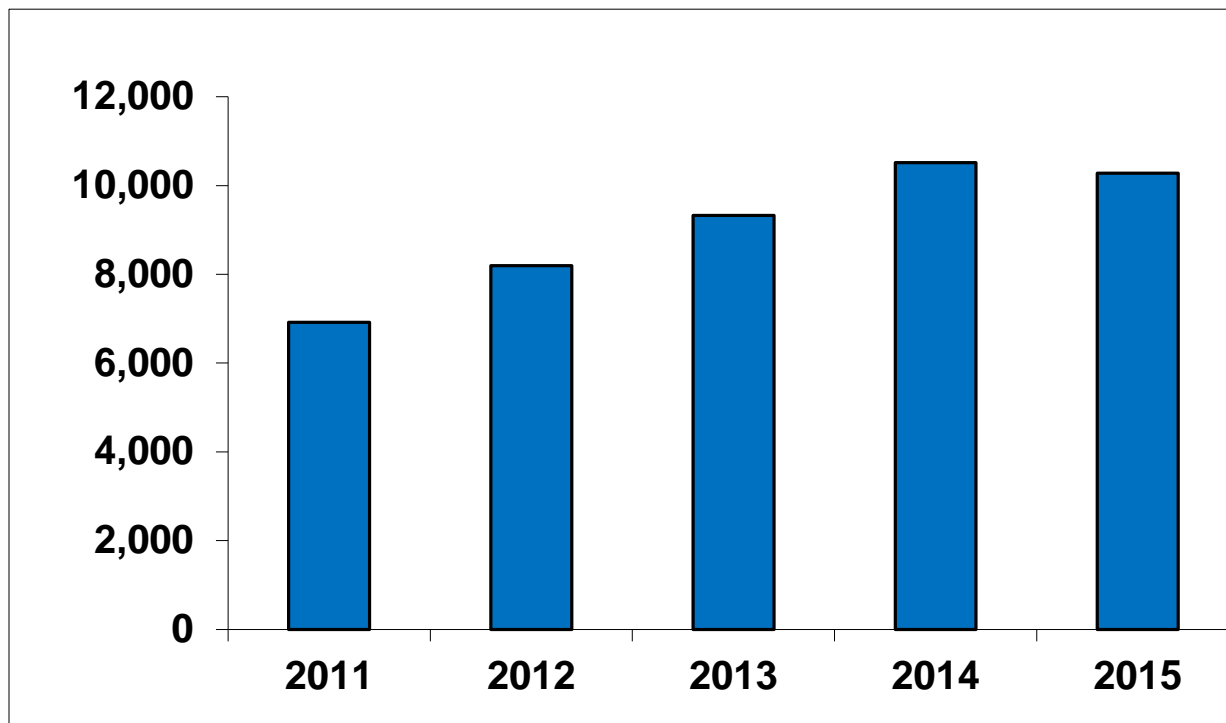
A review of the data collected by the CASD from utilities showed that the WRTD process was effective in 2015 at ensuring that consumers remain connected through the winter and that they paid a reasonable portion of their winter period bills. The initial step of the WRTD process (the CASD sending a letter seeking contact with the affected customer) resulted in over 41% of the WRTD's being resolved through the customer paying or entering into a payment arrangement. Subsequent steps in the process resulted in the vast majority of customers paying a reasonable portion of their winter bills and retaining their electric service.

CASD Contacts

The CASD tracks its contacts with both consumers and utilities as detailed in Figure 21. Contacts take several forms, such as the general provision of information and assistance, investigation of a complaint involving a customer dispute with a utility that the parties have been unable to resolve, or processing utility requests for waivers of Commission rules. The CASD recorded 10,280 consumer contacts in 2015. This was a

2% decrease from the 10,513 consumer contacts in 2014 and a 10% increase over the 9,325 consumer contacts in 2013.

Figure 21 – CASD Contacts 2011 - 2015

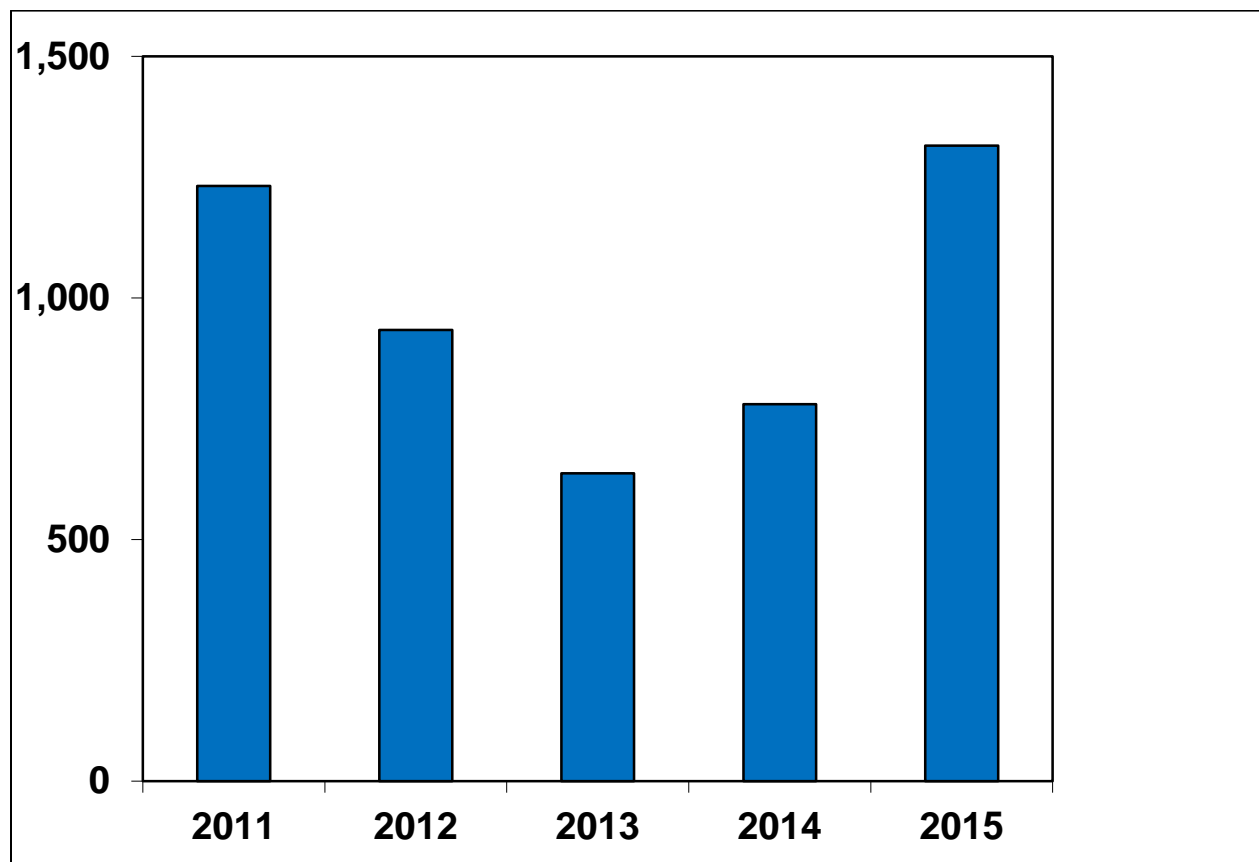


The CASD also tracks the speed in which it answers calls to its consumer hotline. Its goal is to answer at least 90% of calls within one minute. In 2015, the CASD answered 87% of calls within one minute with a call abandonment rate of 4%. In 2014 the CASD answered 93% of calls within one minute with a call abandonment rate of 2%, and in 2013 the CASD answered 97% of calls within one minute. The lower answer rate observed in 2015 was caused by the larger number of complaints received by the CASD as detailed below as well as a staffing shortage that existed for the CASD. The shortage has been addressed.

Consumer Complaints

As shown in Figure 22 below, the CASD received 1,315 complaints in 2015. This is a 64% increase over the 800 complaints in 2014 and a 106% increase from the 637 complaints received in 2013. This is the second consecutive year that complaints have increased and may represent an emerging trend. This trend follows a trend of decreasing complaints that existed from 2010 through 2013.

Figure 22 - Consumer Complaints 2011-2015



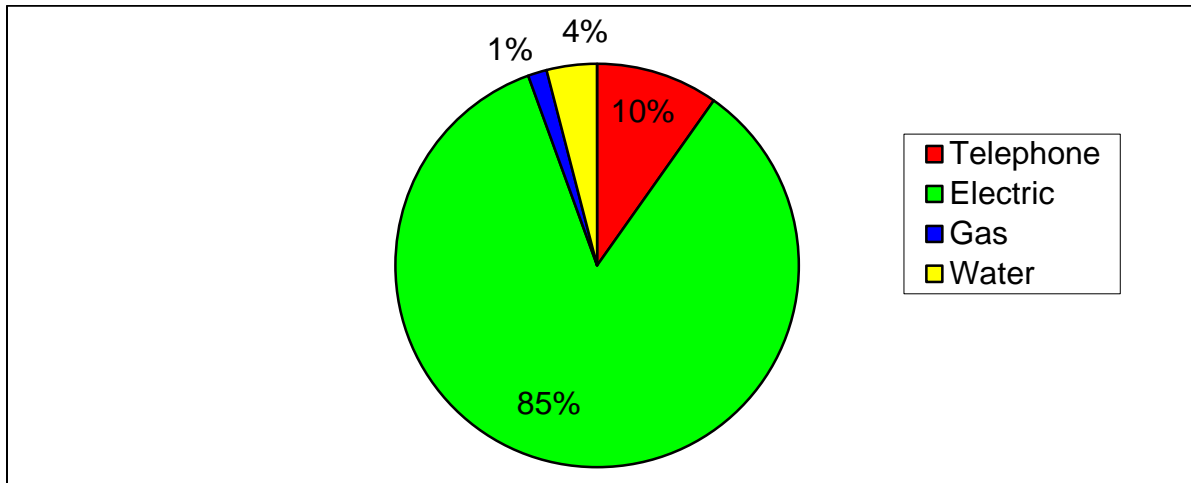
The growth in the number of complaints is largely attributable to the electric industry, with some increase in telephone. Figure 23 below breaks down complaints received by utility industry. A review of Figure 23 shows that electric complaints represented 85% of the total number of complaints received by the CASD in 2015. This is a four percentage point increase from the 81% of complaints filed against electric utilities in 2014. The number of electric complaints received by the CASD increased from 641 in 2014 to 1,113 in 2015, a 74% increase. This increase can be explained in part by an increase in complaints filed against competitive electricity providers (CEPs). CEP complaints increased by 71% from 2014 to 2015 (70 to 242 complaints). The remaining increase was primarily associated with consumers having difficulty paying their bills. Other factors include the continued effects of the recent recession and fewer variance and WRTDs being submitted by utilities.¹³

Figure 23 also shows that telephone complaints represented 10% of the total number of complaints received by the CASD in 2015. This is a one percentage point increase from the 9% of complaints filed against telephone utilities in 2014. This increase

¹³ The CASD ensures that payment troubled customers are placed on a reasonable payment arrangement, regardless of whether the customer contacts the CASD directly for assistance (matter handled as a complaint) or a utility seeks assistance with a payment troubled customer by filing a variance request or a WRTD. In these latter situations, because the matter was addressed through the variance or WRTD, a complaint is often avoided.

conflicts with the general trend of decreasing telephone complaints experienced since 2008. The increase is attributable to the FairPoint strike, which began during the last quarter of 2014 and ended in the first quarter of 2015.

Figure 23 - Complaint Type in 2015

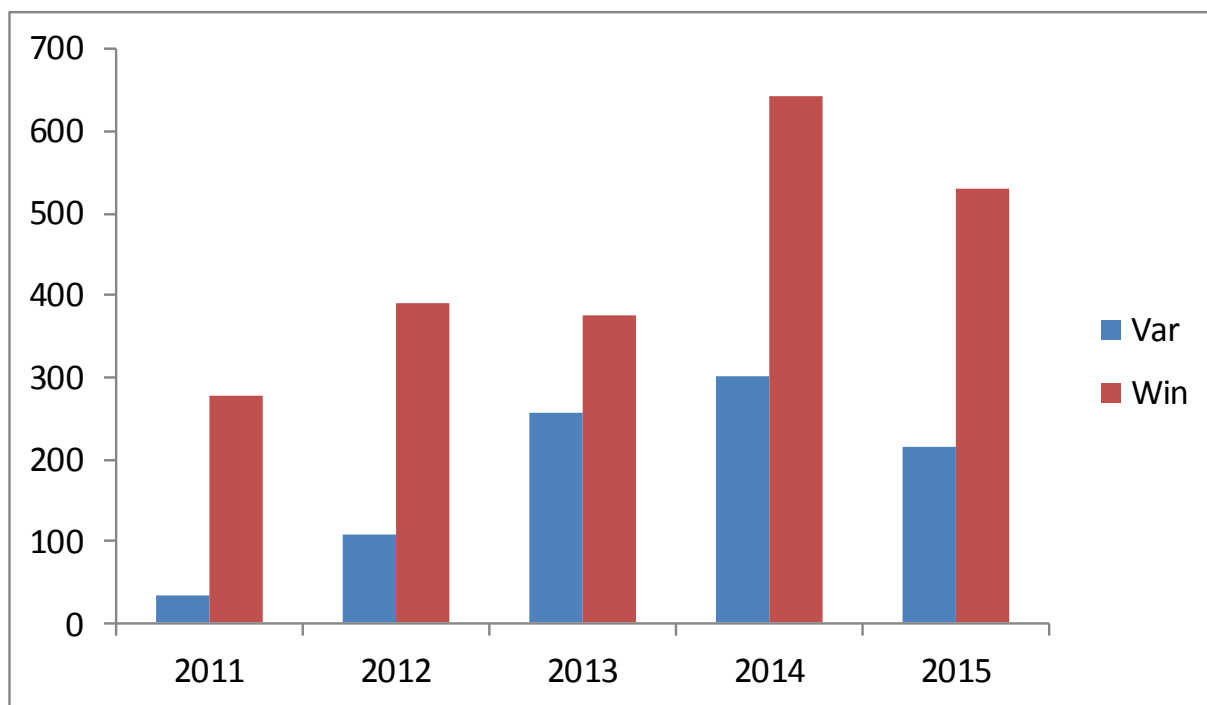


Utility Variances and Winter Requests to Disconnect

Utilities have the right to request a variance (or waiver) from Commission rules for individual applicants or customers whose conduct and known financial condition pose a clear danger of substantial losses to the utility. Decisions issued by the CASD in response to a variance request can be appealed to the Commission by either the utility or the customer. The CASD received 215 variance requests from utilities in 2015, a 32% decrease from the 318 variance requests received from utilities in 2014 and a 17% decrease from the 258 variance requests received in 2013. The CASD granted 223 variance requests or 70% of the total submitted in 2015. This compares to 86% of the variance requests being granted in 2014.

Between November 15 and April 15, electric and gas utilities are prohibited from disconnecting customers without first receiving permission from the CASD. During this time period, utilities must make significant attempts to personally contact customers who are behind on their bills to negotiate a payment arrangement prior to seeking permission to disconnect. In situations where the utility cannot make contact or is not able to negotiate a reasonable payment arrangement with a customer after making contact, the utility may submit a request to disconnect the customer's service to the CASD. In these situations, the CASD also attempts contact with the customer for the purpose of establishing a reasonable payment arrangement. In 2015, the CASD received 530 requests to disconnect from electric and gas utilities. This was a 17% decrease from the 642 requests received in 2014 but a 41% increase over the 376 requests received in 2013. The CASD granted 52% of the requests submitted in 2015. This compares to 47% of the requests being granted in 2014 and 41% granted in 2013.

Figure 24 - Winter Requests to Disconnect and Variances Received



Refunds to Consumers

The CASD frequently obtains credits or refunds for customers as part of its resolution of customer complaints filed against utilities. In 2015, \$167,903 was abated to 253 customers. This is a 63% decrease from the \$455,600 abated in 2014 and an 18 fold increase from the \$9,176 abated in 2013. The primary reason for the decrease from 2014 to 2015 was two CEP investigations that resulted in approximately \$317,000 being refunded to over 8500 consumers in 2014.

LOW INCOME PROGRAMS

Electric Low-Income Assistance and Oxygen Pump/Ventilator Programs Pursuant to 35-A M.R.S. § 3214(6)

The Commission is required by 35-A M.R.S. § 3214(6) to report annually the results of the Low Income Assistance Program (LIAP) and Oxygen Pump/Ventilator benefits to the Utilities and Energy Committee. The report must, at a minimum, include:

- A. For each month of the program year, the number of participants enrolled in low-income assistance programs, the number receiving oxygen pump benefits and the number receiving ventilator benefits;
- B. For each month of the program year, the dollar amount of low income assistance program benefits, the dollar amount of oxygen pump benefits and the number receiving ventilator benefits; and

- C. An assessment of the effectiveness of the oxygen pump benefit and ventilator benefit with regard to covering only those electric charges directly related to use of an oxygen pump or ventilator by the program participant.

Table 13 summarizes items A and B above: the information relating to the LIAP and Oxygen Pump/Ventilator benefits on a state-wide basis. The statistics are derived from the quarterly reports submitted by T&D utilities.

TABLE 13 – Program Statistics

Month	LIAP Program		Oxygen Program		Ventilator Program	
	Number of Participants	Amount of Benefit	Number of Participants	Amount of Benefit	Number of Participants	Amount of Benefit
Oct. 2014	1,323	\$194,997	62	\$2,697	0	\$0
Nov. 2014	4,764	\$644,922	194	\$12,529	0	\$0
Dec. 2014	7,395	\$684,531	319	\$18,175	0	\$0
Jan. 2015	10,263	\$1,019,512	442	\$20,357	0	\$0
Feb. 2015	12,799	\$1,164,488	483	\$19,089	0	\$0
Mar. 2015	13,585	\$940,150	521	\$20,123	1	\$36
April 2015	12,958	\$672,510	537	\$19,029	1	\$16
May 2015	12,488	\$393,543	508	\$16,119	1	\$15
June 2015	11,839	\$321,609	471	\$13,778	1	\$17
July 2015	11,829	\$161,198	436	\$12,011	1	\$14
Aug. 2015	11,309	\$278,873	421	\$11,449	1	\$17
Sept. 2015	11,093	\$1,548,911	397	\$11,174	1	\$1
Total		\$8,025,244		\$176,530		\$116

Item C above, the assessment of the oxygen pump benefit and ventilator benefit, was added to the LIAP reporting requirements in 2008 due to a problem associated with oxygen pump benefits. The problem resulted in some eligible customers receiving an oxygen pump benefit that exceeded the amount of the customer's entire electric bill. To address this issue, the Legislature adopted section 3 of Chapter 97 (codified at MSRA § 3214 (6)(C)), which requires the Commission to provide an assessment of whether the oxygen pump benefit and the ventilator benefit cover only those electric charges directly related to use of an oxygen pump or ventilator by the program participants. In response to this directive, the Commission revised Chapter 314 by reducing the estimated daily

and monthly kWh consumption amounts used to calculate the oxygen pump/ventilator benefit and by prohibiting a benefit from exceeding the customer's total electricity usage. These changes have resolved the problem.

Arrears Management Program

Public Law 2013, Chapter 556, "An Act to Assist Electric Utility Ratepayers" (Act) requires all electric transmission and distribution (T&D) utilities to create and administer an Arrearage Management Program (AMP) to assist eligible low-income residential customers who are in arrears on their electricity bills. The Act defines an AMP as a plan "under which a transmission and distribution utility works with an eligible low-income residential customer to establish an affordable payment plan and provide credit to that customer toward the customer's accumulated arrears as long as that customer remains in compliance with the terms of the program." The Act also instructed the Commission to establish requirements related to the implementation of AMP program by rule.

On February 4, 2015, the Commission initiated the rulemaking required by the Act. During the rulemaking proceeding, the Commission gathered data concerning potential AMP design elements, received comments from utilities and consumer advocates, and held two meetings to discuss the coordination of electricity assessment and energy efficiency components of the AMP between utilities and the Efficiency Maine Trust. On April 9, 2015, the Commission completed its rule making process, adopting Chapter 317, which set forth requirements and procedures for the AMP. Among other things, the new rule required each utility to submit terms and conditions to create and implement its AMP by October 1, 2015. The rule also established that residential customers who are eligible for LIHEAP in Maine and have an arrearage of \$500 or more that is at least 90 days old are eligible to participate in the program. Further, the rule established that for every month participating customers pay their current bills on time, 1/12 of the customers' arrearages, up to a maximum of \$300, will be forgiven.

The Act requires the Commission to prepare a report assessing the effectiveness of the AMP no later than January 28, 2018, and, absent any legislative action for the Act to be extended, it is repealed on September 30, 2018.

12. SUMMARY OF COMMISSION RULEMAKINGS

The following provides a summary of the Commission Rulemakings in 2015.

Chapter 317: Statewide Arrearage Management Program

This rule was adopted to establish a process and regulations by which each electric transmission and distribution utility will implement an Arrearage Management Program to assist eligible low-income residential customers who are in arrears with their electricity bills.

Chapter 396: Efficiency Maine Trust Procurement Funding Cap

This rule was adopted to establish the process and requirements to determine the 4% statutory cap on ratepayer funding of electric energy efficiency programs.

Chapter 403: Distribution of Funds to Support Regional Rideshare Programs

This rulemaking was initiated to repeal an outdated rule related to a regional rideshare program.

Chapter 420: Safety Standards for Natural Gas and Liquefied Natural Gas Operators

This rule was amended to update and clarify the safety requirements applicable to natural gas and liquefied natural gas distribution systems in Maine.

Chapter 895: Underground Facilities Damage Prevention

This rulemaking was initiated to amend the Chapter to be consistent with recent statutory changes.

13. SUMMARY OF LAW COURT APPEALS

Unlike most governmental agencies, the adjudicatory process employed by the Commission is most analogous to that of a court proceeding. Recognizing this unique aspect of the Commission's decision-making process, Title 35-A provides that appellate jurisdiction to review final Commission decisions resides exclusively with the Law Court. This differs from the process for judicial review that applies to most governmental agencies where appeals are taken, in the first instance, to Superior Court. The following provides a summary of the cases appealed to the Law Court that involve the Commission.

Bangor Gas Rate Base

The Office of the Public Advocate and Bucksport Mill, LLC, appealed from an September 2014, order of the MPUC approving an alternative rate plan (ARP) for Bangor Gas Company by which existing rates would be extended for a term of seven years. As required by 35-A M.R.S. § 4706, the Commission had evaluated the reasonableness of the rates under the ARP against the rates that would be established pursuant to a traditional rate-setting methodology. At issue on appeal was whether, in conducting this evaluation, the Commission properly determined the utility's rate base. The Commission determined a rate base of approximately \$38 million, using the original cost of the assets less depreciation. The OPA had advanced before the Commission, and at the Law Court, the argument that the true rate base was far lower due to the fact that the assets had been subject to an accounting "impairment" when Bangor's current owner, Energy West, acquired the stock of the utility for approximately \$500,000 from Sempra Energy in 2007. The Law Court affirmed the Commission's order, finding that the Commission did not abuse its discretion by rejecting the OPA's contention that Energy West's acquisition cost of the utility's stock is the primary basis upon which rate base should be determined. The Court held that the Commission properly considered all of the evidence and relevant statutory factors for determining rate base and did not exceed its authority or abuse its discretion by determining that the original cost valuation more accurately reflects the reasonable value of the property that Bangor Gas uses in providing its customers with natural gas and upon which it is entitled to a fair return.

Fryeburg Water Company

Bruce Taylor, an owner of property located in Fryeburg, and Food & Water Watch (FWW), a national advocacy group, appealed to the Law Court from the Commission's November, 2014 decision approving a long-term agreement between the Fryeburg Water Company and Nestle Waters of North America for the lease of certain utility property and the sale of untreated spring water to Nestle for bottling under the Poland Spring brand. The Commission proceeding was decided by retired Justices Rudman and Atwood, who were temporarily appointed for that purpose as a result of the recusal of MPUC Chairman Welch and Commissioner's Vannoy and Littell. On appeal, Mr. Taylor and FWW contend that (1) the procedures before the Commission denied them due process of law; (2) the utility's charter does not permit the sale of untreated water to Nestle; (3) the terms of the lease and arrangement for the sale of water set forth in the Agreement are discriminatory; and (4) that the Commission abused its discretion in

finding that the lease of the well from which the spring water is drawn will not cause harm to ratepayers or the utility in the form of degradation in the sustainability of the aquifer that is the source of the utility's water. Briefs were submitted to the Law Court in June and July, 2015, and we expect oral argument in the spring of 2016.

Central Maine Power Company Smart Meters

In 2012, at the direction of the Maine Supreme Judicial Court sitting as the Law Court ("Law Court"), and pursuant to a complaint filed at the Commission by several customers of Central Maine Power Company ("CMP"), the Commission opened an investigation into the health and safety ramifications of wireless electric meters (so-called "smart meters") used by CMP. The Commission's investigation concluded when the Commission, in an Order dated December 19, 2014, determined that CMP's smart meters do not pose a threat to the health and safety of CMP's customers. On January 9, 2015, one of the customers who brought the original complaint against CMP appealed the Commission's Order to the Law Court, challenging the factual findings and legal conclusions made by the Commission. After briefing by the parties, the Law Court held oral argument on the matter on November 3, 2015. The Law Court has not rendered a decision on this matter as of the date of this report.

FairPoint Rapid Response Process

In 2012, Biddeford Internet Corp. d/b/a Great Works Internet ("GWI") brought a complaint against Northern New England Telephone Operations LLC d/b/a FairPoint Communications-NNE ("FairPoint") pursuant to the Commission's Rapid Response Process.¹⁴ The dispute involved allegations by GWI that FairPoint was improperly invoicing GWI for service rendered, and improperly allocation payments and credits. On December 9, 2014, the Commission's Rapid Response Process Team issued its final decision on the merits of GWI's complaint, resolving the dispute largely in GWI's favor. The Commission affirmed the Rapid Response Process Team's decision in a March 16, 2015 Order. FairPoint appealed the Commission's March 16, 2015 Order to the Maine Supreme Judicial Court sitting as the Law Court ("Law Court") on April 6, 2015. As of November 10, 2015, the parties have completed the Law Court briefing process. As of the date of this Report, the Law Court had not scheduled a date for oral argument.

Emera Maine Affiliate Transactions

On April 30, 2012, the Commission issued an Order approving petitions for reorganization from Emera Maine that allowed the utility to become affiliated with two electric generation companies - First Wind Holdings, LLC and Algonquin Power & Utilities Corporation.¹⁵ The Order included numerous conditions applicable to the various parties. As part of its Order of Approval, the Commission found that under 35-A M.R.S. § 3204(5) of the Restructuring Act, Emera Maine would not have a prohibited financial interest in generation or generation-related assets as a result of the

¹⁴ The Rapid Response Process is a forum wherein a competitive telephone carrier can bring a complaint against its underlying incumbent carrier regarding competitive issues. The Rapid Response Process is a less formal forum than a full formal Commission investigation.

¹⁵ Bangor Hydro-Electric Company and Maine Public Service Company, Request for Exemptions and for Reorganization Approvals, Docket No. 2011-00170 (April 30, 2012).

transactions. The Commission interpreted the Restructuring Act to require that a utility have some type of control over an affiliate's generation assets in order to have a prohibited financial interest. The Order was appealed to the Maine Supreme Judicial Court. In March, 2014 the Court issued its ruling, which vacated the Commission's April 30th Order and remanded the case back to the Commission for further proceedings regarding interpretation of the requirements of the State's electric utility restructuring statutes.¹⁶ The Court's decision was based on its conclusion that the Commission's interpretation of 35-A M.R.S. § 3204(5), as requiring that a transmission and distribution utility have some type of control over an affiliate's generation assets to have a prohibited financial interest, was incorrect.

On October 9, 2014, the Commission issued its decision on remand, finding that under the Court's standard, the corporate relationships at issue are permitted by Maine law.¹⁷ On October 28, 2014, the October 9, 2014 Order was appealed to the Maine Supreme Judicial Court by Houlton Water Company (HWC) and the Industrial Energy Consumer Group (IECG). Shortly thereafter, Emera Maine notified the Commission by letter that First Wind and Emera, Emera Maine's parent, had entered into a sale agreement whereby Emera agreed to sell its membership interests in its joint venture with First Wind back to First Wind. By letter filed with the Commission on January 30, 2015, Emera Maine reported that on January 29, 2015, the parties successfully closed the sale agreement transaction. As a result of this sale back, Emera Maine has no current affiliation with First Wind, or First Wind's generation assets in Maine or elsewhere.

After receiving comments and reply comments from the parties, the Commission concluded that as a result of the sale back, the conditions included as part of the Commission's April 30, 2012 and October 9, 2014 Orders that related to the First Wind Transaction and Emera Maine's affiliation with First Wind's affiliates were no longer applicable. The Commission concluded that permitting these clearly mooted conditions to remain in place would result in a misplaced use of resources for all parties because the justification for such conditions - the relationship between First Wind, Northeast Wind, and Emera Maine - no longer existed. As a result, the Commission modified its prior orders in this matter to remove those conditions which were applicable to the mooted First Wind Transaction.¹⁸

The Commission's August 6, 2015 Order has also been appealed to the Law Court by HWC and the IECG on the grounds that the Commission did not have jurisdiction to issue its August 6th Order while the appeal of the Commission's October 9, 2014 Order was pending before the Law Court. All issues in the current appeals have been briefed and it is expected that the case will be argued before the Law Court during the first half of 2016.

¹⁶ *Houlton Water Company v. Public Utilities Commission*, 2014 ME 38, 87 A.3d 749 (*Houlton I*).

¹⁷ *Bangor Hydro-Electric Company and Maine Public Service Company, Request for Exemptions and for Reorganization Approvals*, Docket No. 2011-00170, Order Oct. 9, 2014.

¹⁸ *Id.* Order (Aug. 6, 2015).

14. REPORTS TO THE LEGISLATURE

The Commission submitted the following reports to the Legislature in 2015:

- Options for Decreasing the Cost of Ensuring That There Are Adequate and Affordable Basic Telephone Service Options Throughout the State, 1/7/15
- Report Regarding Excavator Notification to the Dig Safe System Pursuant to Maine's Dig Safe Law, 1/10/15
- Report on the Community-Based Renewable Energy Pilot Program, 1/15/15
- 2014 Annual Report, 2/1/15
- Maine Distributed Solar Valuation Study, 3/2/15
- DEP/EMT/PUC Regional Greenhouse Gas Initiative Annual Report, 3/27/15
- Annual Renewable Portfolio Standard (RPS) Report, 3/31/15
- Regional Greenhouse Gas Initiative Price Impacts Report¹⁹, 5/20/15
- Follow Up Report to the January 15, 2014 Report on Efficient Heating Pilot Programs, 6/18/15
- Report on the Status of Energy Cost Reduction Contracts, 12/31/15

As noted in Section 5, Electricity of this report, the Commission was also engaged in a follow on study to the Commission's January 20, 2014 Report To Examine Measures to Mitigate the Effects of Geomagnetic Disturbances (GMD) and Electromagnetic Pulses (EMP) on the State's Transmission System pursuant to Resolves 2013, Ch. 45. The Commission delivered this report along with all the comments submitted by the study group participants and a separate report authored by Emprimus, to the Legislature on February 6, 2015.

¹⁹ By a letter dated June 20, 2007, the Chairs of the Joint Standing Committee on Energy, Utilities and Technology requested the Commission to provide RGGI-related information to the Committee at least annually.

15. FISCAL INFORMATION

The Commission is required by 35-A M.R.S. §120 to report annually to the Joint Standing Committee on Energy, Utilities and Technology on its planned expenditures for the fiscal 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. All references in this section are to fiscal years -- July 1 to June 30.

In FY2015, the Commission regulated electric, gas, telephone, water and water common carrier utilities, enforced Maine's underground facilities damage prevention law, and managed the state-wide E911 system.

The Commission operates with two main programs and funds. The Emergency Services Communications Fund and the Regulatory Related Funds as detailed below.

The Emergency Services Communications Fund (E911)

This fund had an unencumbered balance of \$2,033,908 and an encumbered balance of \$1,668,381 brought forward from FY2014. \$7,455,048 was expended in FY2015. An unencumbered balance of \$2,917,719 and an encumbered balance of \$1,530,750 were brought forward to FY2016. The surcharge collected in FY2015 was \$8,353,235.

In FY2013, the Commission received a General Fund appropriation to partially cover costs related to the operation of two E911 systems during the transition from the existing Enhanced 911 system to the Next Gen 911 system. \$10,442 was expended in FY2015.

PUC Regulatory Related Accounts

Regulatory Fund

The authorized Regulatory Fund assessment for FY2015 was \$7,126,144. An unencumbered balance of \$2,035,611 and an encumbered balance of \$370,697 were brought forward from FY2014. The Commission spent \$7,763,951 in FY2015.

An unencumbered balance of \$1,964,542 and an encumbered balance of \$261,678 were brought forward to FY2015. The encumbered balances generally represent ongoing contracts.

Reimbursement Fund

In FY2015, the Commission collected \$2,000 in filing fees, \$310 in copying fees and \$259,650 in fines. An unencumbered balance of \$709,733 and an encumbered balance of \$5,581 were brought forward from FY2014. During FY2015, \$63,613 was expended. An unencumbered balance of \$399,433 and an encumbered balance of \$8,068 were brought forward to FY2016. The Commission transferred \$546,000 from the reimbursement fund to the General Fund in April 2015.

Damage Prevention Grant 2015

During FY2015, the Commission was awarded a Damage Prevention Grant from PHMSA in the amount of \$45,000.

PUC Regulatory Related Accounts – ARRA

State Electricity Regulators In FY 2010, the Commission was awarded a State Electricity Regulators assistance grant from the Federal Department of Energy. The total amount of the grant is \$783,554 with a grant period of November 1, 2009 to October 31, 2014. In FY2015, \$6,713 was expended.

The Budget in Perspective

In June 2015, the Legislature approved the Commission's biennial budget. Table 14 details the Commission's FY16 expenditure plan including position count.

Table 14 - FY2016 Work Program

Regulatory Fund	
Position Count	56.25
Personal Services	\$6,261,158
All Other	\$2,490,966
Capital	0
Total	\$8,752,124
Commission Reimbursement Fund	
All Other	\$50,000
Commission Damage Prevention	
Position Count	-0-
Personal Services	\$49,474
All Other	\$526
Total	\$50,000
Oversight and Evaluation Fund	
All Other	\$252,660
Prepaid Wireless	
All Other	\$1,135,714
Emergency Services Comm. Bureau (E-911)	
Position Count	9
Personal Services	\$873,413
All Other	\$7,145,901
Capital	0
Total	\$8,019,314

The Regulatory Fund Assessment in Perspective

Table 15 details the most recent ten years of Regulatory Fund assessments from Annual Reports filed by the utilities with the Commission. They include revenues for the previous year ending December 31. Calculations are made to determine what percentage of the revenues reported by regulated utilities will produce the amount authorized by statute. The derived factors that will raise the authorized amount are applied against the reported revenues of each utility.

Under 35-A M.R.S. § 116, on May 1 of each year the Commission sends an assessment notice to each utility with a July 1 due date. Funds derived from this assessment are used during the fiscal year beginning July 1. The total assessment for FY2015 was \$7,126,144. The assessment breakdown by utility sector was:

Electric	\$4,386,433
Telecommunications	\$ 917,927
Natural Gas	\$1,315,681
Water	\$ 505,875
Water Common Carrier	\$ 228
Total	<u>\$7,126,144</u>

Table 15 - Regulatory Fund Assessments for the Past Ten Years

Year	Electric Revenues	Telecom Revenues	Water Revenues	Gas Revenues	Water Carriers Revenues	Total Utilities Revenues	Amount Billed
2005	511,898,621	479,535,534	66,382,651	107,317,453	2,809,273	1,167,943,532	5,505,000
2006	531,365,202	492,780,390	110,130,702	71,921,808	2,949,997	1,209,148,099	5,505,000
2007	493,598,549	436,922,435	111,089,598	66,028,479	3,655,720	1,111,294,781	7,647,403
2008	475,656,450	425,737,517	115,900,129	73,573,876	-0*	1,090,867,872	7,172,489
2009	411,688,463	385,333,830	119,538,309	75,026,949	-0*	991,587,551	7,419,695
2010	374,604,109	317,191,824	121,107,181	76,880,341	3,591,115	893,374,570	8,069,573
2011	378,489,543	289,239,378	127,294,136	75,151,597	3,566,079	873,740,733	4,549,291
2012	391,325,882	297,835,978	129,690,285	82,984,999	3,622,645	905,459,789	4,939,248
2013	390,977,395	145,630,198	131,245,317	96,112,747	3,759,034	767,724,691	6,412,326
2014	415,949,262	57,786,471	130,866,502	109,386,508	3,802,125	717,790,868	7,126,144

*Revenues not included in assessment calculation

16. COMMISSIONERS' BIOGRAPHIES

Mark A. Vannoy was appointed Chairman of the Maine Public Utilities Commission in December 2014 by Governor Paul R. LePage. He had previously served as Commissioner being appointed in June 2012 and reappointed in May 2013. Prior to coming to the Commission he worked as an Associate Vice President in the infrastructure and civil practice group at Wright Pierce in Topsham, Maine. Before moving to Maine in 2000, he served as an Officer in the United States Navy, completing tours as a NROTC instructor at Cornell University, and a nuclear tour, as the Damage Control Assistant aboard CGN36 USS California. Commissioner Vannoy graduated from the United States Naval Academy in 1993 with a Bachelor of Science in Ocean Engineering. He completed his Masters of Engineering at Cornell University in 2000. His term expires in March 2019.

Carlisle J. T. Mclean was appointed to the Maine Public Utilities Commission in January 2015. Prior to this appointment she served as Chief Legal Counsel and Senior Natural Resources Policy Advisor for Governor Paul LePage. Prior to that she practiced environmental, land use and climate strategy law with the Preti Flaherty law firm from 2005 to 2011. Commissioner McLean has also worked at the Yale Center for Environmental Policy and the New York State Office of the Attorney General. She has been an active member of the Maine and American Bar Associations since 2005 and has held leadership positions with both organizations. Commissioner McLean received her Juris Doctor from Pace University School of Law and her Master of Environmental Management from Yale University School of Forestry. She completed her undergraduate degree at Bates College. Her term expires in March 2017.

R. Bruce Williamson, PhD, was appointed to the Maine Public Utilities Commission in June 2015. Prior to his appointment, Commissioner Williamson served as a senior economist at the University of Tennessee's Howard Baker Center for Public Policy. He has also served as a research professor at the University's College of Business Administration lecturing in advanced data analytics. He has worked as a senior economist at the National Defense Business Institute, and at Southwestern Bell Telephone Company. Commissioner Williamson holds a doctorate in economics, with an emphasis in utility economics, from the University of New Mexico. He completed his undergraduate work at Cornell and earned a Masters in International Relations from the Korb School. His term expires in March 2021.

17. PAST COMMISSIONERS

1915 – 2015

* Benjamin F. Cleaves	1915-1919	Cheryl Harrington	1982-1991
William B. Skelton	1915-1919	* David Moskovitz	1984-1989
Charles W. Mullen	1915-1916	* Kenneth Gordon	1988-1993
John E. Bunker	1917-1917	Elizabeth Paine	1989-1995
Herbert W. Trafton	1918-1936	Heather F. Hunt	1995-1998
* Charles E. Gurney	1921-1927	William M. Nugent	1991-2003
Albert Greenlaw	1924-1933	* Thomas L. Welch	1993-2005
* Albert J. Stearns	1928-1934		2011-2014
Edward Chase	1934-1940	Stephen L. Diamond	1998-2006
* Frank E. Southard	1935-1953	* Sharon M. Reishus	2003-2010
C. Carroll Blaisdell	1937-1941	* Kurt Adams	2005-2008
James L. Boyle	1941-1947	Vendean Vafiades	2007-2012
George E. Hill	1942-1953	* Jack Cashman	2008-2011
Edgar F. Corliss	1948-1954	David P. Littell	2010-2015
* 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		

* Denotes Chairman

