STATE OF MAINE
PUBLIC UTILITIES COMMISSION

2013 Annual Report

February 1, 2014

Maine Public Utilities Commission

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Commissioner David P. Littell
Commissioner Mark A. Vannoy

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Faith Huntington
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This Annual Report provides a brief overview of the significant work conducted by the Maine Public Utilities Commission in 2013, the 100th year of the Commission's work administering the laws concerning public utilities in Maine. This past year was marked by a flurry of traditional and not-so traditional rate filings in all utility sectors, and by the beginning of our efforts to carry out major new legislation concerning energy infrastructure. The substantial build-out of local gas facilities fully engaged our safety division, and the Emergency Services Communication Bureau helped improve access to 911 services by the hearing impaired through a new "text to 911" program. Working with the utilities under our jurisdiction, the Commission's Consumer Assistance Division developed a new approach to expand the eligibility of electricity customers living in subsidized housing. Finally, the Commission, in part with guidance from an OPEGA report, improved access to the Commission's processes to members of the public at large.

Natural Gas Industry Developments

During 2013, natural gas continued to be substantially less expensive than oil, spurring a strong interest in natural gas conversion among Maine residential, commercial and industrial customers. As a result, Maine's gas utilities have been adding customers at a robust rate and have been working to expand natural gas service to more areas of Maine. For example, Maine General Medical Center's new Alfond Center for Health in the state's capital uses natural gas as its primary fuel source.

Compressed natural gas (CNG) is also becoming a fuel choice for business conversions and vehicle fueling. The Commission approved increases in delivery rates for Northern Utilities, together with a cost recovery plan for Northern's cast iron replacement program. Finally, the Omnibus Energy Legislation gives the Commission the authority to execute an energy cost reduction contract to procure capacity on a natural gas pipeline to increase the flow of natural gas into New England; high gas prices into New England in early and late 2013 have confirmed the impact of constrained supply. The Commission has, consistent with the legislation, retained a consultant to assist its activities in this area and expects a report in early 2014.

Electricity Competition and Pricing

Standard offer rates for residential and small commercial customers did not increase in 2013. However, all other rates increased in 2013 over 2012, reflecting higher wholesale market prices in the New England market, which were in turn driven by higher prices for gas delivered into New England. Prices for transmission and distribution service also rose due largely to increases in the regional transmission rate reflecting the recent and ongoing transmission projects in New England. Both Central Maine Power Company and Bangor Hydro Electric Company filed in 2013 for increased delivery rates; those cases will be decided during 2014.

The Commission was active in regional matters, as ISO-NE continues to reform its markets and planning processes. Our efforts have been directed principally at increasing the degree of transparency, predictability and sensitivity to costs borne by customers.

Telecommunications Regulatory Reform

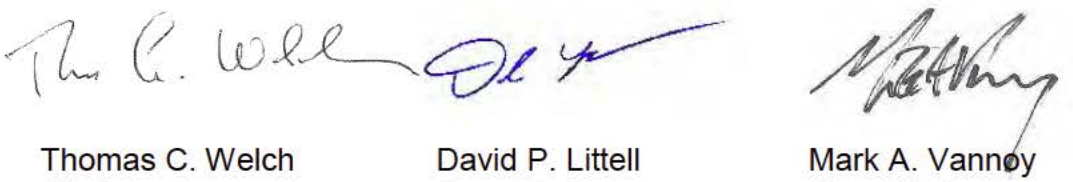
The basic trends identified in the Commission's report concerning telecommunications regulation presented to the 125th Legislature have continued, with increased use of wireless and cable for voice communications and decreased use of traditional telephone company wireline facilities. Toward the end of the year, Fairpoint filed a request for an increase in POLR rates coupled with information that in Fairpoint's view would support significant Maine Universal Serviced Fund support. The complexity of the issues in the case and the need to ensure that all the affected parties have a fair opportunity to be heard will push the resolution of the case well into 2014. The fundamentally conflicting business models and competitive positions of all the various market participants have made achieving consensus on any issues relating to the treatment of Fairpoint and other regulated providers singularly challenging.

Water

Several small water utilities asked for and received relatively modest rate increases in 2013. The most significant reason for the increases was to allow these utilities to help replace their aging infrastructure. In addition, the Biddeford & Saco Water Company was merged into Maine Water, and will operate as a division of that entity. Finally, at the direction of the Legislature through the enactment of Resolve, Directing the Public Utilities Commission To Develop a Plan To Reform Regulation of Consumer-owned Water Utilities, the Commission is seeking comments on this topic. The Commission will review these comments and will consider ways to possibly reform our regulations while assuring the rates paid by customers are just and reasonable and do not jeopardize public safety. The Commission will present a report of these proceedings and the Commission's recommendations to the Joint Standing Committee of Energy, Utilities, and Technology by January 31, 2014.

In all aspects of its work, the Commission continues to diligently exercise its regulatory, adjudicatory and public policy responsibilities to ensure that utility services provided to 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 in the coming year on energy and utilities issues.

With regards,



Thomas C. Welch	David P. Littell	Mark A. Vannoy
Chairman	*Commissioner*	*Commissioner*

THE MAINE COMMISSION

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.

Like a court, the Commission adjudicates cases and may take testimony, subpoena witnesses and records, issue decisions or orders, hold public and evidentiary hearings, and 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 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 financial investigations and analyses of utility operations, analyze applications by utilities to issue securities, advise the Commission on matters of rate base, revenues, expenses, depreciation and cost of capital, engineering, rate design, energy science, statistics and other technical elements of policy analysis for all utility areas.

The Emergency Services Communication Bureau manages the statewide Enhanced 911 (E911) system, including program development and implementation.

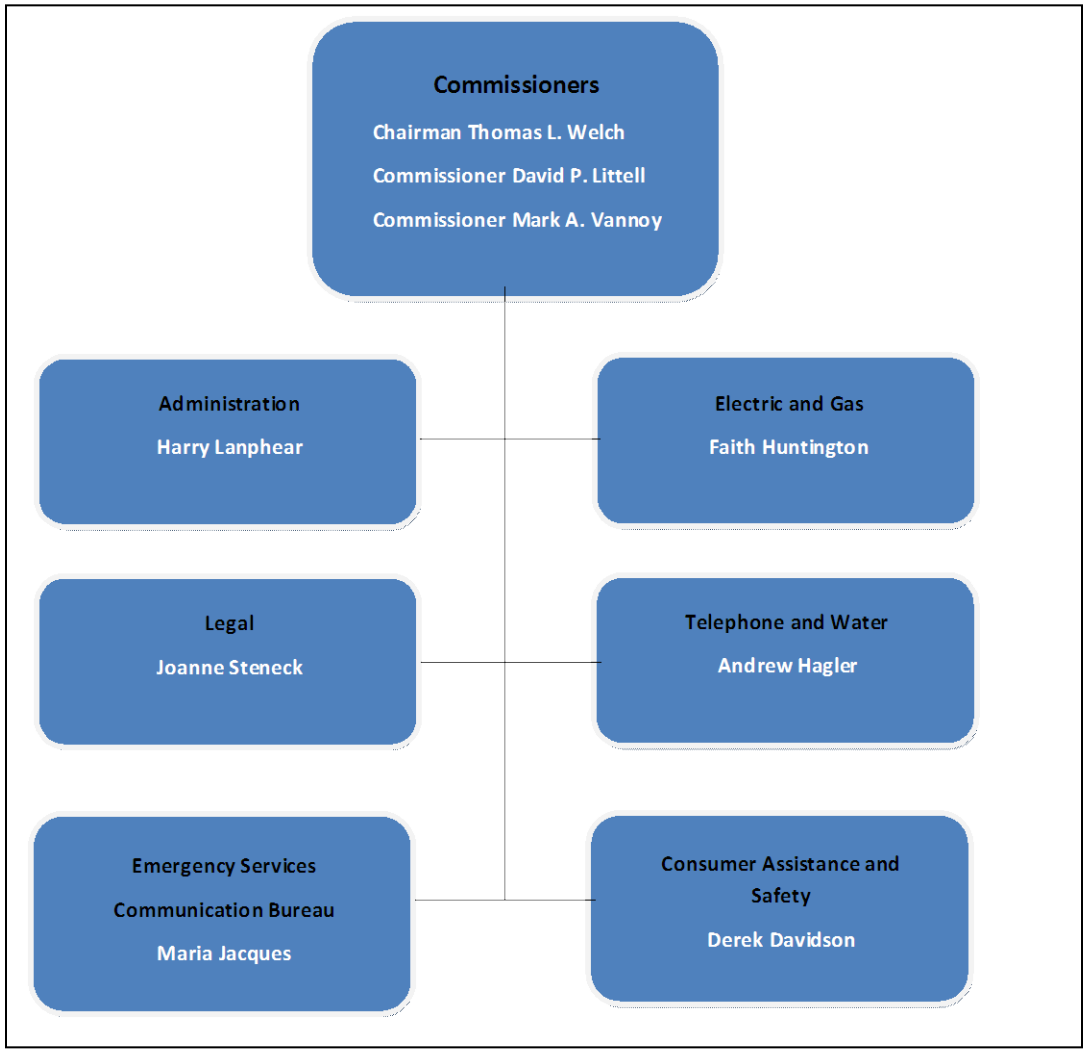
The Consumer Assistance and Safety Division (CAD) provides information and assistance to utility customers to help them resolve disputes with utilities. CAD investigates a variety of complaints involving utility service, including quality of utility service, billing disputes, payment arrangements, rates or charges, disconnection, and utility repairs. The CAD processes complaints and determines what utility practices, if any, should be corrected; educates the public and utilities about consumer rights and

responsibilities and other utility-related consumer issues; and evaluates utility compliance with state statutes and Commission rules. The CAD also oversees gas safety regulation and enforcement as well as Dig Safe.

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 physical plant. This division oversees information technology including the Commission's Case Management and Consumer Complaint System.

Figure 1 – Commission Organizational Chart



TELECOMMUNICATIONS

REGULATION OF THE TELEPHONE INDUSTRY IN MAINE

As a result of recent 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 3 shows the POLR carrier service territories in Maine and appears at the end of this section.

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 also 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 cell phone subscribers in the state than there are wireline service accounts. An increasing number of customers are substituting mobile wireless service for traditional wireline service. Table 1, for calendar years 2008 through 2012, details a 29% reduction in traditional wireline telephone service.

There has been a 29% reduction in the use of traditional access lines for basic telephone service since 2008.

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. The Commission's order approving FairPoint's acquisition of the network previously operated by Verizon requires FairPoint to expand broadband coverage to a large portion of its network, and the Commission continues to monitor and enforce that obligation. See page 11 for more details.

Table 1 – ILEC Access Line Summary

Incumbent Local Exchange Carrier (ILEC)	2008 Access Lines	2009 Access Lines	2010 Access Lines	2011 Access Lines	2012 Access Lines	Change 2011-2012 *	Change 2008-2012
China Telephone	2,700	2,265	2,032	1,775	1,517	-15%	-44%
Northland Telephone Co.	20,764	18,295	17,381	16,232	15,342	-5%	-26%
Community Service Telephone Co.	9,280	8,156	7,306	6,684	6,314	-6%	-32%
Sidney Tel. Co.	1,254	1,060	933	777	719	-7%	-43%
Maine Tel. Co.	8,163	6,870	5,928	5,125	4,772	-7%	-42%
Standish Tel. Co.	5,753	4,677	4,093	3,440	3,097	-10%	-46%
FairPoint NNE	411,345	378,969	340,333	313,254	289,412	-8%	-30%
UniTel Co.	4,386	4,282	4,001	3,817	3,677	-4%	-16%
Union River Telephone Co.	1,260	1,224	1,190	1,169	1,115	-5%	-12%
Cobboseecontee Tel & Tel Co.	645	554	501	478	457	-4%	-29%
Hampden Telephone Co.	2,857	2,581	2,439	2,229	2,084	-7%	-27%
Hartland & St. Albans Tel. Co.	3,659	3,350	3,104	2,993	2,823	-6%	-23%
Island Tel. Co.	620	600	591	593	580	-2%	-6%
Somerset Tel. Co.	10,509	9,634	9,200	8,874	8,422	-5%	-20%
Warren Tel. Co.	1,528	1,347	1,250	1,187	1,091	-8%	-29%
West Penobscot Telephone Co.	2,207	2,056	1,963	1,906	1,839	-4%	-17%
Lincolnville Networks	1,794	1,749	1,689	1,630	1,598	-2%	-11%
Tidewater Telecom	10,261	9,762	9,378	8,954	8,667	-3%	-16%
Mid-Maine Communications	5,228	4,699	4,228	3,890	3,592	-8%	-31%
Pine Tree Tel Co.	5,373	4,820	4,202	3,751	3,435	-8%	-36%
Saco River Tel. & Tel Co.	7,079	6,202	5,444	4,881	4,447	-9%	-37%
Oxford West Telephone Co.	6,373	6,011	5,709	5,438	5,228	-4%	-18%
Oxford Tel. Co.	5,595	5,277	5,032	4,810	4,527	-6%	-19%
Total Retail Lines	**528,633**	**484,440**	**437,927**	**403,887**	**374,755**	**-7%**	**-29%**

***Data for 2013 will not be available until April 2014.**

INDUSTRY TRENDS Continued

Federal Action Concerning Universal Service In 2011, the FCC voted to implement changes to the Federal Universal Service Fund (USF) that are intended to refocus the program. Historically, USF money was disbursed to carriers as financial support for the cost of providing voice service to customers located in areas where the costs are particularly high. Under the FCC's 2011 revisions, support mechanisms will be rededicated to assist carriers in improving the availability of broadband service in unserved and underserved areas. At the same time, the FCC also modified the mechanisms by which carriers pay for the use of each other's facilities.

Nationally, the total amount of high cost support has not changed substantially since the FCC Order, although the allocation of funds among various USF programs has shifted. This is a result of changes in nomenclature and the adoption of a glide path phasing out the historical regime. The new Connect American Fund (CAF) Phase II program of support for broadband projects has not begun, and the FCC has approved an interim "frozen" support mechanism to temporarily maintain federal support at 2011 levels. "Phase I" CAF funds have been already been largely disbursed for broadband purposes. FairPoint, for instance, accepted $1 million in CAF Phase I funding for use in Maine, of which $861,550 has thus far been disbursed.

Upon implementation by the FCC of the "second" Phase of its CAF program (on a date not presently known), the "frozen" amount of support to Maine ILECs will diminish over time, although a portion of the "lost" funding may be available to support discrete broadband projects. To the extent Maine's carriers decline, or do not receive, such funding, the commencement of CAF Phase II could result in a significant net reduction in federal support. Likewise, the level of intercarrier compensation payments received by Maine ILECS will diminish as the FCC's changes to that regime are phased in over the course of several years. Maine's carriers have found it difficult to predict with any degree of precision the financial impact that these changes at the federal level.

High Cost Fund Model Support Historically, Northern New England Telephone Operations LLC d/b/a FairPoint Communications-NNE, Maine's dominant ILEC, passed through to its customers, in the form of a bill credit, high cost loop support it received from the federal USF. However, with the recent reorientation by the FCC of the federal USF program towards support for broadband services, the Commission no longer requires these bill credits. The Office of the Public Advocate (OPA), raised concerns regarding whether FairPoint had properly credited its Maine customers for the full amount of federal High Cost loop support the company had received in previous years. This issue was resolved by the Commission's approval, on October 8, 2013, of a stipulation between FairPoint and the OPA requiring that FairPoint improve the facilities in twelve particular central offices by December 31, 2014, so that broadband at speeds of up to 15MB can be delivered to customers residing within 12,000 feet of these facilities.[1]

[1] The Commission reports this matter pursuant to its obligation under 35-A M.R.S. § 120(5), which requires the Commission to describe its activities and authority to grant exemptions to telephone utilities.

Preservation of Area Code 207 The Commission continues to enforce measures designed to ensure that telecommunications carriers use numbering resources in Maine efficiently so as to maintain a single area code (207) for as long as possible. In this regard, the Commission enforces rules established by the FCC. Overall, the industry has cooperated with these efforts. With more people using wireless phones and devices, there is increased pressure on the State's numbering resources. The latest forecast from Neustar, the national number administrator, estimates that area code exhaust will occur in the third quarter of 2017. The currently projected exhaust date is one year later than that indicated in the 2012 Neustar reports. 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.

KEY EVENTS

Regulatory Reform Plan At the direction of the 125th Legislature, the Commission conducted a stakeholder process to examine whether consensus could be achieved among various providers of telecommunications services (wireline, wireless, and facilities-based VoIP), and the Public Advocate, regarding possible methods for setting POLR service rates and for disbursing MUSF support for POLR service providers. The Commission presented a report to the Legislature summarizing the stakeholder process and set forth its own recommendations, as required by statute, on January 15, 2013. The Legislature carried over, until its second session, the bill that would provide a vehicle for implementing these recommendations.

FairPoint Service Quality Index (SQI) The Alternative Form of Regulation (AFOR) for FairPoint ended on July 31, 2013, and with the expiration of the AFOR, the FairPoint SQI mechanism also ended. For the final year of the AFOR, FairPoint incurred an SQI penalty of $828,582 for the four metrics for which FairPoint failed to meet the established benchmarks. This SQI was calculated under the Legislative revisions to the SQI which modified the AFOR SQI mechanism. FairPoint began returning the penalty amount to its ratepayers through a bill credit of $0.26 per line per month starting in December 2013.

POLR Service Quality Index (SQI) During its 2012 session, the Legislature enacted An Act To Reform Telecommunications Regulation, P.L. 2011, ch. 623 (Act). Subchapter 2 of the Act (now codified at 35-A M.R.S. § 7225) directed the Commission to adopt a rule that would establish service quality indicators and standards for providers of POLR service. The Act also provides that the Commission may impose penalties or require rebates or rate reductions if the Commission finds, after investigation, that a POLR service provider has failed to meet the service quality standards. Pursuant to the Act, the required rule is a major substantive rule as defined in 5 M.R.S. §§ 8071-8074.

The Commission commenced its rulemaking proceeding on September 18, 2012, and received comments from the OPA, AT&T and the Telephone Association of Maine (TAM). On November 21, 2012, the Commission adopted its provisional rule, *Order*

Provisionally Adopting Rule and Statement of Factual and Policy Analysis, Docket No. 2012-00401, and as required, submitted it to the Legislature for review.

In a letter dated June 19, 2013, the Chairs of the Legislature's Joint Committee formally advised the Commission that the Committee had decided not to act, pursuant to 5 M.R.S. § 8072, on the provisionally adopted rule and that it had decided to carry over the resolve providing for approval of the rule until the second regular session. The Chairs, on behalf of the Committee, requested that the Commission convene a meeting with interested persons, including representatives of providers of POLR service and of the OPA, in an attempt to reach consensus among the stakeholders regarding various concerns that the stakeholders have raised regarding the provisionally adopted rule. The Commission thereafter conducted two stakeholder meetings, as requested by the Chairs, the results of which were described in a letter submitted to the Committee on January 10, 2014.

UniTel Reorganization On April 17, 2013, the Commission approved a stipulation between UniTel, Inc. and the OPA that resulted in the approval of a purchase of UniTel's parent company by an entity controlled by its President and CEO, Laurie Osgood. The transaction closed shortly after the Commission issued its approval. UniTel indicated that after the sale, the operations of the company would continue essentially unchanged, with no change in management or other employees contemplated because of the sale. UniTel provided financial projections indicating that it would be able to continue to provide safe and adequate service with no change in rates, and that it would be able to meet all of its anticipated business obligations, including its debt service.

FairPoint Performance Assurance Plan (PAP) Proceeding FairPoint's wholesale business includes a requirement for a Performance Assurance Plan (PAP). The PAP was designed, generally, to ensure that FairPoint does not unfairly favor its own retail interests over CLECs purchasing wholesale service from FairPoint. The PAP was established at the time that the Commission recommended to the FCC that Verizon be authorized to re-enter the long distance market (a business denied to the "baby Bells" at the time of the breakup of AT&T).

The PAP is similar to the SQI in that performance is measured with metrics and benchmarks. The failure by FairPoint to meet these benchmarks results in credits made to the wholesale accounts of CLECs purchasing services from FairPoint. The PAP is quite similar in Maine, Vermont (VT), and New Hampshire (NH). The Commission, along with the regulatory bodies in VT and NH, recognized that the PAP metrics inherited by FairPoint from Verizon as part of the merger were both very comprehensive and extremely complex. Consequently, the three commissions have been conducting joint, collaborative proceedings with FairPoint and the relevant CLECs in an attempt to simplify the PAP mechanism. The parties recently entered into a stipulation, which the Maine Commission has approved, that resolves the vast majority of the issues necessary for the implementation of a new, modified PAP, and which submits for Commission resolution four issues that the parties were unable to resolve by

agreement. The resolution of those issues will be addressed by the Commission on an expedited basis.

FairPoint Broadband Build-Out Obligation On January 20, 2011, FairPoint filed a Notice of Broadband Compliance asserting that as of December 31, 2010, it had met the first milestone (83% broadband addressability) towards the completion of the broadband build out obligation that the Commission had initially imposed in 2008 as a condition to its approval of the transaction in which FairPoint purchased the network facilities of Verizon. That initial obligation was reduced earlier in 2010 when the Commission approved a Regulatory Settlement in conjunction with FairPoint's reorganization in bankruptcy.

Following FairPoint's January 20, 2011 filing, the Commission held hearings to consider a complaint filed by the Office of the Public Advocate that raised questions regarding whether FairPoint's had used proper methods to measure its progress in meeting the build-out requirement. In January, 2012, the Commission resolved these issues in its Order Establishing Broadband Build-Out Calculation (Calculation Order). The Commission found that that the calculation of whether FairPoint had satisfied its broadband build out requirement must be based on the number of access lines through which customers can actually receive broadband service, as opposed to a calculation which gauges penetration solely on the basis of the existence of DSL (broadband) equipment located at a central office or remote terminal but which cannot provide DSL service to Maine consumers due to engineering limitations. The Commission's Order also confirmed that in the Regulatory Settlement, FairPoint had agreed to achieve specific upload and download speeds for its broadband buildout obligation.

FairPoint appealed the Commission's January, 2012 Order to the Maine Supreme Judicial Court. In a decision dated January 24, 2013, the Court affirmed the Commission's decision. On February 15, 2013, after the Court issued its decision, FairPoint filed a notification with the Commission asserting that it had met the first 83% broadband addressability benchmark prior to the December 31, 2010 deadline, and requested that the deadlines for achieving subsequent benchmarks up to 87% be extended. On March 19, 2013, the Commission opened a proceeding to determine whether FairPoint's had correctly applied the methodologies adopted by the Commission, and affirmed by the Court, for measuring its compliance with its build out obligation. FairPoint also asserted that it would be financially onerous for the company to achieve 90% broadband addressability throughout its entire network at the speeds required by the Commission's Calculation Order.

On August 5, 2013, FairPoint and the OPA filed a stipulation, which the Commission approved on August 14, 2013 by a 2-1 vote of the Commission. Pursuant to the stipulation, the minimum speed requirements will apply only to limited portions of FairPoint's network that has, or will be, upgraded to new Ethernet-based technology. While the stipulation represents a significant reduction in Fairpoint's broadband obligation previously determined by the Commission and upheld by the Law Court, the Commission concluded that the benefits provided in the stipulation sufficiently balanced

that reduction. For example, between January 1, 2014 and December 31, 2016, FairPoint must meet a minimum capital expenditure obligation in connection with broadband facilities and services to benefit small businesses and residential customers, and these expenditures will be in addition to whatever expenditures may be necessary to ensure that it achieves 87% addressability by April 14, 2014. The stipulation also requires that FairPoint contribute the sum of $100,000 to the ConnectME authority upon achieving its 87% addressability milestone. FairPoint must also construct, between August 5, 2013 and December 31, 2016, improved facilities in thirty Central Offices sufficient to enable customers residing within 22,000 feet of those central offices to obtain broadband service from FairPoint. Finally, the stipulation requires that FairPoint make a good faith effort to obtain a particular amount of federal, incremental funding from the Connect America Fund (CAF) to assist in financing the construction of broadband facilities in designated unserved and underserved areas of Maine. The dissenting Commissioner found the settlement by OPA to be contrary to the public interest, particularly for underserved rural areas. Based on simple calculations from Fairpoint's own confidential figures, the dissent found that the stipulation relieved the company of more than 80% of its remaining broadband obligation with little gain and also had the consequence of reducing the broadband build out from 90% to 87%.

FairPoint must achieve 87% addressability rather than 90% by April 2014.

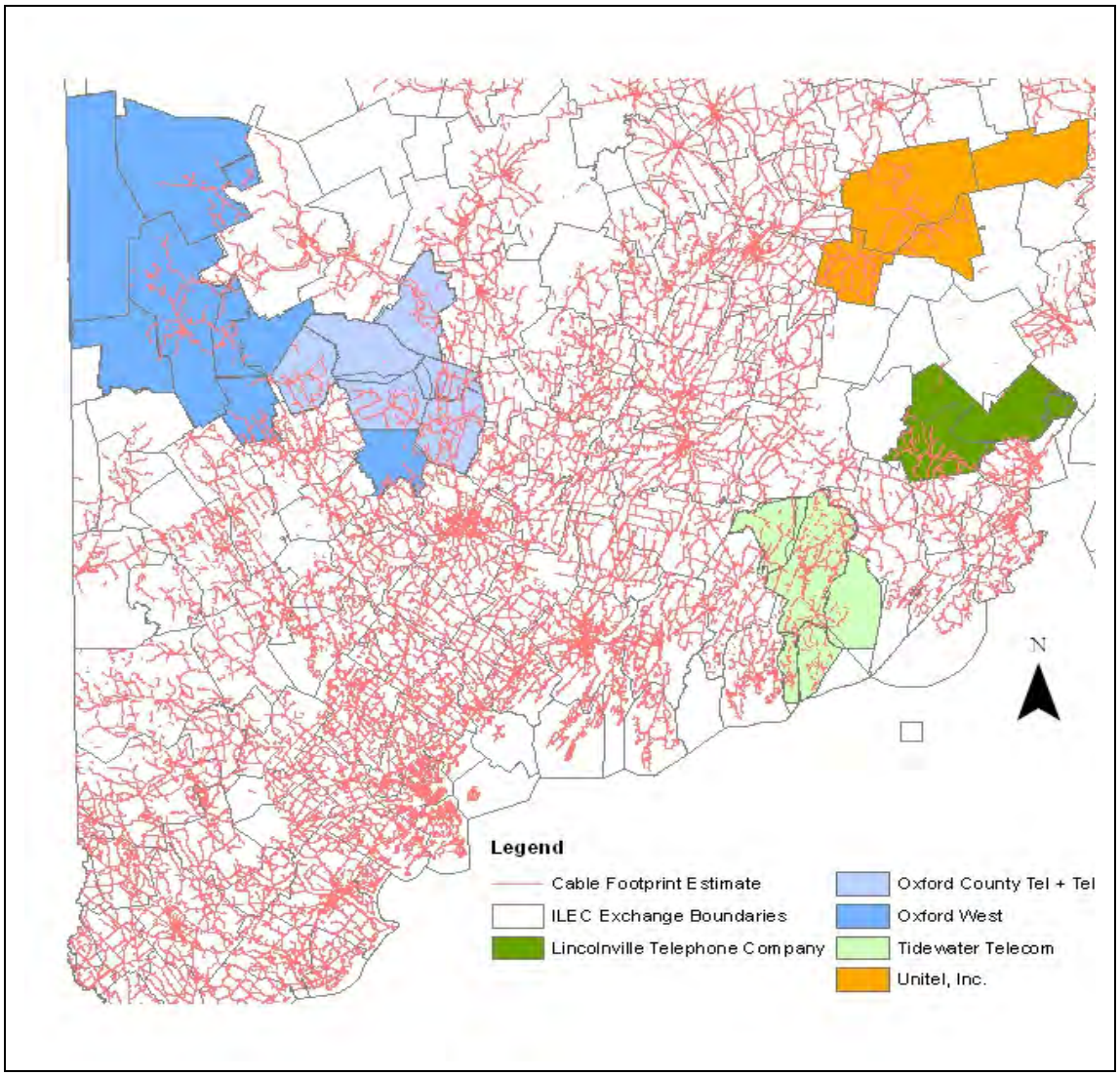
Shortly after approval of the stipulation, FairPoint applied to the FCC for $1,034,850 in federal CAF support to be used towards the cost of improving its facilities so that they will be capable of supplying broadband service to 544 customer locations in areas designated as unserved, and to 1,115 locations in areas designated as underserved in Maine. FairPoint's designation of locations as eligible for this federal funding has been challenged, in part, by Time Warner. Fairpoint's request of the FCC is still under review.

Time Warner Requests for Interconnection with RLECs In March of 2012, Time Warner Cable Information Services (Time Warner) filed a request with the Commission for arbitration as it attempted to negotiate interconnection agreements with five rural ILECs (RLECs): Oxford Tel., Oxford West Tel., UniTel, Lincolnville Tel., and Tidewater Telecom. Time Warner's stated goal was to offer its competing VoIP service product, Time Warner Digital Phone, to customers residing in Time Warner's cable franchise areas that are part of the service territories of the rural carriers.

Under the Federal Telecommunications Act of 1996 (TelAct), the Commission is authorized to resolve disputes between carriers regarding the terms of an interconnection agreement that sets forth each carrier's obligations with respect to the mutual exchange of telephone traffic. The Commission conducted arbitration proceedings and, on December 13, 2012, approved interconnection agreements between Time Warner and each of the five rural ILECs. Concurrently with these arbitration proceedings, the rural ILECs brought a petition pursuant to the TelAct for a suspension of the federal requirement that an ILEC permit the "porting" of a telephone

number. Porting means customers can maintain their home number when they change providers. The Commission conducted adjudicatory cases on the RLECs' "suspension petitions." UniTel withdrew its petition prior to the hearings. On February 22, 2013, following hearings in these matters, the Commission issued an Order rejecting the rural ILECs invocation of the suspension provisions of federal law as grounds for relieving the companies of their statutory obligation to facilitate the porting of telephone numbers. The RLECs appealed the Commission's decisions in these matters to the Law Court, but subsequently withdrew the appeals. Figure 2 below depicts Time Warner's cable broadband footprint as defined by the ConnectME Authority in the service territory of the five RLECs' exchanges. In large part, this cable footprint represents the service area in which Time Warner will now expand its digital phone service.[2]

Figure 2 – Broadband Footprint



[2] The Commission reports on this matter pursuant to its obligation, under 35-A M.R.S. § 120(4), to provide an explanation of its activities that are related to ensuring that rural areas of the State are not disadvantaged as competitive markets develop.

Lifeline

The Federal Lifeline program seeks to encourage telephone subscribership among low-income customers, and provides basic telephone service 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 may also qualify if they receive benefits from programs such as Medicaid, the Low-Income Home Energy Assistance Program (LIHEAP), and the Temporary Assistance to Needy Families Program.

Subsidized Lifeline service results in a $9.25 discount off the local basic service portion of a qualifying subscriber's monthly bill. For example, a Lifeline-eligible customer who elects to purchase only basic local service from FairPoint would, at FairPoint's current rates, expect to pay $5.44 for that service. The Lifeline discount for basic local service is applied to the basic local service portion of the bill regardless of whether a qualified customer also purchases local distance or ancillary services (such as call-waiting). In Maine, U.S. Cellular, TracFone, Virgin Mobile, Cintex, Nexus, YourTel, Gulf Coast Wireless, Budget Wireless, Q Link, Tag Mobile, and Telrite also receive federal subsidies in order to offer Lifeline service to their wireless customers.

Eligible customers receive a $9.25/month federal subsidy.

In 2013, the Commission determined that in light of the recent adoption by the FCC of uniform rules governing eligibility criteria for customers seeking Lifeline benefits, there no longer exists any advantage to Maine consumers, financial or otherwise, for the Commission to administer the federal Lifeline program. Likewise, the Commission determined that there no longer exists a need for it to designate those carriers who should be permitted to offer Lifeline service (and receive the federal subsidy) when such designations are routinely made by the FCC. Specifically, the Commission found that Maine consumers will continue to benefit from these programs through administration by the FCC and that the duplicative expenditure by the Commission of its resources to administer the program, and the carrier designation and certification process, is unnecessary.

To implement these findings, the Commission amended the relevant provisions of Chapter 206 (governing the designation and annual certification of Eligible Telecommunications Carriers (ETCs)) and Chapter 294 (governing Lifeline) of the Commission's Rules. As a result, the Commission will no longer certify carriers that apply for ETC designation for the sole purpose of offering Lifeline or other low-income program benefits. Going forward, such carriers will apply to the FCC for ETC designation. The modifications to Chapter 294 retained the separate state Lifeline discount, and harmonized the eligibility requirements for that program with those that the FCC adopted to govern the federal benefit.

Oxford Telephone Reorganization Oxford Telephone Co. and Oxford West Telephone Co., both of whom are wholly owned subsidiaries of Oxford Networks, have filed for approval of a reorganization that would result in the sale of Oxford Networks including all its public utility and non-public utility operating subsidiaries to Novacap TMT IV, L.P., a private equity group based in Canada. That proceeding is presently pending before the Commission.

Broadband Sustainability Fee Investigation The broadband sustainability fee (BSF) is imposed upon any "entity that purchases, leases or otherwise obtains federally supported dark fiber from a dark fiber provider." 35-A M.R.S. § 9216. Dark fiber is fiber optic cable that is provisioned without the "electronic equipment that is required to render the fiber capable of transmitting communications", and "federally supported dark fiber" is dark fiber the construction of which was "financed in whole or in part with funds provided by a grand awarded before January 1, 2010 by the United States Department of Commerce, National Telecommunications and Information Administration pursuant to the federal American Recovery and Reinvestment Act of 2009, Public Law 111-5, 123 Stat. 115 (2009)." 35-A M.R.S. §§102(4-A), 102(4-B).

Maine Fiber Company (MFC) operates a federal funded dark fiber project known as the "three-ring binder." MFC, the only "dark fiber provider" in Maine, makes its federally supported dark fiber available for lease at rates which are not subject to regulatory oversight by the Commission. Pursuant to Section 9216(3), MFC is required to collect the BSF from its dark fiber customers. The amount of the BSF due in any given month is based upon the number of miles of fiber that a customer obtains from MFC.

On April 16, 2013, the ConnectME Authority filed a letter with the Commission alleging that it had been informed by Maine Fiber Company, in a letter dated September 5, 2012 that beginning in June 2012, Biddeford Internet Corp. d/b/a Great Works Internet (GWI) (a customer of MFC) had failed to pay the BSF in connection its purchase or lease from MFC of dark fiber. The Authority also stated that, by letter dated August 15, 2012, GWI, through its attorney, informed the Authority and the Office of the Maine Attorney General that it did not intend to pay the BSF on the grounds that 35-A M.R.S. § 9216, the statute requiring the payment of the BSF, is unconstitutional. Finally, the Authority estimated that, to date, GWI had failed to pay $72,000 in BSF amounts. As a consequence of the above, the Authority requested that the Commission open an investigation in to the non-payment of BSF amounts by GWI.

The Commission commenced an investigation into the matter, and in an Order issued December 30, 2013 concluded that it would not address the issue of whether the legislation is constitutional, that it appeared that the statute created an obligation on the part of customers of MFC to pay the BSF, but that the statute did not give the Commission the authority to enforce the obligation.

FairPoint POLR Rate Case and MUSF Support Request.

FairPoint filed a case seeking to increase its POLR rates on October 30, 2013. The proposed rate change represents an annual increase of $700,368, representing a 12.7% increase in revenues derived from the sale of POLR service. If approved as filed, the rates for POLR service would increase by $2.00 per customer per month, resulting in a monthly POLR rate for residential customers of $16.69 per month and $34.28 per month for business customers.

In addition to the proposed rate increase for POLR service, FairPoint's filing requests an annual disbursement of support from the MUSF in the amount of $66.9 million. FairPoint does not presently receive any support from the MUSF. If approved as filed, the total annual amount collected from contributors to the MUSF would increase from $8.32 million to $75.2 million. Assuming that the typical monthly bill for basic local wireline service and in-state long distance service totals $25, the monthly MUSF charged to residential customer would increase from $.38 to approximately $3.40. In addition to traditional incumbent and competitive landline telephone service providers, all providers of radio paging services, traditional incumbent and competitive landline telephone service, long distance service, wireless telephone service, pre-paid wireless telephone service, VoIP telephone service, and digital telephone service provisioned over a cable television/broadband network are required to contribute to the MUSF. Such providers may recover their contributions to the MUSF by means of an explicitly identified charge placed on bills issued to their customers, and approval of the MUSF support requested by FairPoint would result in an increase in the MUSF fees charged to customers of those services that would be identical in percentage terms (and generally similar in terms of the monthly amount of the fee) to the increase experienced by the customers of wireline carriers.

If approved, the amount collected from contributors to MUSF would increase from $8.32M to $75.2M.

The following entities have intervened as parties in the Commission proceeding that was opened to consider FairPoint's requests: Office of the Public Advocate (OPA), the Telephone Association of Maine (TAM), Peter McLaughlin, the International Brotherhood of Electrical Workers Local 2327 (IBEW), United States Cellular Corporation (US Cellular), "OTT Communications" consisting of Mid-Maine Telecom LLC, Pine Tree Telephone LLC, and the Saco River Telephone LLC, "Sprint" consisting of Sprint Communications, Sprint Spectrum LP, and Virgin Mobile, LincolnVille Networks, Inc., Tidewater Telecom, Inc., Time Warner Cable Information Services (Maine), LLC (Time Warner), UniTel, Inc., T Mobile Northeast, LLC, CTIA – The Wireless Association® (CTIA), and AT&T Corp. Following a period of discovery on FairPoint's direct case, the procedural schedule adopted by the Commission calls for testimony to be filed by the intervenors on February 14, 2014; a Bench Analysis performed by Commission Staff to be filed on April 7, 2014; Commission Hearings during the third week of May, 2014; and an Examiner's Report on June 20, 2014.

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 funds for qualified schools and libraries within the State for high-speed Internet access, content databases and search capabilities, content filtering and training, as needed. The MTEAF receives funds from all telecommunications carriers offering telecommunications services in the State. During 2013-2014, the MTEAF will collect 0.7% of retail charges for intrastate telecommunications services, or approximately $3.7 million.

The carriers may pass on their MTEAF contributions 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 pays the 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 2013, the Commission approved a budget of $4.136 million and a contribution rate of 0.7%.

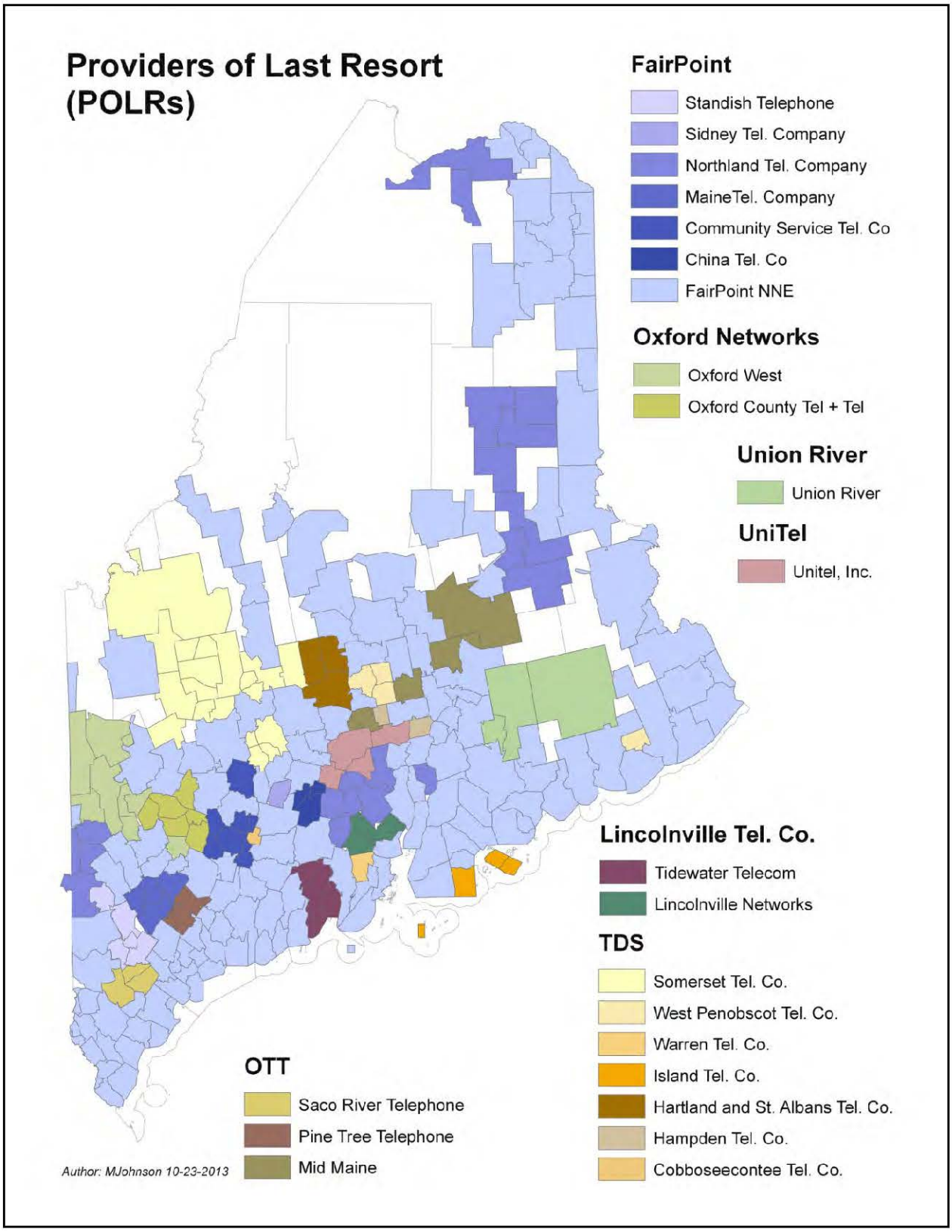
Public Interest Phones (PIPs) Beginning in 2007, in response to Maine law and Chapter 252 of the Commission's Rules, the Commission oversaw the installation of Public Interest Payphone (PIP) sites throughout Maine. The annual cost of the program, which currently includes 36 PIPs, is $36,756 and is funded by the MUSF.[3]

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 2013.[4]

Customer Premises Wire. As part of its continuing examination of the need for particular rules governing telephone service following the enactment of the Act To Reform Telecommunications Regulation, P.L. 2011, ch. 623, the Commission opened a rulemaking proceeding in which it initially proposed to repeal Chapter 230 of the Commission's Rules which governs the ownership, installation and maintenance of customer premises wire (CPW). Ultimately, the Commission was persuaded by the comments submitted by the OPA that repeal of the rule could have a negative impact on consumers of POLR service insofar as repeal might diminish the authority of the Commission to ensure that a POLR service provider fulfills its obligation to maintain and perform diagnostic testing of the network interface devices that are a necessary in order for a customer to be able to obtain POLR service. Consequently, the Commission declined to repeal Chapter 230 at this time.[5]

[3] The Commission is required to report on this information in its annual report pursuant to 35-A M.R.S. § 7508(4).
[4] Pursuant to 35-A M.R.S. § 120(5), the Commission is required to report on this information in its annual report.
[5] Pursuant to 35-A M.R.S. § 7306(2), the Commission is required to report on this information in its annual report.

Figure 3 – Provider of Last Resort



ELECTRIC

THE ELECTRIC INDUSTRY IN MAINE[6]

Electricity service to Maine consumers comprises 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 lighter 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).

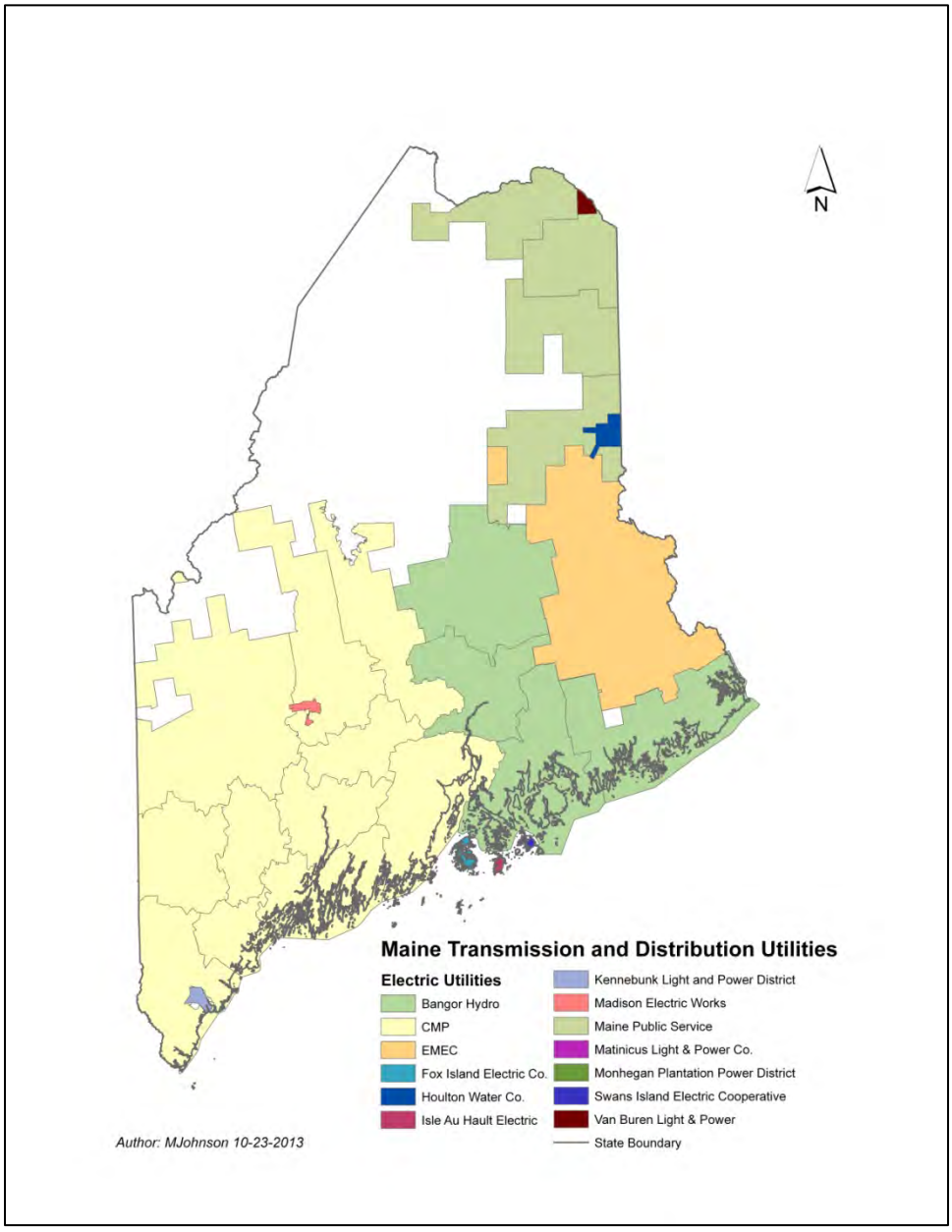
T&D rates comprise three components: transmission, distribution, and stranded costs. Transmission rates cover the cost of constructing and operating the transmission system in Maine, as well as costs allocated to Maine for regional pool transmission facilities (PTF) -- high voltage transmission lines 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 reflect 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). Distribution and stranded costs rates are regulated by the Commission.

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 procurements 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 New England Independent System Operator (ISO-NE) and the Northern Maine Independent System Administrator (NMISA) systems, and advocates for Maine consumers in regional forums and before FERC.

[6] 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.

There are thirteen T&D utilities in Maine: three investor-owned utilities (IOUs) and ten consumer-owned utilities (COUs). The IOUs, Central Maine Power Company (CMP), Bangor Hydro-Electric Company (BHE) and Maine Public Service Company (MPS), serve about 95% of the total State load. Figure 4 below shows the geographic areas each utility serves. There are approximately 225 Maine-licensed CEPs, who collectively currently supply about just over 50% of Maine's retail electricity usage. The remaining usage is supplied by the suppliers selected to provide "default" service, i.e. standard offer service. There are also several electricity generation facilities located in Maine. Summary information about these facilities is available through the ISO-NE http://www.iso-ne.com/main.html and the NMISA http://www.nmisa.com/

Figure 4 – T&D Service Areas



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.

INDUSTRY TRENDS

Retail Supply Market Activity

Since March 2000, consumers in Maine have had the right to select their electricity supply products and suppliers. For years there has been 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. During 2012, however, retail competition increased substantially for residential and small commercial customers and continued to grow, albeit more modestly, during 2013. There are now several CEPs serving this sector, which until 2012 had been supplied almost exclusively by standard offer service. Currently, about one-third of the supply for residential and small commercial customers is provided by CEP's rather than by standard offer service.

As has been the case in prior years, during 2013 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, including a green power program that allows customers to purchase renewable energy credits (RECs), and a standard offer time-of-use (TOU) option that allows customers who shift more of their usage to off-peak periods to save money.

Supply Prices

Retail supply prices were generally higher in 2013 compared to 2012, tracking similar upward price trends in the wholesale energy markets. The exception to this was retail standard offer prices for residential and small commercial customers, which for CMP and BHE customers declined by about 9% as older, more expensive supply tranches were replaced at lower prices. Standard offer prices for CMP and BHE medium C&I customers were higher in 2013 compared to 2012 by 8%-9%, and for large C&I, prices increased by 15% for CMP customers and by 3% for BHE customers. Standard offer prices for MPS residential and small and medium commercial customers were flat, and prices for large C&I customers increased by 3%.

Figures 5 and 6 below show forward and spot market prices in the wholesale energy markets over the last few years, and illustrate the increases in 2013. Of particular note are the price spikes shown in Figure 6 during the winter of 2013, which resulted in large part from constraints in natural gas pipeline capacity into the New

England region. This issue is discussed in the Natural Gas Section of this Annual Report.

Figure 5 – Electricity and Natural Gas Forward Prices

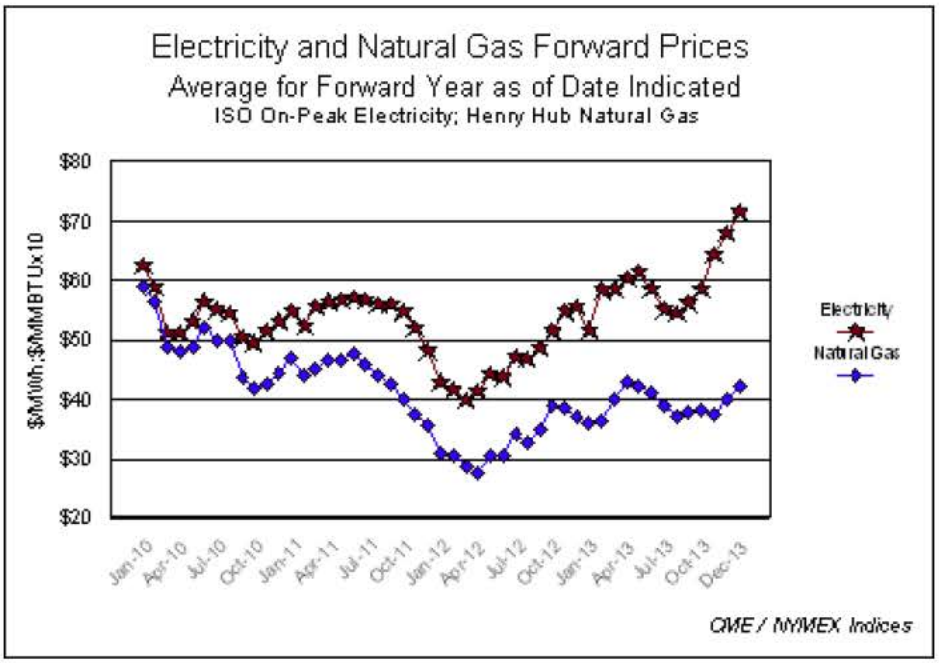
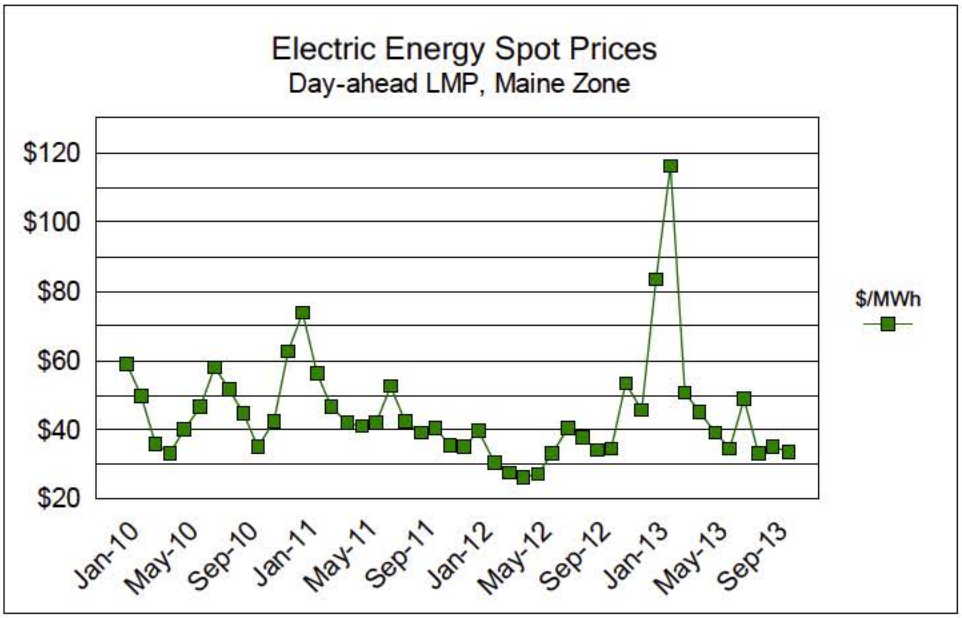


Figure 6 – Electric Energy Spot Prices



Transmission and Distribution (T&D) Rates

During 2013 there were also changes to the transmission, stranded cost and distribution components of rates. Transmission rates for CMP increased by approximately 9%, for BHE decreased by about 5%, and for MPS increased by 60%. Transmission rates for CMP and BHE have increased significantly over the last ten years. By way of illustration, the transmission rate for a CMP residential customer has increased from 0.7 ¢/kWh in 2003 to 2.2 ¢/kWh in 2013. The current transmission rate for BHE residential customers is even higher, at 2.3 ¢/kWh. These increases are largely a result of major transmission system upgrades throughout New England, including by CMP and BHE. Under the ISO-NE tariff, costs of most major transmission projects in New England are shared among all the New England states in proportion to their load, so that Maine customers pay about 9% of the cost of those projects regardless of where they are physically located. The transmission rate for a MPS residential customer is about 1.0 ¢/kWh reflecting, in part, the fact that MPS is not part of the ISO-NE system and also the relatively lower transmission costs of the lower voltage system in that smaller area. However, MPS's transmission rates are substantially higher than last year's rates (by approximately 60%) caused by several factors, most notably the cost of addressing reliability issues in the region.

Stranded cost rates include the net costs associated with pre-restructuring power purchase agreements. Any costs that result from more recently approved power purchase contracts authorized pursuant to the long-term contracting statute, Community-based Renewable Energy Pilot Program statutes and the Ocean Energy Act are not stranded costs but are administratively handled in the stranded rate process. In 2013, BHE stranded cost rates increased by approximately 15% as a result of higher net purchased power agreement costs caused by lower wholesale market value for the resale of the associated energy from legacy power purchase agreements, primarily the contract cost with the Penobscot Energy Recovery Company (PERC) incinerator located in Orrington. The long-term contracts with Exeter Agri-Energy, LLC and Rollins Wind were also added to this total, offset in part by the flowback of a regulatory liability associated with BHE's accumulated deferred income tax balances and the distribution to ratepayers of funds received from Constellation Energy Commodities Group as a result of a Stipulation and Consent Agreement with FERC (Constellation Disgorgement). CMP's stranded cost rates declined by approximately 11.4% in 2013, reflecting lower than projected net costs associated with long-term power purchase agreements, the reconciliation of a prior over-collection and the Constellation Disgorgement funds. CMP has remaining legacy contracts with expiration dates at the end of 2016. The majority of BHE's legacy contracts extend through June 2018. Stranded cost rates for MPS were unchanged in 2013. Both CMP and BHE have filed stranded cost reset cases with the Commission for new rates as of March 1, 2014.

Distribution rates increased for CMP by 6.5% ($14.9 million) and were unchanged for BHE and MPS. Table 2 below provides a summary of residential electricity sales and rates for each Maine T&D utility.

Table 2 – Electricity Rates

RESIDENTIAL ELECTRICITY RATES IN MAINE
as of December 31, 2013*

	% of State Residential Load	kWh	Delivery Rate T&D ¢/kWh	Delivery Rate Stranded Cost ¢/kWh	Delivery Rate Total Delivery ¢/kWh	Standard Offer Rate ¢/kWh	Total Rate ¢/kWh
INVESTOR-OWNED UTILITIES							
Central Maine Power	79.0%	3,534,811,000	6.7	0.2	6.9	6.8	13.7 ¢/kWh
Bangor Hydro Electric	13.4%	597,513,000	7.8	1.5	9.4	6.7	16.1 ¢/kWh
Maine Public Service	4.1%	182,207,000	6.4	1.2	7.6	7.3	14.9 ¢/kWh
COOPERATIVES & MUNICIPAL-OWNED UTILITIES							
Eastern Maine Electric Coop.	1.2%	54,779,451	9.1	N/A	9.1	6.7	15.8 ¢/kWh
Houlton	0.7%	29,503,701	3.2	N/A	3.2	7.2	10.4 ¢/kWh
Van Buren	0.2%	7,288,867	5.4	N/A	5.4	7.2	12.6 ¢/kWh
Kennebunk Light & Power	0.9%	40,919,603	5.7	N/A	5.7	6.5	12.1 ¢/kWh
Madison Electric Works	0.4%	16,769,545	2.7	N/A	2.7	6.7	9.4 ¢/kWh
Matinicus	0.0%	252,243	Exempt from Standard Offer requirements				69.8 ¢/kWh
Monhegan**	0.0%	107,735	Exempt from Standard Offer requirements				70.0 ¢/kWh
Fox Island	0.1%	6,254,925	16.5	N/A	16.5	11.2	27.7 ¢/kWh
Isle au Haut	0.0%	205,536	36.7	N/A	36.7	6.6	43.3 ¢/kWh
Swans Island	0.0%	2,223,214	20.6	N/A	20.6	8.5	29.1 ¢/kWh
STATE AVERAGE	100.0%	4,472,835,820	6.8	0.5	7.3	6.8	14.1 ¢/kWh

* - Except as noted, delivery rates based on 2012 annual reports and supply rates based on rates to be in effect 12/31/13.

** - Based on 2011 annual report. Monhegan did not file a 2012 report.

KEY EVENTS

Rate Cases (Distribution)

On May 1, 2013, pursuant to the provisions of its current alternative rate plan (ARP), CMP filed revenue requirement information and its proposal for distribution rates to take effect after the expiration of its current ARP. CMP proposed to increase its current rates by 7.5% on July 1, 2014, and also proposed a new five-year ARP to take effect at that same time. Under CMP's five-year plan, distribution rates would increase by 7.5% in 2014, 7.0% in 2015, 6.5% in 2016, 5.5% in 2017, and 4.2% in 2018 for a total increased revenue requirement of $ 78 million. The proceeding to consider CMP's proposal was ongoing during the year, and will continue into 2014. The Commission expects to hold public witness hearings on CMP's proposal in the spring and to decide the matter in early summer of 2014.

On September 6, 2013, BHE and MPS provided a notice of intent to jointly file for a general increase in rates. As part of the notice, the utilities stated that it was their plan to complete the merger of the two utilities, previously approved by the Commission, into one entity in December 2013 and to have the merged utility to act as the petitioning utility once the merger was completed. BHE/MPS formally filed its case in early December 2013, seeking an increase of 9.4%, or $7 million. The Commission will consider the proposed increase during 2014.

CMP Advanced Metering Infrastructure (AMI or Smart Meters)

CMP's AMI systems, which were installed in 2012, were used during 2013 to read customer meters, detect and manage outages, and disconnect and reconnect customers remotely. In addition, CMP introduced "Energy Manager," a web portal that allows customers to access their hourly usage. A TOU supply program for CMP residential and small commercial customers became available in March 2013; however, TOU offerings are limited by the ability of CMP's bill system and participation has been relatively low.

In response to a Law Court decision, the Commission, on July 24, 2012, initiated an investigation into the health and safety issues associated with CMP's smart meters. The case was ongoing throughout 2013, and included formal conferences and hearings, as well as a public witness hearing held on August 7, 2013. The Commission expects to deliberate this case in 2014.

On June 17, 2013, the Commission ordered a management audit of CMP's AMI project. The audit was initiated to examine whether CMP's projections of costs and savings, upon which approval of the AMI project were premised, were reasonable and prudent. In addition, the audit will examine the adequacy of the AMI and related systems to provide consumer access to supply market benefits, such as through dynamic pricing programs. The auditor's report will be filed with the Commission in

early 2014, and the findings and recommendations contained in the report will be considered in CMP's rate case proceeding.

Merger of Bangor Hydro Electric Company and Maine Public Service Company

On June 13, 2013, the Commission conditionally approved the corporate merger of Bangor Hydro Electric Company and Maine Public Service Company subject to several conditions. On December 17, 2013, the Commission issued a final order finding that the conditions had been met approving the merger of the two utilities. The corporate merger became effective on January 1, 2014.

Ocean Energy Contracts

During its 2010 session, the Maine Legislature enacted legislation (P.L. 2009, Ch. 615) that directed the Commission to conduct a competitive solicitation for proposals for long-term contracts to supply electricity from deep-water offshore wind energy pilot projects or tidal energy demonstration projects. The Commission issued an RFP in September 2010. On December 21, 2012, the Commission approved a long-term contract for a 5 MW tidal energy demonstration project, referred to as the Ocean Renewable Power Company Tidal Energy Project. On February 26, 2013, the Commission approved a term sheet for a long-term contract for a 12 MW deep-water offshore wind energy pilot project referred to as the Statoil Hywind Maine Project.

During its 2013 session, the Maine Legislature enacted legislation (P.L. 2013, Ch. 378) that directed the Commission to conduct a second solicitation for proposals for ocean energy pilot projects. On July 9, 2013, the Commission issued a supplemental RFP for ocean energy pilot projects. Pursuant to the supplemental RFP, Maine Aqua Ventus I GP LLC (MAV) filed a proposal on August 30, 2013.

Maine Aqua Ventus I GP LLC (MAV) proposes to develop a two-turbine, 12-megawatt, floating deepwater offshore wind energy pilot project, known as *Maine Aqua Ventus I*, in Maine state waters. In its proposal MAV noted that on June 2, 2013, the University of Maine and its partners, Cianbro and Maine Maritime Academy, deployed VolturnUS 1:8, the first offshore wind turbine in the Americas. Figure 7 from the MAV August 2013 filing shows VolturnUS 1:8. The MAV term sheet would provide for a 20-year contract between MAV and CMP at a first year price of $230/MWh which would escalate at 2.25% annually over the term. The term sheet also establishes that MAV would use commercially reasonable efforts to contract with Maine-based entities for the majority (greater than 50%) of the capital and O&M costs of the project. The Commission deliberated the MAV term sheet in early 2014 and approved the term sheet subject to conditions and subject to final contract review.

On October 28, 2013, Statoil submitted a letter withdrawing its proposal to the Commission for a long-term contract for the Hywind Maine Project.

Figure 7 – VolturnUS 1:8

Source: MAV August 30, 2013 Proposal.

Long-Term Contracts for Capacity and Energy

In October 2012, in accordance with 35-A M.R.S. § 3210-C, the Commission issued an RFP for long-term contracts for capacity and associated energy. The Commission considered several proposals and, on December 18, 2013, issued an Order authoring a twenty-year contract with Apex Clean Energy for the output of the Downeast Wind project, which is a 90 MW wind generation facility to be constructed in Washington County and expected to be commercial by the end of 2016.

In addition, during 2013 utilities in Massachusetts and Connecticut signed long-term contracts for the output of several new wind projects to be developed in Maine, including Fletcher Mountain Wind, a 97.1 MW facility to be located in Somerset County; Oakfield Wind, a 147.6 MW facility to be located in Oakfield in Aroostook County; Bingham Wind, a 186 MW facility to be located in Bingham in Somerset County; Passamaquoddy Wind, a 38.2 MW facility to be located on the Passamaquoddy Reservation in Washington County; and Number Nine Wind, a 250 MW facility to be located in Aroostook County.

Electric Heating Pilot Programs

During the 2012 session, the Legislature enacted legislation (P.L. 2011, Ch. 637) allowing T&D utilities to implement, upon Commission approval, efficient electric heating systems pilot programs. During 2012, the Commission authorized pilot programs for CMP and BHE. Both programs are underway. The utilities provided reports on the pilot programs in November 2013 and the Commission will be submitting those reports to the Committee with its analysis of the programs on January 15, 2014. Based on the reports, the Commission does not recommend any changes to the pilots and will report again to the Legislature after December 31, 2014 when the pilots have concluded.

Efficiency Maine Trust Triennial Plan

On November 27, 2012, the Efficiency Maine Trust (EMT) submitted its Second Triennial Plan for Commission review and approval. The Plan covered the 3-year period beginning July 2013. On March 6, 2013, the Commission issued an order that approved portions of the Plan related to electricity efficiency, and established a recommended level of “Maximum Achievable Cost-effective Efficiency” (MACE). The Commission recommended that the Legislature approve an increase to the system benefit charge (SBC) to fund this level of MACE, in particular, that the SBC be increased to $20.8 million in FY 2014, $26.1 million in FY 2015, and $29.7 million in FY 2016. The Commission did not approve the portions of the Plan pertaining to natural gas or distributed generation MACE, but invited EMT to submit updated proposals for consideration.

On June 26, 2013, the Maine Legislature adopted statutory changes related to the EMT, including the sources and levels of funding for the Second Triennial Plan (P.L.

2013, Ch. 369). These changes will be reflected in an update to the Second Triennial Plan, which the EMT will file with the Commission for review and approval.

Northern Maine Investigation

Throughout 2013, the Commission continued its examination into reliability issues in the Northern Maine Independent System Administrator (NMISA) region. For the past several years, the NMISA and in-region stakeholders have raised concerns about the adequacy of the northern Maine transmission system, particularly in the event in-region biomass generation became unavailable. Various solutions have been developed and studied, but no long-term solution has yet been implemented. As a result, in March of 2013, the NMISA entered into a Reliability Must Run (RMR) contract with the ReEnergy Fort Fairfield biomass facility to address the reliability issue in the short term. At the Commission's request, several parties are expected to file proposals for a solution to the reliability issues in January 2014. The Commission will consider those proposals to assess what solution is most beneficial.[7]

Alternative Rate Plans

The year 2013 was the final year of an alternative rate plan (ARP) for CMP that was approved by the Commission in 2008. Effective July 1, 2013, the Commission authorized CMP to increase its distribution rates by 6.5% ($14.9 million). The increase was determined in accordance with the current ARP 2008 price change formula. The increase was principally the result of the inflation minus productivity offset formula and the inclusion of the AMI revenue requirement in rates. The AMI impact on rates is subject to future adjustment based on the outcome of the AMI audit initiated by the Commission.

Regional Matters

During the 2011 session, the Legislature enacted Resolve, To Promote Greater Transparency and Accountability Through Regional Transmission Organization Reform. Resolves 2011, Chapter 68 directs the Commission, as well as the Public Advocate and the Office of Energy Independence and Security (OEIS) (now the Governor's Energy Office), to 1) advocate for greater transparency of governance and operations and accountability of ISO-NE, 2) confer, to the greatest extent possible, with other and comparable commissions or bodies from one or more of the other New England states and 3) to report on these efforts and any recommendations as part of the Commission's 2011, 2012 and 2013 Annual Reports. Summarized below are the regional matters that the Commission was involved in that affect Maine electricity customers.

[7] The Commission reports on this matter pursuant to its obligation under 35-A MRS § 120(4), to provide an explanation of its activities that are related to ensuring that rural areas of the State are not disadvantaged as competitive markets develop.

Transmission Planning The Commission has supported an effort to bring more transparency to the cost/benefit analyses inherent in planning. As a first step toward this goal the New England State Committee on Electricity (NESCOE) and the Commission jointly outlined to the ISO-NE Planning Advisory Committee (PAC) an approach to using probabilities in developing the base cases used in needs assessments in transmission planning so that scenarios with extremely low likelihoods might not be studied.

Gas-Electric Coordination This year Maine and other states supported changes to the electric market rules that enable the ISO to know sooner which generators will be available for dispatch one day out; the rule change will also give generators more flexibility to make gas acquisition arrangements. The FERC approved the rules finding that they will significantly improve flexibility for market participants to structure and modify supply offers in the energy markets, as well as provide ISO-NE with the tools to help ensure reliability.

Forward Capacity Market The seventh ISO-NE forward capacity auction was conducted in February and concluded at the floor price of $3.15 per kilowatt-month in Maine and Rest of Pool. In total, the auction procured 31,641 MW of generating resources, 2,748 MW of demand resources, and 1,830 MW of imports. During the past year, FERC approved a number of changes designed to improve performance by suppliers that receive capacity payments (capacity suppliers) and also issued an order confirming the performance obligations of capacity suppliers.

Order 1000 (Public Policy Transmission Planning) On May 17, 2013, FERC issued a decision on ISO-NE's compliance filing regarding regional requirements for public policy transmission upgrades. FERC agreed with the Commission that the proposal for a voluntary "opt-in" approach to pay for the cost of a public policy transmission upgrade was not consistent with the FERC's Order 1000.

ROE Complaint The Commission, together with NESCOE and NECPUC, filed comments regarding the FERC standards for return on equity (ROE) on transmission upgrades built by the New England Transmission owners should be significantly reduced. In an initial decision, the FERC administrative law judge recommended the ROE be reduced from 11.14% to 9.7%. FERC has yet to rule.

Winter Reliability Program 2013/2014 ISO-NE proposed an emergency rule change to address its concern over gas/electric operational challenges during cold weather events. It proposed a special purchase to ensure maintenance of adequate reserves of oil or dual fuel generating stations. The Commission filed a protest at FERC asserting that ISO-NE had not adequately demonstrated the need for this action and that changes that had been made to market rules would adequately address the problem. This program will cost more than $80 million in additional costs assessed against electricity suppliers. Though FERC ultimately approved the program, ISO-NE has said that it will not pursue a similar program for the winter of 2014/2015.

Yankee-DOE Litigation Awards The Commission, along with other New England states, negotiated an agreement that addresses both the disposition of the Phase 1 DOE damage awards (for DOE's failure to meet its obligation to remove spent fuel) and a process for dealing with future DOE damage awards. The agreement provides for $40.7 million to be returned over a three-year period to the Yankees' Maine wholesale customers for the benefit of ratepayers. P.L. 2013 Ch. 369, adopted by the Legislature in 2013 (the "Omnibus Bill"), specifies that a portion of these funds must be used for efficiency programs and the remaining portion to reduce rates in a manner that provides the greatest benefit to the State's economy.

The Commission participates in regional and national matters in four ways. First, the Commission sometimes participates directly in federal proceedings. 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,

Chairman Welch is the governor's designated representative on the board of managers of 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. Finally, individual commissioners participate in regional and national activities (such as Eastern Interconnection States' Planning Council (EISPC), the Regional Greenhouse Gas Initiative (RGGI) and various committees of NARUC) that may have an impact on utilities or utility customers in Maine.

GENERATION 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 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 provisions of the Act.

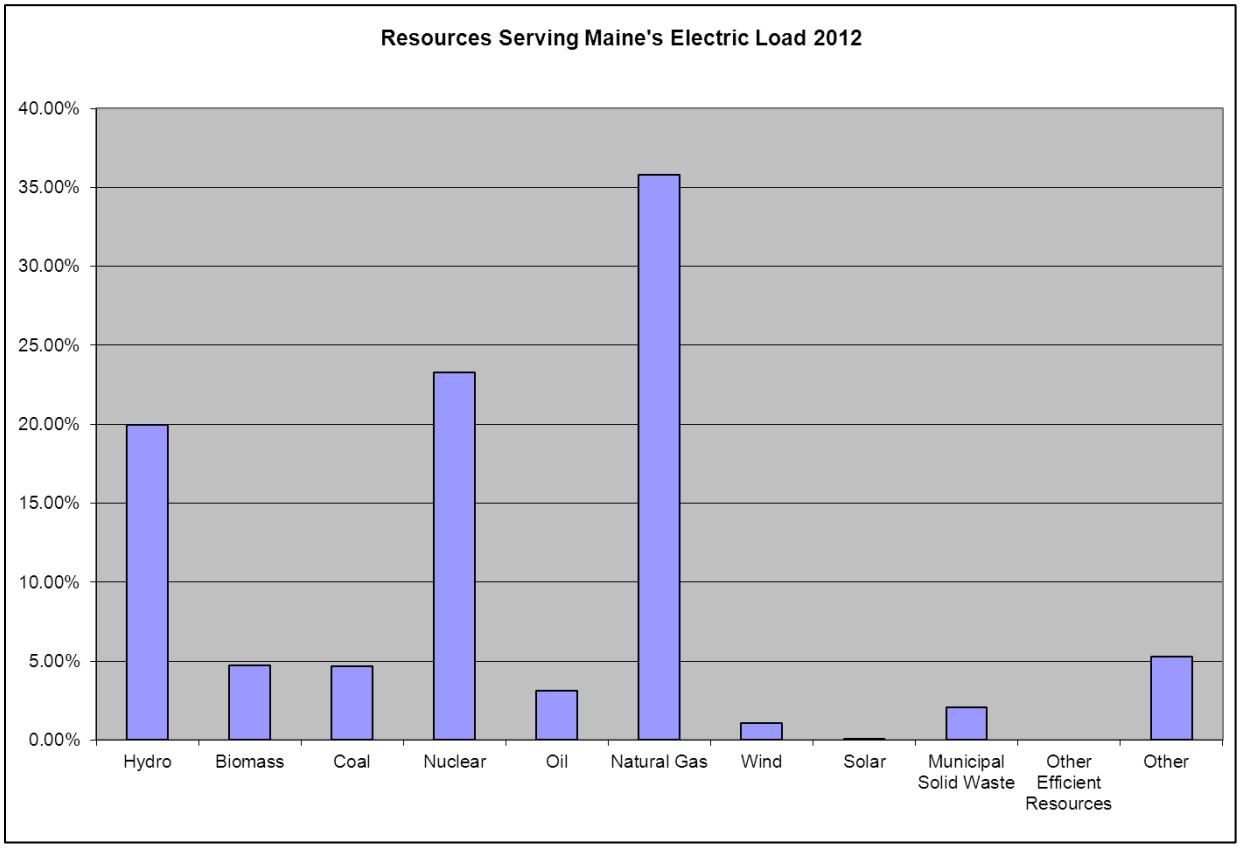
Any generation facility used toward a supplier's Class I RPS obligation must be certified by the Commission. During 2013, the Commission certified 10 generators as Class I compliant, bringing the total certified generators to 72, many of which are also certified for the RPS in other New England states. Because of the substantial amount of new supply available to meet demand for the Maine Class 1 RPS, applicable REC prices declined by about 50%, to around $15-20/MWh in 2013 compared to about $32/MWh in 2012.

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

Maine's Supply Resources

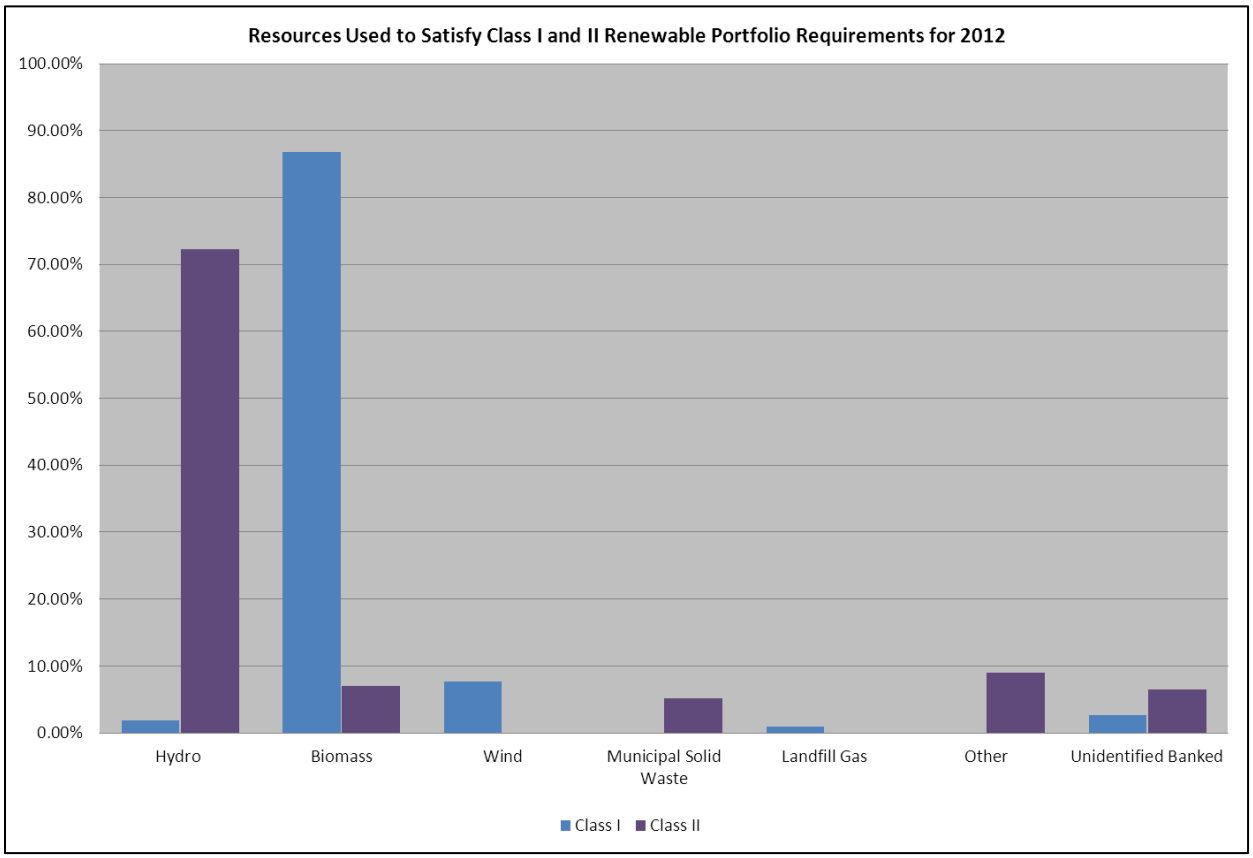
Figure 8 below shows the mix of physical resources used by suppliers to serve Maine customers in 2012, which is the most recent year for which data is available. Suppliers typically provide supply using the regional "system mix" rather than with energy from specified generation facilities.

Figure 8 – Electricity Load by Resource



To comply with the Maine RPS, and to provide "green" supply products, suppliers use Renewable Energy Credits (RECs). RECs, which are tracked and traded through the regional Generation Information System (GIS), represent the attribute of the energy, such as the fuel used for production. Figure 9 below shows the mix of RECs used for Maine customers in 2012, which as for Figure 8 above, is the most recent year for which data is available.

Figure 9 – Class I Renewable Portfolio

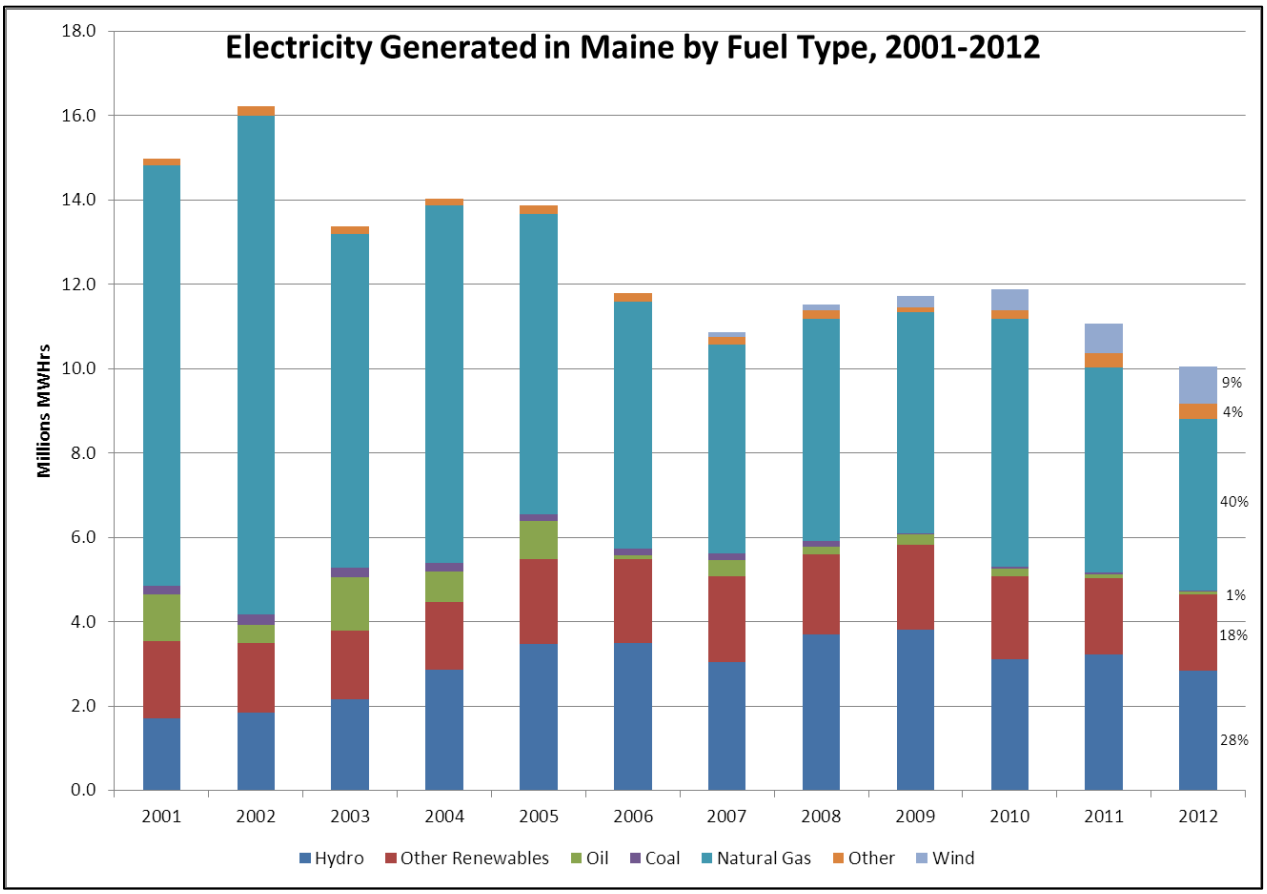


Generation Facilities Located in Maine

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 the ISO-NE at http://www.iso-ne.com/genrtion_resrcs/snl_clmd_cap/index.html and the NMISA at http://www.nmisa.com/.

Most of the electricity produced in Maine is fueled by natural gas, with hydro-electricity being the next largest source. Figure 10 below shows Maine's generation levels and fuel mix over time, including the recent increases in wind generated energy. Please note that 2012 is the most recent year for which data is available.

Figure 10 – Electricity Generation by Fuel Type



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 developments in the mid- to late-1990s, a small number of states have continued efforts to develop competitive electricity markets. Although fully implemented restructured markets remain primarily concentrated in the northeast and mid-Atlantic states, a few states have taken actions in recent years including:

- In Virginia, the Regulation Act in 2007 ended Virginia's planned transition to retail competition for its electric supply service with respect to most classes of customers and instituted a modified cost of service rate model for the state's electric utilities
- Under current Ohio law, load customers have the ability to switch to alternative suppliers for generation services. Competitive Retail Electric Service providers have increased the amount of load served for some electric utilities in Ohio from approximately 10% in 2011 to more than 50% in 2012.
- The comprehensive energy reform package enacted in Michigan in 2008 revised the earlier Customer Choice Act by limiting alternative electric supply to ten percent of weather-adjusted retail sales for the preceding calendar year. Several utilities in Michigan reached the ten percent limit in 2012.

NATURAL GAS

THE NATURAL GAS INDUSTRY IN MAINE

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.

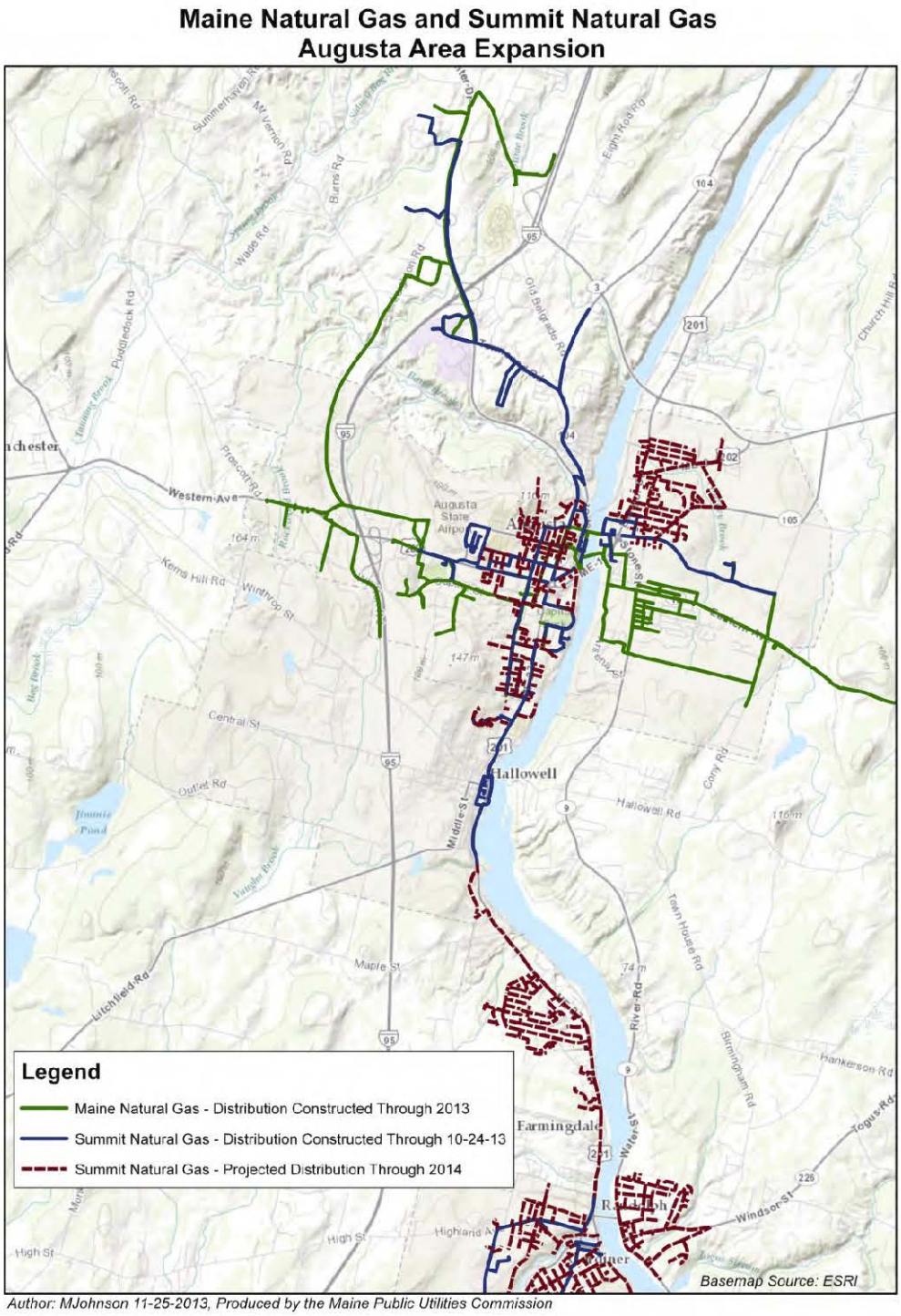
There are four natural gas LDCs authorized to provide service in Maine as summarized in Table 3 below. Northern Utilities, Inc. d/b/a Unitil (Northern) serves approximately 29,000 customers in the south-central Maine area, primarily in greater Portland/South Portland/Westbrook, greater Lewiston/Auburn, Biddeford/Saco and Kittery. Northern, a subsidiary of Unitil Corporation, has served Maine for over 150 years. Two other LDCs began providing service in Maine in 1999. Maine Natural Gas Corporation, a subsidiary of Iberdrola USA, serves approximately 3,600 customers primarily 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 approximately 4,300 customers in the greater Bangor area. In 2013, Summit Natural Gas of Maine (Summit) was granted authority to provide service in the Kennebec Valley area and was also selected by the municipalities of Yarmouth, Cumberland and Falmouth to provide service in those communities.

Table 3 - Natural Gas LDCs

Company	2012 Customers	2013 Estimated Customers
Bangor Gas	3,600	4,300
Maine Natural Gas	2,500	3,600
Summit	0	0
Unitil	27,000	29,000
Total	33,100	36,900

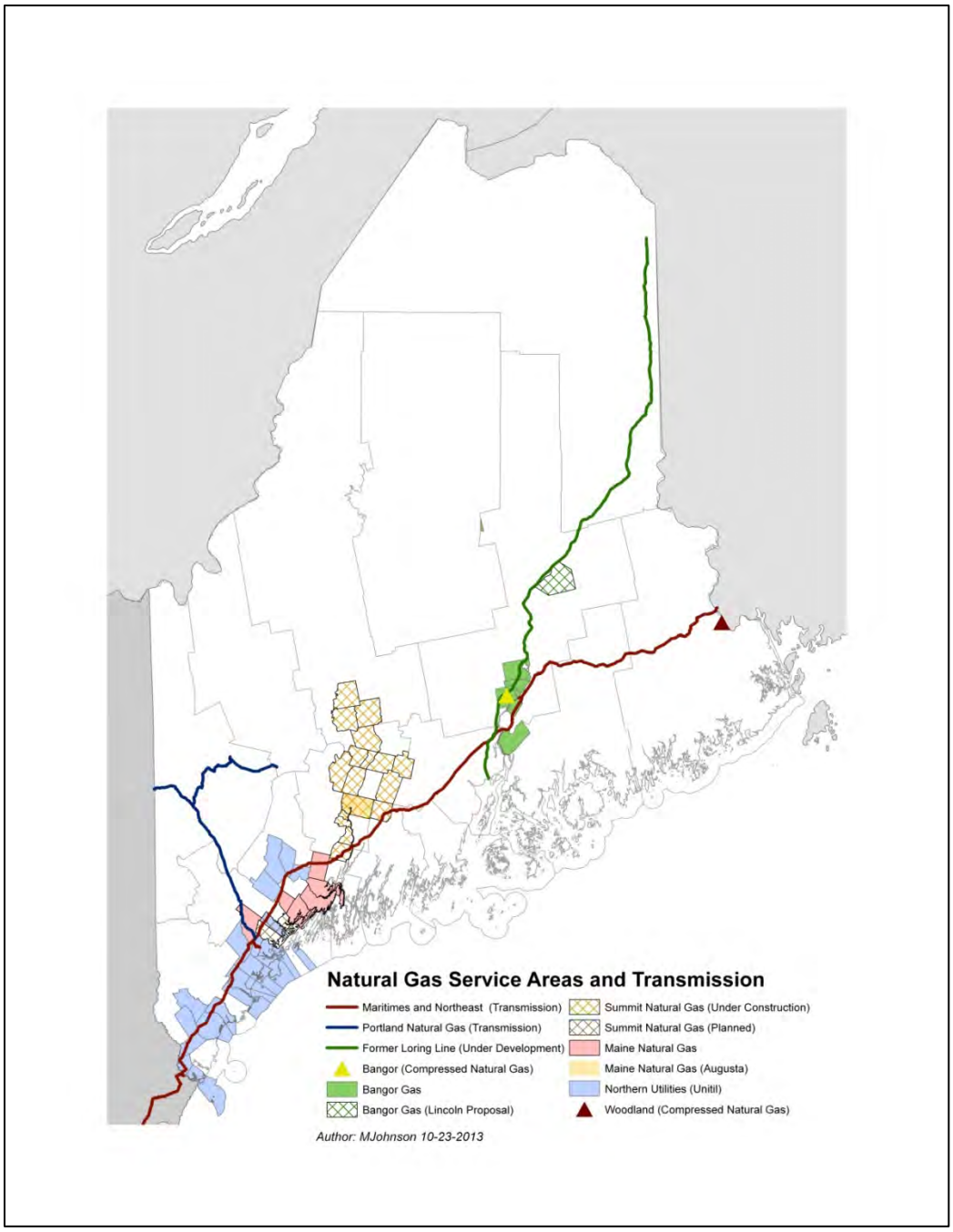
Both Summit and Maine Natural Gas had substantial system construction projects ongoing in the greater Augusta area during 2013, and in November, Maine Natural Gas began providing service to several large customers, including the new Maine General Medical Center's Alfond Center for Health. Summit is expected to begin providing service in early 2014. Figure 11 below provides an overview of Maine Natural Gas and Summits expansion into the Central Maine region.

Figure 11 – Central Maine Gas Expansion



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. These entities are regulated by federal agencies including FERC, and the Commission monitors and participates on behalf of the interests of Maine gas consumers and the public in proceedings that involve these pipelines. Figure 12 below provides a map of the LDC service areas and interstate pipelines and Compressed Natural Gas facilities located in Maine.

Figure 12 – Natural Gas Pipelines and LDC Service Areas



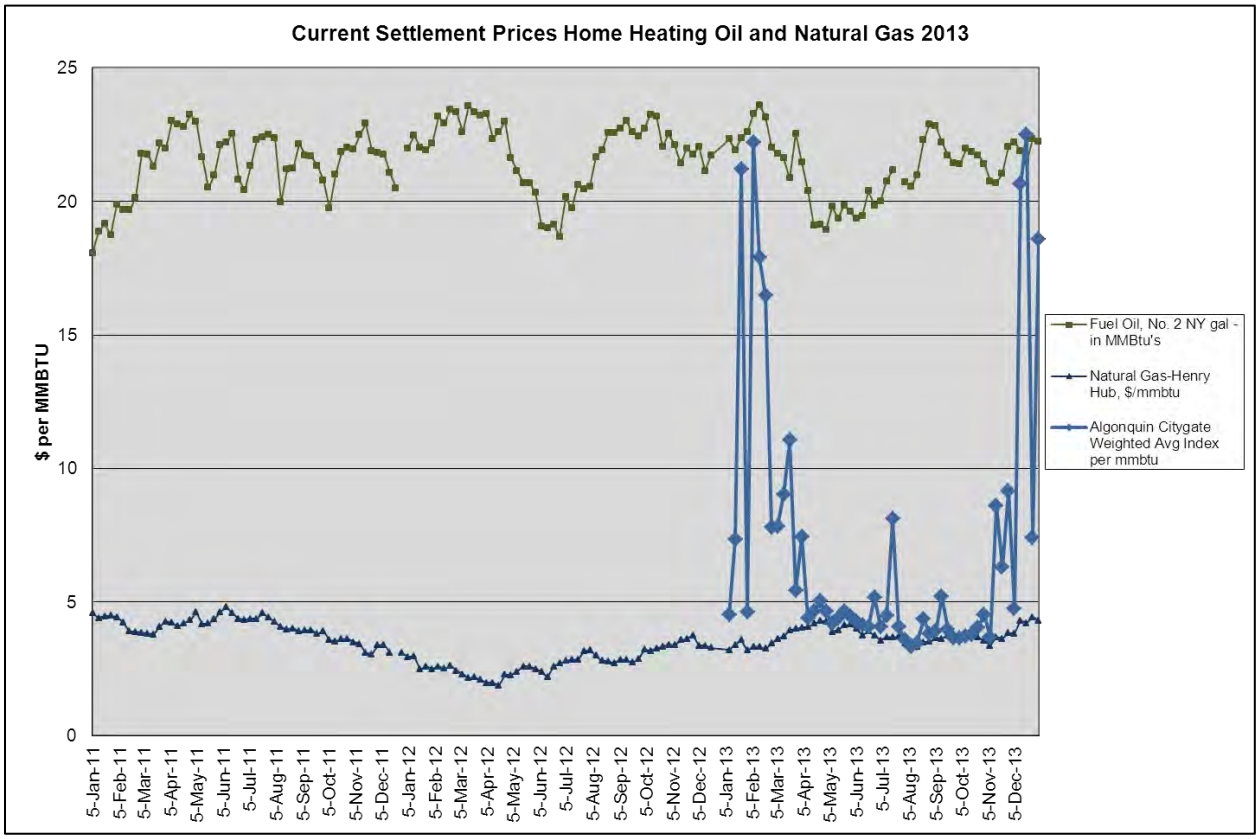
INDUSTRY TRENDS

Wholesale natural gas commodity prices in U.S. markets increased in 2013 compared to the prior year, averaging $3.71 per million British thermal units (MMBtu) at Henry Hub, up from an average of $2.68/MMBtu in 2012. Despite this increase, because of substantial increases in domestic natural gas supply, such as from the Fayetteville, Marcellus and Barnett shale beds, on a national basis, prices remain relatively low compared to prior periods. In New England, however, because of strong and growing demand for gas, most notably to fuel electricity generation, coupled with constraints on pipeline capacity from the shale supply into the region, during 2013 prices in New England increased significantly. This is particularly evident during periods of peak electricity usage in the region when those periods are coupled with high gas demand for heating. For example, compared to 2013 average prices at Henry Hub of $3.7069/MMBtu, prices at the delivery terminus in Massachusetts averaged $6.3261/MMBtu. Prices on peak demand days in the region were even higher, spiking to as much as $35.25 MMBtu during the month of January.

From the consumers' perspective, during 2013 natural gas continued to be substantially less expensive than oil. For example, as reported by the Governor's Energy Office, retail prices as of the end of December 2013 for home heating oil in Maine were $27.11/MMBtu compared to $15.50/MMBtu for natural gas. This price differential has spurred a strong interest in natural gas conversion among Maine residential, commercial and industrial customers, and the Maine LDCs have responded by adding customers and expanding service to more areas of Maine. With respect to the price spikes noted above, retail prices for most Maine customers were not immediately affected because their supply is provided using firm pipeline capacity. However, some Maine LDCs have supplies that are indexed to the Massachusetts pricing point, thus retail prices for their customers were affected.

The retail prices that Maine consumers pay for heating oil and natural gas track the wholesale market prices for the commodity. Figure 13 below illustrates these prices over the last three years.

Figure 13 - Home Heating and Natural Gas Prices



KEY EVENTS

Competition to Serve Central Maine

During 2013, both Summit and Maine Natural Gas installed substantial new system facilities to provide service to Augusta and the surrounding communities. In addition, Augusta is the first municipality in the state in which the facilities of two LDCs are installed in close proximity, e.g., on the same street, and in which LDCs are aggressively competing for customers within the municipality. To address the associated safety issues, the Commission required Summit and Maine Natural Gas to develop emergency response protocols that address public safety in this situation of proximate gas facilities owned by different utilities (see Gas Safety, below).

With respect to state-owned facilities, in 2013 the State of Maine Bureau of General Services awarded contracts for natural gas distribution service to both Summit and Maine Natural Gas for facilities in Augusta and Gardiner, including the Cross Office Building, the Department of Health and Human Services building, portions of the Riverview campus, and the Augusta Mental Health Institute campus.

Natural Gas Expansion

During 2013, the Commission authorized a new LDC (Summit), and considered issues related to the refurbishment of the decommissioned Loring jet fuel pipeline by Bangor Gas Company. Both will result in the availability of natural gas in previously unserved areas within the State. In addition, industries such as paper mills and agribusinesses are increasingly converting from oil to natural gas, installing facilities for on-site (trucked) liquefied natural gas (LNG) or pipeline gas supply, to reduce fuel costs and help maintain a competitive cost structure. Around the nation, compressed natural gas (CNG) is also becoming a fuel choice for business conversions for large customers that do not have access to natural gas pipeline service and for fleet vehicle fueling. In late 2012, the Commission approved the construction of a CNG facility in Woodland which falls under Commission's safety oversight jurisdiction pursuant to 35-A M.R.S. 4517. In 2013, Global CNG LLC constructed a CNG facility in Bangor to take gas as a customer of Bangor Gas. The Commission does not regulate the gas sales of these facilities which compete with other fuels in the marketplace.

In addition, Maine Natural Gas constructed a gas main from Windsor into Augusta to serve new customers, including the new Maine General Medical Center's Alfond Center for Health. Maine Natural Gas's most recent prior expansions were into Bath in 2011 and Freeport in 2010.

Northern Utilities d/b/a Unitil Rate Case

On April 1, 2013, Northern filed a petition seeking approval for an increase to its distribution rates of 14.1%, or $4.2 million in annual revenue. Northern also proposed a multi-year alternative rate-setting mechanism that would allow it to recover costs related to certain safety and system upgrade projects. On December 27, 2013, the Commission approved a Stipulation allowing for an increase in distribution rates of 11.6% to take effect January 1, 2014. The Stipulation also establishes a multi-year rate-setting mechanism to allow Northern to recover the costs of safety and system upgrades such as its Cast Iron Replacement Program (CIRP) in the Portland and Westbrook area and replacement of unprotected steel pipe.

Cast Iron Replacement Program (CIRP)

On July 30, 2010, the Commission authorized the Cast Iron Replacement Program (CIRP) for Northern. Northern reported in 2013 that it is on track to have completed approximately 27.56% of the 14-year CIRP program construction by the year-end. CIRP costs as of June 2013 were about 15% less than budgeted estimates, and work was approximately 10% ahead of schedule. Northern's CIRP work in 2013 included installation of 6.34 miles of main, installation of 24 critical & system valves, 511 service renewals, 1,566 meters, 1.54 miles of system pressure uprates, 1 regulator station retirement, and .25 miles of system improvements. Northern also reported that it successfully worked with the Historic Preservation Board of Portland to install facilities in a manner that maintains the picturesque style of the Old Port, would complete its

program goals in Westbrook in 2013, has improved the Payne Road supply and Stevens Avenue pressure, and expanded year round service to the B&M facility.

Bangor Gas Company LLC Rate/Rate Plan Case; Pipeline from Searsport to Former Loring Air Force Base

In December 2012, Bangor Gas proposed that the Commission renew its expired Rate Plan. As required by statute, the Commission must evaluate the reasonableness of the rates when considering any natural gas alternative ratemaking proposal. The Commission's rate plan proceeding is scheduled to be completed in the summer of 2014.

In 2012, Montana-based Gas Natural Inc. (GNI), which owns Bangor Gas's parent corporation Penobscot Natural Gas Co., closed on a $4.5 million lease for the 189-mile Loring jet fuel pipeline, extending from Searsport to Limestone. The Company has been refurbishing the liquid pipeline to provide natural gas service to areas in Maine where natural gas is not currently available. In late 2013, the Commission approved GNI's proposal to transfer the leasehold interest for the former jet fuel pipeline to Bangor Gas on condition that the project cost risks not be borne by existing Bangor Gas ratepayers. Under a contract it has entered with Lincoln Pulp and Tissue, Bangor Gas is scheduled to provide natural gas service to the mill commencing October 2014.

Low-Income Program

During 2013, Northern continued to provide a discount of 30% of total service charges for all customers that are eligible for LIHEAP. This discount program has been in effect for since 2011, pursuant to 35-A M.R.S. § 4706-A.[8]

REGIONAL ISSUES and OMNIBUS LEGISLATION

Gas produced in the Gulf of Mexico, the Marcellus shale, and Canada, together with gas imported in the form of LNG to facilities located in Massachusetts or New Brunswick, is transported to the New England region and to Maine through interstate, high pressure pipelines whose rates are regulated by FERC. Charges to Maine gas consumers include the rates that these pipelines charge for transportation. To represent the interests of Maine consumers, the Commission participates in cases or other forums involving issues such as the rates interstate natural gas pipeline companies charge Maine shippers and consumers, service terms, regional energy policy directives, and safety issues. For example, in 2013 the Commission approved a 16% reduction in winter period cost of gas rates for Unitil customers that included a $1.1 million refund from the Portland Natural Gas Transmission System (PNGTS) as a result of a FERC rate case, RP08-306.

The Commission approved a 16% reduction in winter period cost of gas rates for Unitil customers.

[8] § 4706-A requires the Commission to report on low-income assistance programs offered by gas utilities serving 5,000 or more residential customers as part of its annual report.

Natural gas supply from the Maritimes region of Canada, once expected to offer Maine plentiful gas supply, has lessened in recent years due to both availability and price issues. The Canaport LNG import terminal in New Brunswick cannot offer price-competitive supply, and the new Deep Panuke field in offshore Nova Scotia is not expected to provide large enough volumes to supply natural gas demand in northern New England and Maine. Consequently, Maine is again reliant on gas from south and west of New England to supply its growing gas demands.

In 2013, the issue of gas supply as it relates to the production and cost of electricity in New England was a focus of study and analysis by FERC, NESCOE, and ISO-NE. The Commission participated fully in these efforts. In addition, in 2013, the Legislature adopted P.L. 2013 Ch. 369 (the "Omnibus Bill") which allows the Commission, Public Advocate and the Director of the Governor's Energy Office to direct utilities to contract for pipeline capacity to allow for increased gas supply into the region from the Marcellus shale fields.

Specifically, Section B-1 of the Omnibus Bill gives the Commission the authority until December 31, 2018 to execute an energy cost reduction contract to procure capacity on a natural gas pipeline to increase the flow of natural gas into New England. The Commission, in consultation with the Governor's Energy Office and the Public Advocate, hired a consultant, Sussex Economic Advisors, LLC to help explore potential opportunities. A report from the consultant is expected in early 2014. Any proposal to use the authority to purchase pipeline capacity given by the Omnibus Bill emerging from the report would be considered in a Commission adjudicatory proceeding. The Commission has also been engaged in discussions with other state officials in New England about the possibility of a regional approach with respect to additional gas infrastructure.

NATURAL GAS ALTERNATIVE RATEMAKING

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.

Under this authority, in the late 1990's the Commission implemented alterative rate plans for two natural gas utility start-up ventures: Bangor Gas and Maine Natural Gas. Bangor Gas' alternative rate plan included a 10-year distribution rate freeze, a rate cap set initially on a 3-year average of oil prices, indexed rate cap increases,

pricing flexibility, and authority to enter into special contracts without prior Commission approval. This flexible regulation encourages expansion of natural gas service into areas that previously had no natural gas utility. In 2013, the Commission approved a 10-year alternative rate plan for Summit, the newest start-up natural gas utility in Maine. Under the alternative rate plan, Summit will offer gas service to numerous towns that currently have no service. The plan establishes how distribution delivery rates will change over the period of the plan, as well as the terms under which Summit will offer customers conversion rebates and weatherization to facilitate their move to natural gas service.

Bangor Gas' rate plan expired in December 2012 and it has requested that the Commission renew its plan for an additional 10 years. Section 4706 (3) directs the Commission to ensure that rates resulting from an alternative rate adjustment mechanism are just and reasonable. The Commission is reviewing Bangor Gas's request to renew its rate plan and expects to issue an order by summer 2014. Several municipalities and other entities, such as large commercial customers served by Bangor Gas, have intervened in the proceeding.

Two additional rate mechanisms have been approved by the Commission under the authority of Section 4706. In 2005, the Commission approved monthly cost of gas adjustment mechanisms for Maine Natural and Bangor Gas to provide better price signals to consumers and to help moderate gas revenue imbalances that accrue between rate adjustment intervals. Summit will set an annual cost of gas reconciliation rate. The Commission has also approved fixed and indexed price options for Maine Natural Gas. Second, the Commission has approved a revised financial hedging plan for Unitil intended to reduce the effect of market price spikes on customers.

GAS SAFETY

GAS SAFETY REGULATION AND ENFORCEMENT IN MAINE

The Commission regulates natural gas service reliability and ensures compliance with safety standards for 803 miles of natural gas distribution mains, 25,385 services, and 16 miles of intra-state transmission pipelines including two private pipelines located throughout Maine (as of December 31, 2012). 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.

The Commission is a certified agent for the U.S. Department of Transportation's Pipeline and Hazardous Material Safety Administration (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. The Commission performs investigations of natural gas safety incidents and pursues enforcement actions.

PHMSA conducts annual evaluations of the pipeline safety programs for all states which have agency certification. In accordance with PHMSA's recommendation, staff is making improvements regarding the documentation and tracking of inspections and compliance matters.

During 2013, the gas safety staff conducted approximately 445 field inspections and compliance audits. These were performed to determine whether operators conformed to the design, construction, operating and maintenance requirements of the safety regulations. This included 166 liquid propane gas (LPG) facility inspections, as well as 275 natural gas field inspections and audits of records and procedures. A substantial number of these audits and inspections involved the construction of new gas facilities in Central Maine by Summit Natural Gas and Maine Natural Gas.

Commission gas safety staff inspections were focused in Central Maine given the significant construction in this area.

The majority of the LPG inspections resulted in the operators having to take some corrective actions to bring their facilities into compliance. LPG operators continued to have difficulty completing the Distribution Integrity Management Program (DIMP) written plans that are required under federal regulations. Staff conducted two DIMP training sessions in 2013, drafted a model DIMP written plan

which was provided to the operators, and is working closely with those operators to bring their plans into compliance.

Inspections of natural gas operators resulted in a small number of corrective actions. Like those with the LPG operators, most corrective actions were resolved through informal proceedings. There were, however, findings in 2013 which resulted in the assessment of civil penalties in the total amount of $76,000. With consideration of the corrective actions taken by the operators, the Commission collected civil penalties totaling $68,500. The largest penalty was $50,000, which consisted of $25,000 for failure to expose other underground facilities when installing a main by horizontally directional drilling and $25,000 for failure to follow procedures when responding to the ensuing gas leak.

KEY EVENTS

New Construction in Central Maine In 2013 two companies undertook significant construction projects:

1. Maine Natural Gas (MNG) expanded their service territory into Augusta by installing 11 miles of steel distribution mains and approximately 11 miles of plastic distribution mains.

2. Summit Natural Gas (SNG) of Maine constructed 68 miles of steel transmission pipeline and approximately 60 miles of distribution mains to serve customers from Gardiner to Madison.

The Commission safety staff conducted 185 inspections on the work of the two companies, involving the review of construction, operating and maintenance procedures, and record keeping requirements.

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. In 2013, Northern retired 4.12 miles of cast iron main, 2.78 miles of bare/unprotected steel or wrought iron main, and 0.50 miles of plastic pipe on its low pressure system which could not be uprated to intermediate pressure. The cumulative project totals are now 10.24 miles (out of approximately 65 miles) of cast iron retired, 6.08 miles (out of approximately 10 miles) of bare/unprotected steel retired, and 2.31 miles of plastic pipe retired. In 2014, Northern expects to retire 2.10 miles more of cast iron and bare/unprotected steel or wrought iron mains. The Commission monitors Northern's program performance and plans each year from reports required to be submitted by March 30.

Private Natural Gas Pipelines and Affiliated Facilities To date, two private natural gas pipelines have been constructed in accordance with 35-A M.R.S. § 4517, one in Madison and the other in Baileyville. In 2012 a lateral was constructed, off the Baileyville pipeline, to serve a compressed natural gas (CNG) facility owned and operated by XNG Maine, LLC which is a joint venture of Xpress Natural Gas, LLC and the owner of the pipeline, Woodland Pulp, LLC. This CNG facility is under the safety jurisdiction of the MPUC. The pipeline in Madison is slated to become a service line to Madison Paper Industries as part of XNG Maine's facilities. A similar CNG facility has been constructed in Bangor. A September 27, 2013 Commission Advisory Ruling indicated that facility did not fall under MPUC safety jurisdiction because it was not related to a private pipeline or subject to other regulations enforced by the MPUC.

Former Loring Air Force Base Jet Fuel Pipeline Bangor Gas has rehabilitated the Loring Pipeline between Bangor and Mattawamkeag. The rehabilitated section is approximately 62 miles out of the overall 199 miles of the pipeline from Searsport to Limestone. The rehabilitation consisted of right-of-way clearing, replacing sections of pipe and valves, repairing or replacing the cathodic protection systems, testing the pipeline, and energizing it with natural gas. This section is expected to be placed in service in 2014 to provide natural gas to Lincoln Pulp and Paper and Bangor Gas has indicated that it may also be available to serve other customers close to the pipeline.

DIG SAFE

UNDERGROUND FACILITY DAMAGE PREVENTION AND ENFORCEMENT

The Commission 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 from damage 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 inter-state 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 4 below.

INDUSTRY TRENDS

Telecommunications facilities have continued to experience the most damage related to excavating. This can be attributed, at least in part, to the fact that there are more telecommunications facilities underground than other types. Natural gas and electric facilities have stayed well below the telecommunications industry rate of incident on average over a five-year period.

The Commission endeavors to respond to an incident as soon as possible, in many cases on the same day, and assess penalties, if necessary, that are commensurate with the risk to people and underground services.

Table 4 – Summary of Dig Safe Activities

Metric	2011	2012	2013
Reported Total Incidents	421	419	452
Reported Electric Incidents	85	79	76
Reported Gas Incidents	39	41	30
Reported Telecom Incidents	138	144	116
Reported Water Incidents	51	44	42
Reported Sewer Incidents	15	22	25
Reported CATV Incidents	54	57	55
Excavator Violations	156	245	168
Operator Violations	114	135	123
Penalties Assessed	$256,350	$242,600	$185,750
Penalties Waived with Training*	$78,500	$62,000	$34,000
Penalties Not Waived	$180,850	$180,600	$151,750

*The Commission may waive penalties but require training; this is the usual practice with first time violators.

Public Awareness, Training and Education The Commission continues to work with utilities, excavators, the regional Dig Safe organization, and private property owners to 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.

In 2013, the Commission supported training offered by the Managing Underground Safety Team (MUST), which includes Maine Dig Safe members, excavating contractors and underground facility location workers. Training seminars were held in Presque Isle, 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 31 certification and/or informational sessions at various businesses, organizations, trade shows and the Commission with over 930 participants. The Commission remains committed to providing training and education for any individual or organization seeking assistance in understanding the roles and responsibilities of excavators, facility operators, the regional Dig Safe organization and the Commission.

MAJOR ACTIVITY

During the 2012 session, the Legislature enacted An Act to Implement the Recommendations of the Dig Safe Work Group, P.L. 2011, Ch. 588. The Act established a 23 member group, chaired by the Public Advocate, and directed the work group to examine a number of specific issues related to the Dig Safe program. The Act did not designate the Commission as a member of the work group but directed the Commission to work in consultation with the work group to carry out the tasks assigned by the Act. The Act required the Work group to report all recommendations that were approved by a 2/3 majority of the Work Group's members. Four recommendations were ultimately approved by the work group. The Public Advocate and the Commission submitted a joint report to the Committee on January 15, 2013 describing the four recommendations and draft legislation to implement those recommendations. Subsequent to the submission of this report, LD 965, An Act To Improve Maine's Underground Facility Damage Prevention Program, was submitted to Legislature. LD 965 contained legislation that would create a Dig Safe Advisory Board and make various modifications to the Commission's enforcement authority. LD 965 was carried over for consideration during the next legislative session pursuant to Joint Order HP 1145.

WATER

THE WATER INDUSTRY IN MAINE

There are more than 150 water utilities in Maine. There are two types of water utilities, 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 and other privately owned utilities. 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 which grant 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 typically 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 20 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 rate changes approved by the Commission in 2013 resulted in revenue requirement increases ranging from 1.3 to 32.8**%.** The major cause for these increases is due to the aging infrastructure that is reaching the end of its useful life as discussed below. The particular increases included 32.8% for Mars Hill Utility District, 13.62% for Pine Springs Roads and Water,4.1% for Maine Water Company, Hartland Division,6.2% for Maine Water Company, Greenville Division,15.1% for Maine Water Company, Kezar Falls Division, 4.38% for Maine Water Company, Skowhegan Division, and 5.15% for Maine Water Company, Bucksport Division.

Regulatory Reform At the direction of the Legislature through the enactment of Resolve, Directing the Public Utilities Commission To Develop a Plan To Reform Regulation of Consumer-owned Water Utilities (Resolves 2013, Ch. 47), the Commission opened an Inquiry seeking the comments of water industry stakeholders regarding the existing regulatory burdens that result from Commission oversight and ways such burdens could be lessened while assuring the rates paid by customers are

just and reasonable and without jeopardizing public safety. (Docket No. 2013-00444). The Commission will present a report summary of these proceedings and the Commission's recommendations to the Joint Standing Committee of Energy, Utilities, and Technology by January 31, 2014.

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 deliver water service flows through pipes that were installed in response to growth and economic development from the late 1800s through the post-World War II period. The useful life of these pipes varies considerably, depending on soil conditions, pipe material, and materials in the water flowing through it. However, a significant proportion of system components are becoming antiquated at approximately the same time. While the exact amount needed to fund infrastructure replacement in Maine has not been quantified, the cost associated with replacing this infrastructure for all water utilities nationally is estimated to be in excess of $918 billion, as observed in the February 2013 Stakeholder Proceedings Regarding Decreasing Revenues of Water Utilities Report.

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 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.

On May 13, 2013, the Commission adopted a rule implementing recent legislation authorizing a novel cost recovery mechanism for infrastructure improvements. Specifically, Chapter 675 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. Chapter 675 also authorizes consumer owned water utilities to adopt capital reserve accounts through which a water district may recover limited amounts of revenue through current rates to fund future infrastructure projects.

MAJOR CASES AND EVENTS

Commission Investigation into a Contract for Bulk Water Sales Between Fryeburg Water Company and Nestle Waters of North America The Commission initiated an investigation into a long term contract for water extraction and the lease of utility

property between the Fryeburg Water Company and Nestle Waters of North America. Inc. The case was actively litigated by various parties and generated significant interest both throughout the state and nationally. After hearings concluded and briefs were filed, Chairman Welch determined that he should recuse himself from case. As a consequence, there no longer existed a quorum of Commissioners able to issue decision in the matter (Commissioner Vannoy was required, by statute, to recuse himself at the commencement of the case). The procedural schedule in the proceeding has been suspended until a quorum of Commissioners is available to deliberate and decide the case.

EMERGENCY SERVICES COMMUNICATION BUREAU

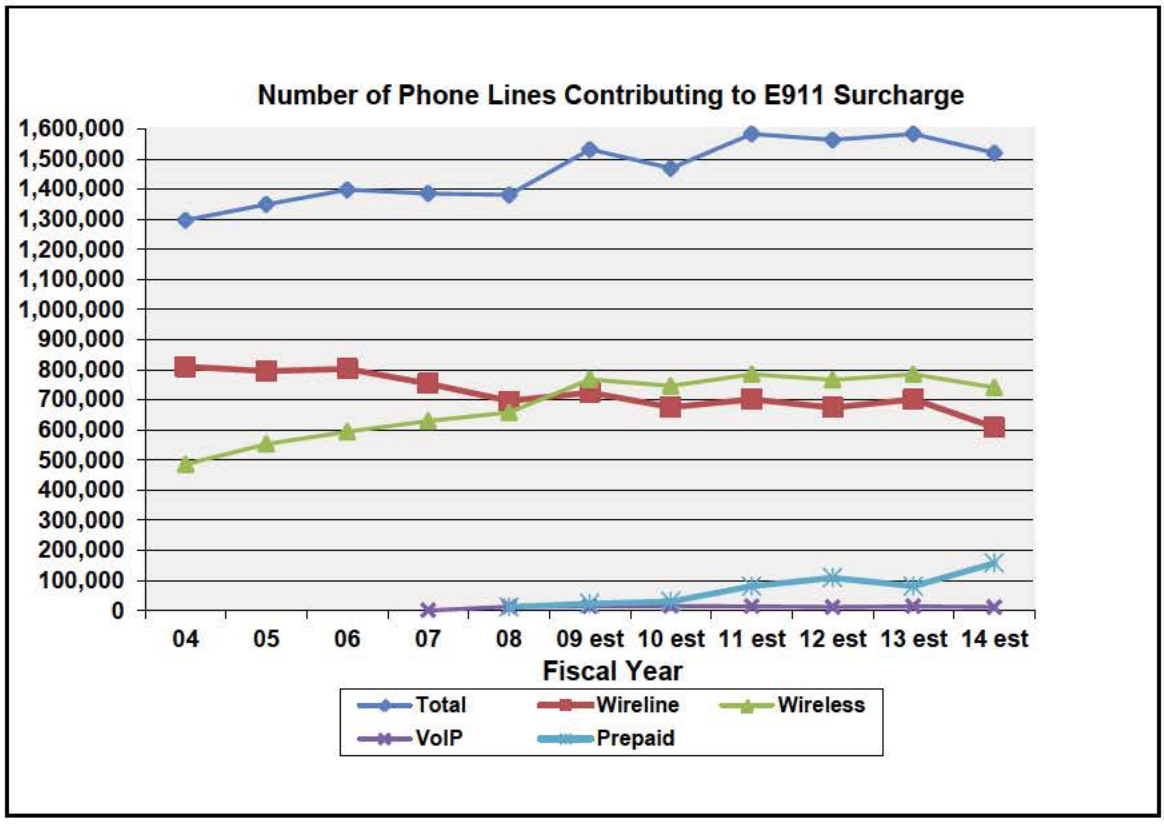
911 SERVICES IN MAINE

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 a predetermined Public Safety Answering Point (PSAP).

INDUSTRY TRENDS

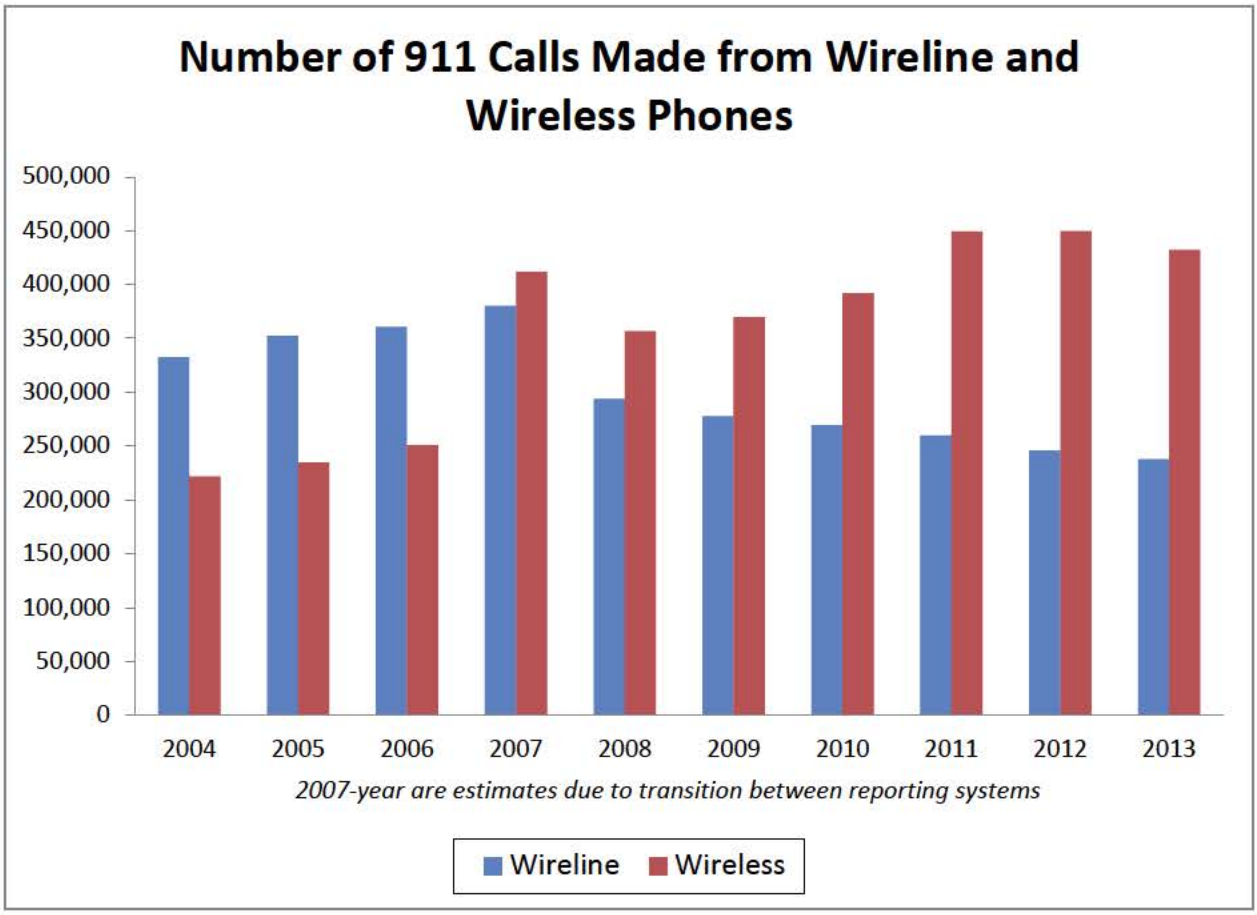
Nationally and in Maine, wireless phones have accounted for the largest portion of payments of the E911 surcharge. See Figure 14.

Figure 14 – Phone Lines Contributing to E911 Surcharge



For the seventh year in a row, there were more 911 calls made from wireless phones (65%) than wireline phones (35%) in Maine. See Figure 15.

Figure 15 - 911 Calls



KEY EVENTS

Next Generation 911 Planning New communications media enables people to send and receive text messages, photographs and streaming video with handheld devices using Internet Protocol (IP) technologies for transmission. Automatic crash notification systems such as OnStar™ can automatically report motor vehicle accidents, and even provide information on the accident such as potential injuries. Yet none of these technologies has access to the current Enhanced 911 (E911) system. Next Generation 911 (NG911) service is a dramatic change in 911 that will allow call-takers to receive and recognize the location of 911 calls from any of these devices. NG911 service will move 911 from decades-old analog technologies to modern, digital IP technology.

NG911 Contract A contract was executed with FairPoint Communications in March 2013 for NG911 services which will transition Maine's aging E911system to a standards-based NG911 system capable of handling new communication technologies. The first PSAP will be moved from the legacy system to NG911 in late January 2014 and the remaining 25 will transition by summer 2014.

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 FCC issued a Notice of Proposed Rule Making in December 2012 for 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. It would also require carriers to begin deployment if requested by a PSAP by May 2014. In May 2013, the FCC issued an order requiring a bounce back message by September 30, 2013. The FCC has not yet set a date for carriers to provide an interim solution.

Some of the largest wireless carriers are pursuing interim SMS (text messaging) solutions absent an FCC order. A voluntary letter of agreement commits the four largest carriers (Verizon Wireless, AT&T Mobile, Sprint and T-Mobile) to implement an interim solution by May 2014. Maine was Verizon Wireless's first applicant for its SMS to TTY interim 911 solution. The project went live in May 2013 and represents the first solution of this kind in the country. A public education effort announced its availability, which is limited to Verizon Wireless customers.

In keeping with the voluntary agreement of the larger carriers, the ESCB also formally requested SMS to TTY with Sprint in July 2013 and AT&T in November 2013 with the intent to implement interim solutions in 2014.

Call Taker and Dispatch Training The ESCB offers a complete complement of courses to ensure that 911 call takers and dispatchers have the necessary skills to handle emergency calls.

- **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.

- **NG911 Transition Training** This one day course is equipment specific training provided to call takers within two weeks of their PSAP transitioning to the new NG911 system.

- **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 5 - Students Trained

Course Name	Students Trained in 2013
PSAP New Hire Training	57
PSAP Administrator Training	6
Emergency Telecommunicator Course	51
NG911 Transition Training	42
Emergency Medical Dispatch Certification	99
Emergency Medical Dispatch Quality Assurance (ED-Q)	18
Emergency Medical Dispatch AQUA Training	15
Emergency Medical Dispatch ProQA	21

Quality Assurance Program Development

- **Expansion of Call Handling Protocols to Include Fire and Police** The ESCB continued its evaluation of expanding the existing EMD protocol system to include fire and police protocols. In 2013, the Commission asked for legislative guidance as to whether a pilot program with certain PSAPs would be a viable next step. Two other bills which contemplated the expansion of protocols to include the fire and police were held over by the Joint Standing Committee on Energy Utilities and Technologies Committee to the 2014 legislative session. The ESCB is tasked with reporting back to the Committee additional information on what a pilot program might involve by January 1, 2014.

PSAP Audit

During 2013 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 needing improvement included:

- Implementation of a call review policy and procedure for police and fire calls at each PSAP;

- Use of a standardized TTY testing log to monitor compliance with Americans with Disabilities Act guidelines. Most PSAPs have an effective TTY test process in place but a standardized log will ensure all PSAPs are meeting requirements and following appropriate testing guidelines.

ESCB rules require PSAPs to answer all calls in ten seconds or less 90% of the time. All PSAPs met this requirement. See Table 6 on page 58.

Table 6 - Annual Call Center Efficiency for 2013

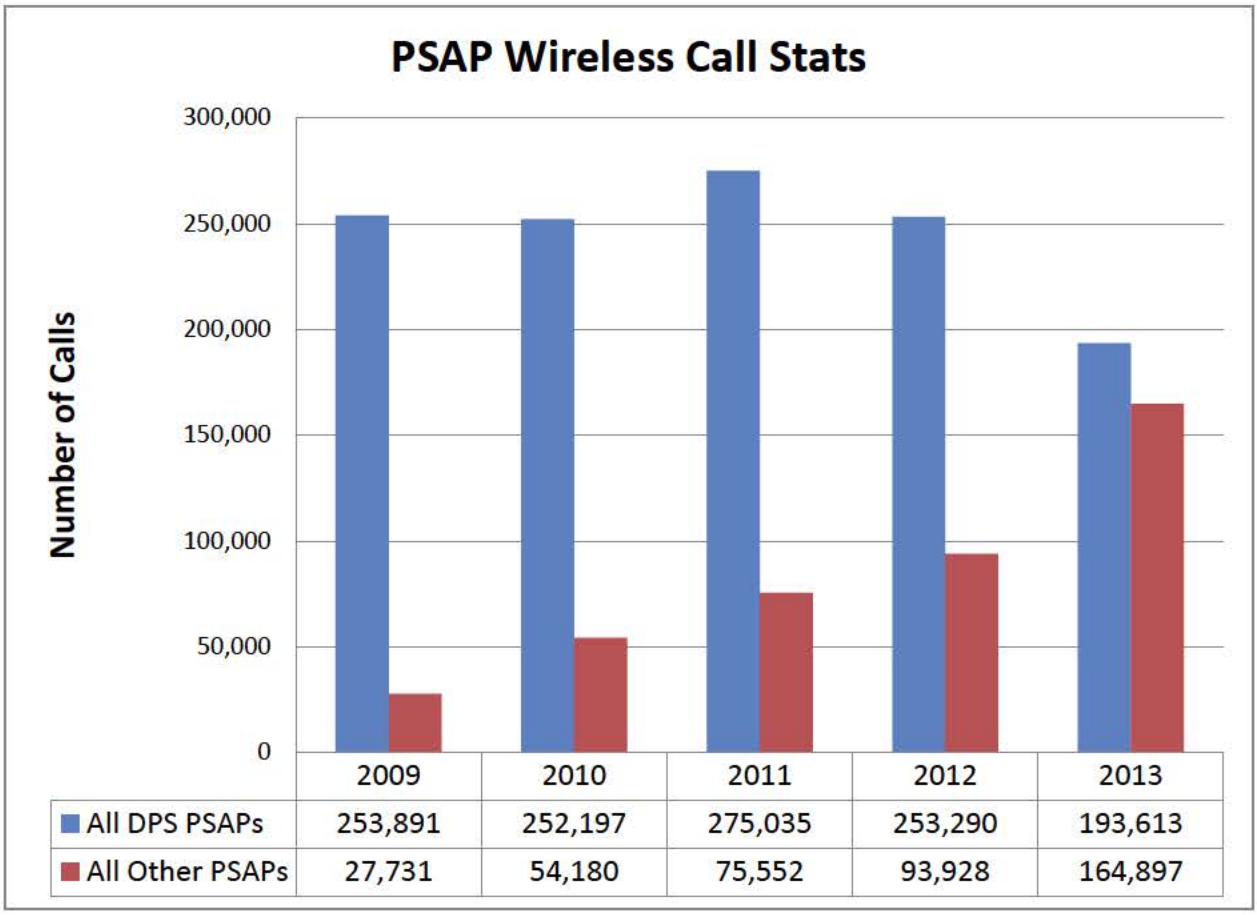
PSAP	Incoming 911 Calls	Calls Answered ≤ 10 Seconds	Average Ring Duration
Androscoggin Cty SO	9,158	98.8	5
Bangor PD	22,134	97.7	5
Biddeford PD	13,128	99.3	5
Brunswick PD	11,229	99.5	3
CMRCC	48,879	95.0	6
Cumberland Cty RCC	26,376	93.1	6
DPS Gray	119,521	97.5	4
DPS Houlton	11,673	97.6	5
DPS Orono	40,149	96.1	5
Franklin Cty RCC	10,988	98.1	5
Hancock Cty RCC	14,003	98.0	5
Knox Cty RCC	23,825	98.7	4
Lewiston Auburn 911	41,709	98.1	4
Lincoln Cty RCC	13,356	99.7	4
Oxford Cty RCC	24,489	99.6	4
Penobscot Cty RCC [1]	42,364	91.0	6
Piscataquis Cty SO	6,091	97.7	5
Portland PD	63,561	93.4	5
Sagadahoc Cty RCC	14,444	99.7	3
Sanford PD	22,680	99.8	4
Scarborough PD	7,694	98.2	5
Somerset Cty RCC	38,877	99.8	4
Waldo Cty RCC	12,062	97.3	6
Washington Cty RCC	11,838	98.5	5
Westbrook PD	11,350	97.7	5
York PD	8,358	98.5	4
Total Calls	**669,936**		

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. In 2013, approximately 70,000 911 calls were redirected from DPS PSAPs to the county or municipal PSAPs. Currently, all 26 PSAPs now

receive some wireless calls directly. By early 2014, the ESCB will have completed its initial effort to re-route cell tower traffic to the appropriate PSAP, to the extent that a PSAP is willing to accept the additional call volume

Figure 16 illustrates the percentage of wireless calls answered by DPS PSAPs compared to all other PSAPs for the last five years. Figure 17 shows the geographical coverage area of each of the PSAPs.

Figure 16 - PSAP Wireless calls

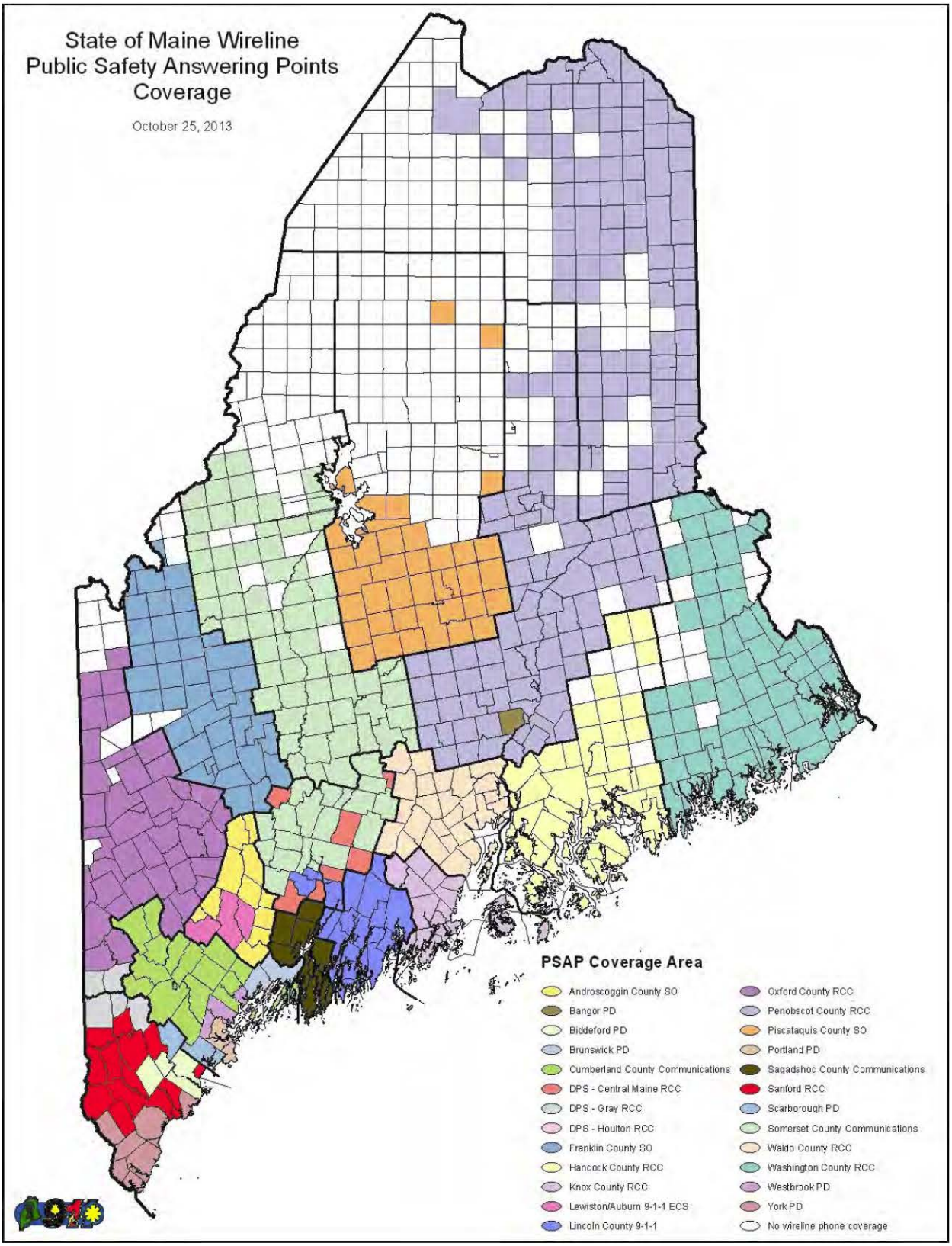


	2009	2010	2011	2012	2013
All DPS PSAPs	253,891	252,197	275,035	253,290	193,613
All Other PSAPs	27,731	54,180	75,552	93,928	164,897

Program Funding/Surcharge Recommendation Surcharge revenue is held in a dedicated, interest-bearing account and is tracked through the State computerized accounting system.

Absent unanticipated contract costs associated with the timing of the transition to NG911, the Commission believes the current surcharge level of $.45 a month will produce sufficient revenues, when combined with an existing E911 fund balance, to finance the program through FY14.

Figure 17 - PSAP Coverage



CONSUMER ASSISTANCE

MISSION STATEMENT/PURPOSE

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

KEY EVENTS

In 2012, the CAD sponsored a workshop to discuss the increased number of serious medical condition variances being submitted to the CAD by utilities. Participants in the workshop discussed options for protecting the health and welfare of these customers, while ensuring that utilities receive payment. The workgroup recommended that the Oxygen Pump and Ventilator programs administered pursuant to Chapter 314 of the Commission's rules be expanded to include customers in subsidized housing and that other issues be addressed through modifications to Chapter 815 of the Commission's rules. The Commission completed a rulemaking in 2013 that implemented the stakeholder workgroup's recommendations and reflected comments submitted from interested persons, concerning the serious medical condition provision of the Chapter 815, as well as the Statewide Low Income Assistance Plan rule, Chapter 314.

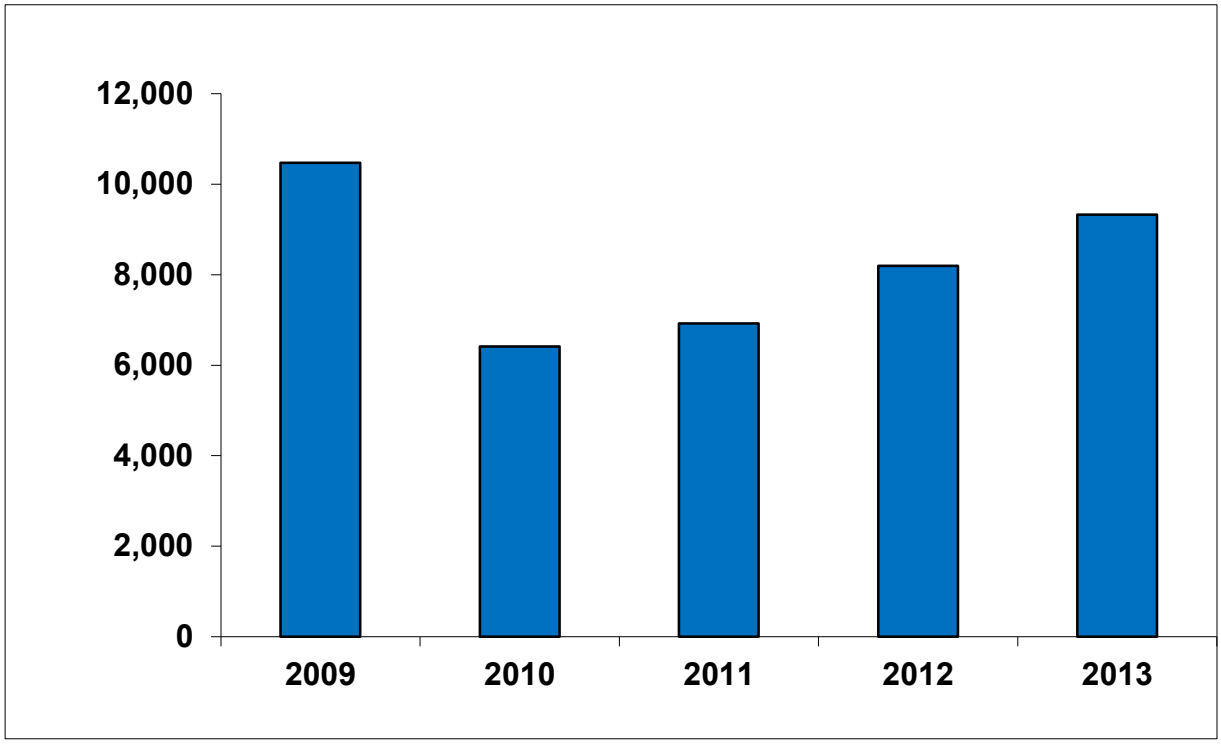
In November 2013, the Commission opened an Inquiry into arrearage patterns in Maine investor- owned electric transmission and distribution utilities' residential customer accounts. The purpose of the inquiry is to quantify the number of customers in significant arrearage and to identify the extent to which there is a subset of these customers who make consistent payments, yet are unable to bring their accounts current. The Commission seeks to develop a better understanding of how many of these customers there are and how large a financial shortfall exists with the goal of exploring potential options to address this issue in the future.

CAD Contacts

The CAD tracks its contacts with both consumers and utilities. 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 requests for waiver of Commission rules by utilities. The CAD recorded 9,325 consumer contacts in 2013. This was a 14% increase over the 8,193 consumer contacts in 2012, and a 35**%** increase over the 6,922 consumer contacts in 2011.

Figure 18 - CAD Contacts 2009 - 2013



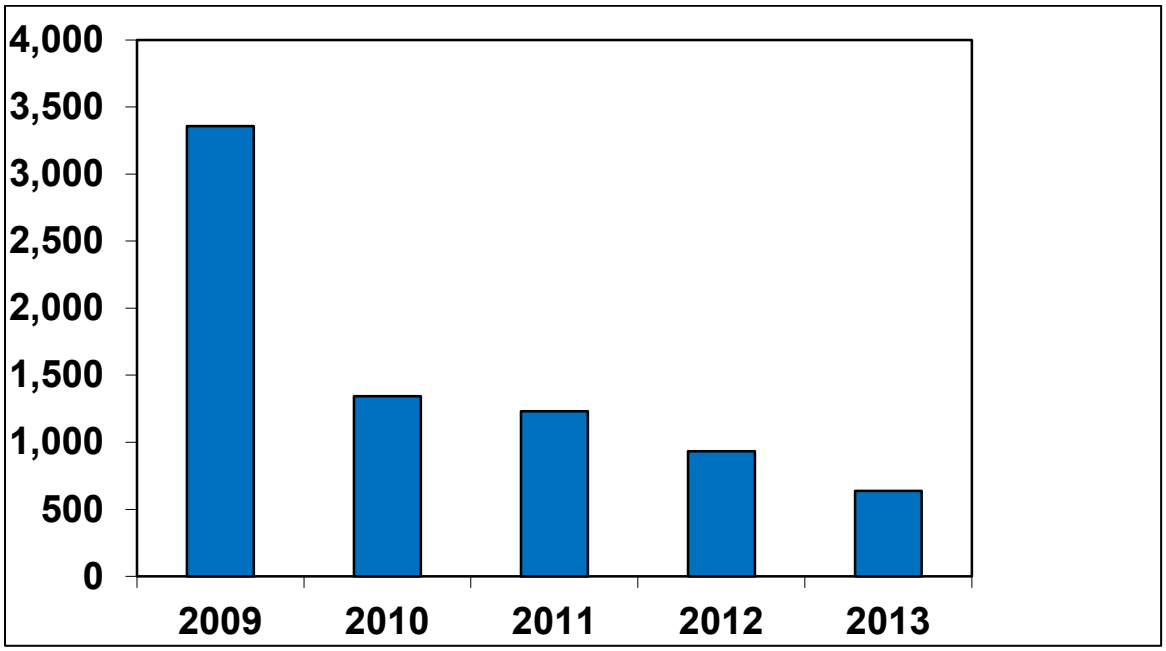
The CAD also tracks the speed in which it answers calls to its consumer hotline. Its goal is to answer at least 80% of calls within one minute. In 2013, the CAD answered 97% of calls within one minute with a call abandonment rate of 2%. This is a significant improvement over the 95% of calls answered within one minute with a call abandonment rate of 4% in 2012; and a more significant improvement over the 93% of calls answered within one minute with a call abandonment rate of 4% in 2011. This improvement is noteworthy when considering the 14% increase in overall customer contacts the CAD experienced in 2013.

Consumer Complaints

As shown in the Figure 19 below, the CAD received 637 complaints in 2013. This was a 32% decrease from the 934 complaints received in 2012 and a 48% decrease from the 1,232 complaints received in 2011. It is interesting to note that while

overall customer contacts increased by 14% from 2012 to 2013, the number of complaints received during that same time period decreased by 32%. This is part of a trend of decreasing complaints experienced since 2009.

Figure 19 - Consumer Complaints 2009-2013



This decrease in complaints is primarily attributable to a decrease in the number of complaints being filed against telephone utilities. This is part of a long term trend that has taken place since 2008.[9] In 2013, a total of 57 complaints were filed against telephone utilities. This is a 59% decrease from the 140 complaints received against telephone utilities in 2012 and an 80% decrease from the 284 complaints received against telephone utilities in 2011. There are two primary reasons for this trend: a decreasing number of wireline telephone utility customers and significantly less regulation of telephone utilities because legislation removed CAD ability to handle complaints for many types of telephone company issues. Specifically, pursuant to legislation enacted by the 125th Maine Legislature, the Commission's jurisdiction extends only to the regulation of Provider of Last Resort (POLR) service – a basic level of telephone service which, for FairPoint, constitutes roughly 10% of its total access lines.

This trend of decreasing complaints and limited ability of the CAD to address consumer complaints following deregulation, yet increasing customer contacts, also represents a fundamental change in the type of assistance the CAD provides to its customers. In the past, a large percentage of the customer contacts to CAD were

[9] The large number of complaints received in 2009 were primarily complaints filed against CMP relating to credit and collections and FairPoint relating to problems it had converting from Verizon's billing systems to its own after its acquisition of Verizon New England.

related to disputes customers had with their monopoly utility provider. These contacts were classified as "complaints" in which the CAD had the authority to issue a decision binding on both the customer and the utility. With less prescriptive regulation in both the telecommunications and electric supply areas, customer contacts relating to these areas have changed from formal complaints the Commission had handle to what CAD now classified as contacts where CAD can provide information and assistance. While the CAD is still able to provide assistance to customers in these situations, the assistance is in the form of advice and mediation, rather than a formal decision to a formal complaint.

Figure 20 - Complaints by Type

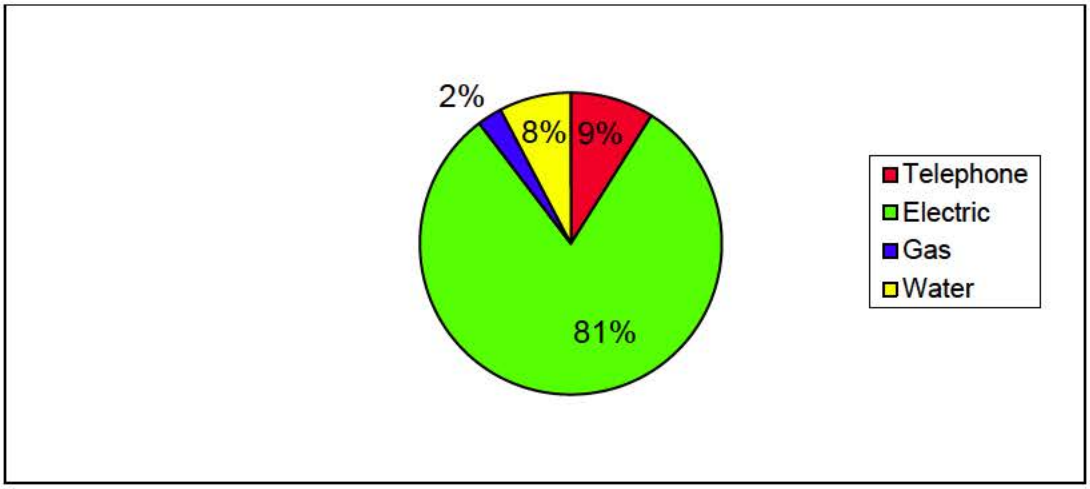


Figure 20 above breaks down complaints received by utility industry. In 2013, 81% of complaints received were against electric utilities. This compares to 72% of complaints received against electric utilities in 2012 and 63% in 2011. This increasing trend is attributable to the decreasing number of complaints being filed against telephone utilities as described above, as opposed to an increasing number of complaints being filed against electric utilities. Complaints against electric, gas, and water utilities have remained relatively constant over the past three years.

In 2013, it took the CAD an average of 28.8 days to resolve each complaint received. This compares to an average of 37.6 days in 2012 to resolve each complaint received. This is a noteworthy achievement considering the higher number of overall customer contacts the CAD experienced in 2013.

Utility Variances and Winter Requests to Disconnect

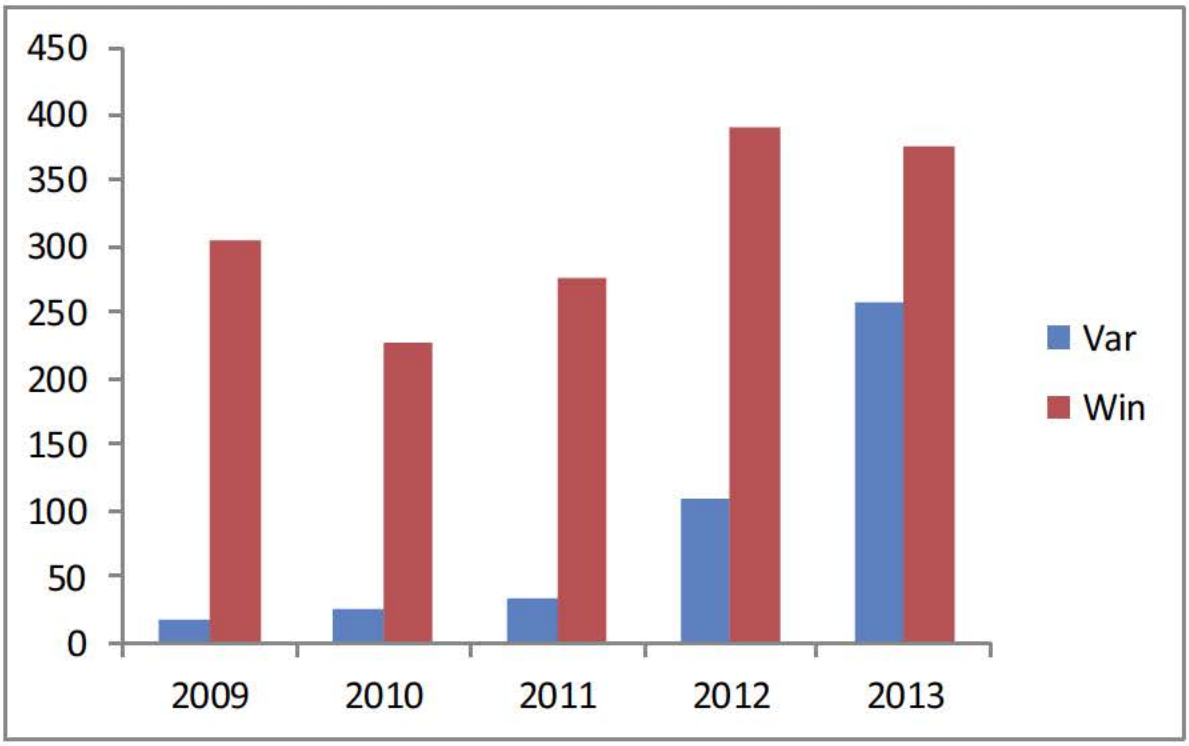
Utilities have the right to request a variance (or waiver) from Commission rules for individual applicants or customers whose conduct and known financial condition pose a clear danger of substantial losses to the utility. Decisions issued by the CAD in response to a variance request can be appealed to the Commission by either the utility

or the customer. The CAD received 258 variance requests from utilities in 2013, a 137% increase over the 109 variance requests received in 2012, and a 659% increase over the 34 variance requests received in 2011. The CAD ultimately granted 227**,** or 88%**,** of the 258 variance requests submitted. This compares to 50% of the variance requests being granted in 2012.

Between November 15 and April 15, electric and gas utilities are prohibited from disconnecting customers without first receiving permission from the CAD. 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 CAD. In these situations, the CAD also attempts contact with the customer for the purpose of establishing a reasonable payment arrangement. Whether or not the CAD is able to contact the customer, it will ensure that the customer is on a reasonable payment arrangement. In 2013, the CAD received 376 requests to disconnect from electric and gas utilities. This was a 3% decrease from the 390 requests received in 2012 and a 36% increase over the 277 requests received in 2011. The CAD granted 156, or 41%, of the 376 requests submitted in 2013. This compares to 38% of the requests to disconnect being granted in 2012.

As shown in Figure 21 below, variance and winter disconnect requests have been increasing in the past five years, with the most dramatic increase occurring from 2011 to 2012. The cause of this trend is most likely persistent problems with the economy and more proactive credit and collection actions by CMP. A number of customers have struggled to pay their utility bills over the past few years, even though they are on reasonable payment arrangements established by either the CAD or the utility. In these situations, utilities often file variance requests during the summer and winter requests to disconnect during the winter to address the problem. These are difficult situations for the CAD and utilities because most customers are already on a reasonable payment arrangement. Nonetheless, in these situations, the CAD works with both customers and utilities to ensure that customers' retain their utility service and that utilities' receive proper payment.

Figure 21 - Winter Requests to Disconnect and Variances Received



LOW INCOME PROGRAMS

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

The Commission is required by 35-A M.R.S. § 3214(6) to annually report 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 7 summarizes 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 7 – Program Statistics

	LIAP Program		Oxygen Program		Ventilator Program	
Month	Number of Participants	Amount of Benefit	Number of Participants	Amount of Benefit	Number of Participants	Amount of Benefit
Oct. 2012	1,502	$ 229,987	67	$3,244	0	$0
Nov. 2012	3,347	$639,784	129	$7,792	0	$0
Dec.2012	9,504	$1,322,603	346	$26,062	0	$0
Jan. 2013	11,555	$1,007,060	449	$20,636	4	$191
Feb. 2013	11,987	$782,241	415	$19,745	8	$298
Mar. 2013	12,544	$645,566	448	$16,696	8	$207
April 2013	11,792	$456,408	450	$16,672	9	$187
May 2013	11,372	$234,829	426	$14,421	9	$153
June 2013	10,968	$177,651	404	$14,213	5	$45
July 2013	11,783	$71,749	350	$10,808	1	$13
Aug. 2013	11,581	$215,389	328	$9,114	1	$14
Sept. 2013	17,277	$2,064,791	457	$30,573	9	$345
Total		$7,848,056		$189,974		$1,452

During its consideration of LD 813, the bill which gave rise to Chapter 97, the Energy, Utilities and Technology Committee discussed an error associated with oxygen pump benefits. The error 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, section 3 of Chapter 97 (codified at § 3214 (6)(C)) 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. The subsequent revision to Chapter 314 reduced the estimated daily and monthly kWh consumption amounts used to calculate the Oxygen Pump benefit in an effort to eliminate this problem. To further ensure that customers did not receive a benefit that exceeds a customer's total electricity usage, the Commission amended Chapter 314 to include language that prohibits an oxygen pump or ventilator benefit from exceeding the customer's total electricity usage. These changes appear to have resolved the problem.

SUMMARY OF COMMISSION RULEMAKINGS

The following provides a summary of the Commission Rulemakings that occurred in 2013.

Chapter 206: Standards for Designating and Certifying Eligible Telecommunication Carriers Qualified to Receive Federal Universal Service Support

This rule was amended so that carriers will apply to the Federal Communications Commission rather than the Maine Commission for ETCs designated for the sole purpose of offering Lifeline, Link-up, or other low income benefits.

Chapter 212: Exemption of Competitive Telecommunication Carriers and Dark Fiber Providers from Certain Filing and Approval Requirements

This rule was repealed because P.L. 2011, chapter 262 codified in statute the exemption in the rule.

Chapter 240: Mobile Telecommunications Services

This rule was repealed because the Commission no longer regulates mobile communication services that also offer fixed installation services pursuant to P.L. 2011, Ch. 623 (which repealed 35-A M.R.S. § 8901).

Chapter 294: Lifeline and Link Up Service Programs

This rule was amended so the eligibility and verification procedures for a state discount will be the same as those established by the Federal Communications Commission for the Federal Lifeline benefits and removes all references to Link-Up. After the amendment the FCC will administer the Link-Up program for Tribal Lands in Maine.

Chapter 314: Statewide Low-Income Assistance Plan

This rule was amended to allow customers receiving a housing subsidy and who also use an oxygen pump, to participate in the LIAP Program.

Chapter 324: Small Generator Interconnection Procedures

This rule was amended to specify that the design of certain generation projects and interconnection procedures must be reviewed and approved by a licensed Professional Engineer.

Chapter 395: Construction Standards, Ownership, Cost Allocation, and Customer Charges Rules for Electric Distribution Line Extensions

This rule was amended to remove the reference to secondary voltage line extensions and add a provision that for large transmission and distribution utilities there will be no charge for a service drop in certain specified situations.

Chapter 675: Infrastructure Surcharge and Capital Reserve Accounts

This new rule implements the requirements of recently enacted 35-A M.R.S. § 6107 allowing water utilities to implement water infrastructure surcharges and capital reserve accounts.

Chapter 815: Consumer Protection Standards for Electric and Gas Transmission and Distribution Utilities

This rule was amended to clarify the requirements for declaring a medical emergency to avoid disconnection.

Chapter 840: Intervenor Funding

This rule was amended to reflect legislative changes to 35-A M.R.S. § 1310.

Chapter 920: Maine Model Building Energy Code

This rule was repealed pursuant to legislative directive in P.L. 2013, chapter 120.

2013 REPORTS TO THE LEGISLATURE

The Commission submitted the following reports to the Legislature in 2013:

- Report on Stakeholder Proceeding Regarding Ratemaking and Maine Universal Service Fund Support Mechanisms For Provider of Last Resort Telephone Service, 1/15/13
- Report Update on Cyber Security and Privacy Issues Related to Smart Meters, 1/15/13
- Report on Assessments Paid by Voice Service Providers, 1/15/13
- Biennial Report on the Community Based Renewable Energy Pilot Program, 1/15/13
- OPA and PUC Joint Report on Dig Safe Work Group Recommendations, 1/15/13
- 2013 Annual Report, 2/1/13
- Regional Greenhouse Gas Initiative Price Impacts Report, 2/12/13
- Report on Stakeholder Proceeding Regarding Decreasing Revenues of Water Utilities, 2/15/13
- Report on Transparency in Electricity Rates and Assessments, 2/15/13
- Report Regarding Whether Statutory Revisions Are Needed to Clarify or Bring Into Effect the Regulatory Changes Made by PL 2011, Ch. 623 (An Act to Reform Telecommunications Regulation), 2/26/13
- Annual RPS Report, 3/31/13
- Interim Report Regarding LD 131, Resolve, Directing the Commission to Examine Measures to Mitigate the Effects of Geomagnetic Disturbances and Electromagnetic Pulses on the State's Transmission System, 6/20/13
- Report Related to LD 950, An Act to Establish the Electromagnetic Field Safety Act on Setback Requirements Associated with Transmission Lines, 11/30/13
- Report on Direct Purchases of Electricity From Customers Adjacent to Generation Facilities (Related to LD 796, Resolve, To Enhance Economic Development by Encouraging Businesses Adjacent to Electric Power Generators to Obtain Power Directly), 12/10/13

In addition to the reports to the Legislature, the Office of Program Evaluation and Government Accountability (OPEGA) reviewed aspects of the Commission's operations including compliance, accessibility and responsiveness of certain PUC processes, which included Ten-Person complaints and other avenues available to consumers with common utility-related concerns. This was done from the viewpoint of ratepayers and members of the public, rather than that of regulated utilities.

OPEGA found that with very few exceptions, the Commission operates in full compliance with our rules and statutes and are accessible and responsive to citizens and ratepayers. The Commission is also working diligently to address the recommendations made by OPEGA and will provide periodic updates to OPEGA on our progress. OPEGA's report can be found on their website: http://www.maine.gov/legis/opega/Reports.html

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 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 FY2013, the Commission regulated utilities, enforced Maine's underground facilities damage prevention law, and managed the state-wide E911system.

The Emergency Services Communications Fund (E911)

This fund had an unencumbered balance of $1,611,828 and an encumbered balance of $796,976 brought forward from FY2012. $8,061,864 was expended in FY2013. An unencumbered balance of $1,492,883 and an encumbered balance of $921,887 were brought forward to FY2014. The surcharge collected in FY2013 was $8,193,818.

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. $578,018 was expended in FY2013. An encumbered balance of $421,982 was brought to FY2014. Public Law 2013, chapter 1, Section T-1 authorized the use of the unencumbered balance of $2,647,984 in FY2014.

PUC Regulatory Related Accounts

Regulatory Fund The authorized Regulatory Fund assessment for FY2013 was $4,939,248. An unencumbered balance of $3,351,634 and encumbrances of $230,164 were brought forward from FY2012. The Commission spent $6,185,000 in FY2013.

An encumbered balance of $99,056 and an unencumbered balance of $2,458,710 were brought forward to FY2014. The encumbered balances generally represent ongoing contracts.

Reimbursement Fund In FY2013, the Commission collected $2,700 in filing fees, $902 in copying fees and $169,350 in fines. An unencumbered balance of $555,782 and an encumbered balance of $0 were brought forward from FY2012. During FY2013, $83,414 was expended. An encumbered balance of $20,212 and an unencumbered balance of $498,871were brought forward to FY2014.

Education Fund An unencumbered balance of $748 was brought forward from FY2012. $0 was expended in FY2013, and $748 was the unencumbered balance brought forward to FY2014.

Damage Prevention Grant 2013 During FY2013, the Commission was awarded a Damage Prevention Grant from PHMSA in the amount of $40,864.

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 FY2013, $140,324 was expended.

The Budget in Perspective

Table 8 details the Commission's FY14 Expenditure plan.

The Regulatory Fund Assessment in Perspective

Table 9 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 mails an assessment notice to each utility. The assessments are due on July 1. Funds derived from this assessment are for use during the fiscal year beginning on the same date.

The total assessment for FY2013 was $4,939,248. The assessment breakdown by utility sector was: Electric – $2,609,662; Telecommunications - $1,546,661; Natural Gas - $436,607; Water - $346,318; and Water Common Carrier -$0.

Table 8 - FY2014 Work Program

Regulatory Fund	
Position Count	(56.25)
Personal Services	$5,560,546
All Other	$1,963,414
Capital	0
Total	$7,523,960
Commission Reimbursement Fund	
All Other	$50,000
Commission Consumer Education Fund	
All Other	0
Commission Damage Prevention	
All Other	$50,000
Oversight and Evaluation Fund	
All Other	$20,000
Prepaid Wireless	
All Other	$500,000
Regional Greenhouse Gas Initiative	
All Other	$1,500,000
Emergency Svcs. Comm. (E-911)	
Position Count	(9)
Personal Services	$775,750
All Other(OSR)	$7,444,991
All Other (GF)	$1,140,000
Capital	0
Total	$9,360,741
State Electricity Regulators (ARRA)	
Position Count	(1) Limited Period
Personal Services	$89,210
All Other	0
Capital	0
Total	*$89,210

*Financial Orders SS1672 F4

Table 9 - Regulatory Fund Assessments

Commission 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	Amount Authorized
2003	535,509,552	538,050,538	101,802,792	53,466,479	3,713,543	1,232,542,904	5,505,000	5,505,000
2004	524,156,143	508,708,861	105,043,583	64,913,705	3,823,145	1,206,645,437	5,505,000	5,505,000
2005	511,898,621	479,535,534	66,382,651	107,317,453	2,809,273	1,167,943,532	5,505,000	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	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	7,647,403
2008	475,656,450	425,737,517	115,900,129	73,573,876	-0-*	1,090,867,872	7,172,489	7,172,489
2009	411,688,463	385,333,830	119,538,309	75,026,949	-0-*	991,587,551	7,419,695	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	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	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	4,939,248

*Revenues not included in assessment calculation

CURRENT COMMISSIONERS' BIOGRAPHIES

Thomas L. Welch was appointed Chairman of the Maine Public Utilities Commission in April 2011. He had previously served as Chair of the Commission from 1993-2005. Between his Commission appointments, Commissioner Welch worked for PJM Interconnection, a Pennsylvania-based Regional Transmission Organization, and for five years was an attorney at Pierce Atwood, LLP, in Portland, Maine. Before moving to Maine in 1993, he served as Chief Deputy Attorney General for Antitrust in the Pennsylvania Attorney General's Office, in-house counsel for Bell Atlantic, and Assistant Professor at Villanova University School of Law. Commissioner Welch graduated from Stanford University in 1972 and received his law degree from Harvard Law School in 1975. His term expires in March 2017.

David P. Littell was appointed to the Maine Public Utilities Commission in September 2010. Until this appointment, he served as the Commissioner of the Maine Department of Environmental Protection for five years starting in 2005, and served two earlier years as Deputy Commissioner. Commissioner Littell was an attorney and partner at Pierce, Atwood from 1992-2003. From 1994-2004, he was an intelligence officer in the United States Navy Reserves and resigned as a lieutenant commander in 2004. Commissioner Littell received his Juris Doctor from Harvard Law School in 1992 and his A.B. from Princeton University's Woodrow Wilson School of Public and International Affairs in 1989. In 2010, he was named a Distinguished Policy Fellow by the University of Maine's Margaret Chase Smith Center. His term expires in March 2015.

Mark A. Vannoy was appointed to the Maine Public Utilities Commission in June of 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. He continues to serve in the Navy Reserve. 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.

PAST COMMISSIONERS
1915 – 2013

*	Benjamin F. Cleaves	1915-1919
	William B. Skelton	1915-1919
	Charles W. Mullen	1915-1916
	John E. Bunker	1917-1917
	Herbert W. Trafton	1918-1936
*	Charles E. Gurney	1921-1927
	Albert Greenlaw	1924-1933
*	Albert J. Stearns	1928-1934
	Edward Chase	1934-1940
*	Frank E. Southard	1935-1953
	C. Carroll Blaisdell	1937-1941
	James L. Boyle	1941-1947
	George E. Hill	1942-1953
	Edgar F. Corliss	1948-1954
*	Sumner T. Pike	1954-1955
	Frederick N. Allen	1954-1967
	Richard J. McMahon	1955-1961
*	Thomas E. Delahanty	1955-1958
*	David M. Marshall	1958-1969
*	Earle M. Hillman	1962-1968
*	John G. Feehan	1968-1977
	Leslie H. Stanley	1970-1976
*	Peter Bradford	1971-1977
		1982-1987
	Lincoln Smith	1975-1982
*	Ralph H. Gelder	1977-1983
	Diantha A. Carrigan	1977-1982
	Cheryl Harrington	1982-1991
*	David Moskovitz	1984-1989
*	Kenneth Gordon	1988-1993
	Elizabeth Paine	1989-1995
	Heather F. Hunt	1995-1998
	William M. Nugent	1991- 2003
*	Thomas L. Welch	1993-2005
	Stephen L. Diamond	1998-2006
*	Sharon M. Reishus	2003-2010
*	Kurt Adams	2005-2008
	Vendean Vafiades	2007-2012
*	Jack Cashman	2008-2011

*Chairman