

MAINE STATE LEGISLATURE

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**COMMITTEE ON UTILITIES AND ENERGY
120TH MAINE LEGISLATURE**

**Materials pertaining to
the Government Evaluation Act Review
1997-1998
Office of Public Advocate**

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**Public Advocate Office
February 20, 2001**



STATE OF MAINE
EXECUTIVE DEPARTMENT
PUBLIC ADVOCATE OFFICE
112 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0112

ANGUS S. KING, JR.
GOVERNOR

STEPHEN G. WARD
PUBLIC ADVOCATE

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October 24, 1997

Senator Richard Carey, Senate Chair
Rep. Kyle Jones, House Chair
Committee on Utilities and Energy
118th Legislature
115 State House Station
Augusta, ME 04333-0115

Reference: Government Evaluation Act Review

Dear Senator Carey and Representative Jones:

On March 19 the Committee provided formal certification of its decision to proceed with a review of the Public Advocate Office pursuant to the Government Evaluation Act and requesting a program evaluation report on the Office's organization, functioning and performance no later than November 1.

Attached please find 17 copies of the requested report, complying with the specific requirements of 3 M.R.S.A. Section 956. I look forward to working closely with the Committee chairs and Committee members and to responding to any questions that arise in the course of the Government Evaluation Act review.

Please do not hesitate to contact me at any time with respect to this matter.

Sincerely,

Stephen G. Ward

cc: Greg Nadeau, Governor's Office
Evan Richert, SPO
Dennis Keschl, PUC



SENATE

RICHARD J. CAREY, DISTRICT 14, CHAIR
 JOHN J. CLEVELAND, DISTRICT 22
 PHILIP E. HARRIMAN, DISTRICT 23

JON CLARK, LEGISLATIVE ANALYST
 VIOLET BATES, COMMITTEE CLERK



STATE OF MAINE

HOUSE

KYLE W. JONES, BAR HARBOR, CHAIR
 CAROL A. KONTOS, WINDHAM
 RONALD E. USHER, WESTBROOK
 GARY O'NEAL, LIMESTONE
 PATRICK COLWELL, GARDINER
 CHARLES C. LAVERDIERE, WILTON
 JOSEPH B. TAYLOR, CUMBERLAND
 HENRY L. JOY, CRYSTAL
 DONALD P. BERRY, SR., BELMONT
 JOHN W. VEDRAL III, BUXTON

ONE HUNDRED AND EIGHTEENTH LEGISLATURE

COMMITTEE ON UTILITIES AND ENERGY

March 13, 1998

The Honorable Mark W. Lawrence
 President of the Senate
 The Honorable Elizabeth H. Mitchell
 Speaker of the House of Representatives
 118th Maine Legislature
 State House
 Augusta, Maine 04333-0003

Dear President Lawrence and Speaker Mitchell:

Pursuant to the Government Evaluation Act, Maine Revised Statutes, Title 3, chapter 35, we submit the findings and recommendations of the Joint Standing Committee on Utilities and Energy with respect to the Office of the Public Advocate.

The committee has concluded that the Office is operating in accordance with its statutory authority. We are generally satisfied that the Office is conducting its work in accordance with its duties under the law and believe the Office is doing an adequate job fulfilling its statutory mandate. We have also concluded that due to recent increases in work load occasioned by, among other things, the restructuring of the electric industry, the Office should receive an increase in funding for this biennium. The committee is divided, however, over the amount of increased funding that is required. Our report provides further detail about our conclusions and our recommendations. Pursuant to Title 3, section 954, we are submitting with our report legislation that would implement our recommendations.

Sincerely,

Richard J. Carey
 Senate Chair

Kyle W. Jones
 House Chair

cc: Stephen G. Ward, Public Advocate
 David Boulter, Office of Policy and Legal Analysis

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SENATE

RICHARD J. CAREY, DISTRICT 14, CHAIR
JOHN J. CLEVELAND, DISTRICT 22
PHILIP E. HARRIMAN, DISTRICT 23

JON CLARK, LEGISLATIVE ANALYST
VIOLET BATES, COMMITTEE CLERK



HOUSE

3 STATE HOUSE STATION

AUGUSTA, MAINE 04333

KYLE W. JONES, BAR HARBOR, CHAIR
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STATE OF MAINE

ONE HUNDRED AND EIGHTEENTH LEGISLATURE

COMMITTEE ON UTILITIES AND ENERGY

MEMORANDUM

DATE: March 13, 1998

TO: Representative Elizabeth H. Mitchell, Chair, Legislative Council

FROM: Senator Richard J. Carey, Chair
Representative, Kyle W. Jones, Chair
Joint Standing Committee on Utilities and Energy

RE: Government Evaluation Act Review of the Office of the Public Advocate

This is to inform you that the Joint Standing Committee on Utilities and Energy, pursuant to the Government Evaluation Act, has submitted its findings and recommendations with respect to the Office of the Public Advocate.

cc: Members, Legislative Council
Sally Tubbesing, Executive Director

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JOINT STANDING COMMITTEE ON UTILITIES AND ENERGY

JOINT STANDING COMMITTEE ON UTILITIES AND ENERGY

GOVERNMENT EVALUATION ACT REVIEW OF THE

OFFICE OF THE PUBLIC ADVOCATE

March 13, 1998

GOVERNMENT EVALUATION ACT

The Government Evaluation Act ("Act") provides for a system of periodic review of the efficacy and performance of state government agencies. The review of an agency's finances and programs must include a review of agency management and organization, program delivery, goals and objectives, statutory mandates and fiscal accountability. 3 MRSA §951 et seq. The law was enacted in the 117th Legislature to replace the old Government Audit and Program Review Program and substituted a legislative audit of each agency on a rotating basis with an agency self assessment. The first reviews under the Act will be completed at the end of the 118th Legislature.

The keystone to the Act is the agency program evaluation report which consists of a number of components required by the statute. Essentially, the report is an agency self-assessment which the committee of jurisdiction uses as a starting point for its evaluation of the agency's effectiveness, efficiency and performance. The components that must be included in the report are: the agency's enabling state and federal legislation; program descriptions; organizational structure, position count and job classifications; compliance with federal and state health and safety laws; ten-year financial summaries; regulatory agenda; coordinated efforts with other state agencies; constituencies served by the agency; alternative delivery systems; and emerging issues for the agency.

COMMITTEE REVIEW PROCESS

On March 19, 1997, the committee notified the Office of the Public Advocate ("OPA") that, in accordance with the suggested schedule in 3 MRSA §959 (1) (P), the committee would undertake its GEA review of the OPA during the Second

JOINT STANDING COMMITTEE ON UTILITIES AND ENERGY

Regular Session of the 118th Legislature. The committee directed the OPA to submit its GEA report in accordance with 3 MRSA §956.

The OPA submitted its GEA report to the committee under a letter of transmittal dated October 24, 1997. In a letter dated December 31, 1997, the OPA provided supplemental information concerning the office's budget; the letter included a request for supplemental funding of \$400,000 in the 1999 fiscal year.

On January 28, 1998, the committee held a public hearing on the OPA's GEA report. The Public Advocate provided an overview of the GEA report and answered questions with regard to the report and the request for supplemental funding. The committee heard oral testimony from Anthony Buxton, Esq. (an attorney for the Industrial Energy Consumer's Group), Pam Person (Vice Chair of the Coalition for Sensible Energy), Beth Nagusky (Executive Director of the Independent Energy Producers of Maine), Alan Stone, Esq., James Cohen, Esq. (representing Maine Public Service Company) and Richard Davies (representing CAP agencies). In addition, the committee received written comments from Pam Person, Helen Petterson, Robert Howe (on behalf of ENRON Corp.) and Jeffrey L. McNelly (Maine Rural Water Association).

On February 12, the committee held a work session in which the committee explored the need for an OPA, the value of its work, past actions of the OPA that were of concern to some members of the committee, work of the OPA that some members identified as of particular value, the proper role of the OPA and the basis for the funding request. The Public Advocate identified a total of \$360,000 of unfunded consultant and expert witness expenses in fiscal year 1999 which he believes should to be funded in order for the OPA adequately to handle its current work load (see Attachment I). The Public Advocate's request of \$400,000 would cover these expenses and provide a cushion to absorb further unanticipated expenses.

The committee discussed the so-called "hot bench" approach now being used in cases at the Public Utilities Commission.¹ The committee explored whether this

¹ The term "hot bench" refers to the manner in which staff is utilized by the commission during adjudicatory proceedings. In the past, the commission usually assigned both advisory staff (to advise the commissioners) and advocacy staff (to advocate a position in the case and develop the record). Under the "hot bench approach" the commission assigns only advisors. The advisors are the "bench" and are considered "hot" because they do not merely advise the commissioners: they take an active role in the cases -- making discovery requests, questioning witnesses, and otherwise "developing the record."

JOINT STANDING COMMITTEE ON UTILITIES AND ENERGY

new approach at the PUC was affecting the work load of the OPA. The committee reached no formal conclusions during this meeting.

On March 6, the committee held a second work session. The Public Advocate orally requested an additional budgetary increase of \$13,000 in fiscal year 1998 and \$30,000 in fiscal year 1999 to fund a 2% salary increase for OPA staff (in accordance with the State collective bargaining agreement) and to provide a 5% raise for the Public Advocate.

The committee again explored the relationship between the OPA's funding requests and the use of the "hot bench" at the commission. The Public Advocate indicated that the OPA's needs arose from the increase in work load associated with electric industry restructuring and the unanticipated decommissioning of Maine Yankee; the Advocate indicated the Public Utilities Commission's use of the "hot bench" was not a major cause of the OPA's increased work load.

The committee discussed the adequacy of the OPA's work in meeting statutory responsibilities and the value of that work on behalf of ratepayers.

FINDINGS AND RECOMMENDATIONS

Based on our review and analysis of the OPA, we find that

1. The OPA is operating in accordance with its statutory authority and adequately fulfilling its statutory responsibilities;
2. The OPA is conducting its work in a generally satisfactory manner in accordance with its duties under the law (see Attachment II for a copy of the OPA's statutory duties and Attachment III for a copy of the OPA's strategic planning goals and objectives);
3. Electric industry restructuring, telecommunications industry restructuring and regulatory proceedings involving the unanticipated decommissioning of Maine Yankee have created a regulatory case load bulge which we find to be substantial; the OPA should be adequately funded to handle this case load bulge; and
4. OPA staff salary increases resulting from collective bargaining and the Public Advocate's requested salary increase are reasonable.

As a result of our evaluation of the OPA and its request for supplemental funding, we make the following recommendations:

JOINT STANDING COMMITTEE ON UTILITIES AND ENERGY

1. A **majority** of the committee recommends that the OPA be authorized to assess upon regulated utilities an additional assessment to provide the following supplemental funding:

	FY 1997-98	FY 1998-99
Personal Services	\$13,000	\$30,000
All Other		\$400,000
TOTAL	\$13,000	\$430,000

Attached to this report as Attachment IV is draft legislation to implement this recommendation.

2. A **minority** of the committee recommends that the OPA be authorized to assess upon regulated utilities an additional assessment to provide the following supplemental funding:

	FY 1997-98	FY 1998-99
Personal Services	\$13,000	\$30,000
All Other		\$350,000
TOTAL	\$13,000	\$380,000

Attached to this report as Attachment V is draft legislation to implement this recommendation.

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JOINT STANDING COMMITTEE ON UTILITIES AND ENERGY

ATTACHMENT I

(as submitted by the OPA)

FY 99 CASES NOT INCLUDED IN BUDGET

	<u>COST</u>
1. Central Maine Power rate case/stranded costs [underway]	\$40,000
2. BHE rate case/stranded costs	\$30,000
3. MPS rate case/stranded costs	\$30,000
4. COU rate cases/stranded costs	\$20,000
5. CMP divestiture plan case [underway]	NA
6. CMP asset transfer case (generation)	\$40,000
7. BHE divestiture plan case and asset transfer case	\$40,000
8. MPS divestiture plan case [underway]	NA
9. MPS asset transfer case	\$30,000
10. Bell Atlantic access charge/local service proceeding	\$50,000 — ?
11. Maine Yankee prudence review at FERC [underway]	\$40,000
12. Maine Yankee prudence review at the PUC	\$40,000
13. PUC rulemaking proceedings for implementing Electric Restructuring:	
• Conservation programs [underway]	
• Low-income assistance [underway]	
• Standard Offer Service/Standard Offer bidding [underway]	
• Employee Benefits during transition [underway]	
• T&D contracts with qualifying facilities [underway]	
• Consumer education rules	
• Affiliate Code of Conduct/marketing	
• Billing and metering competition	
• Competitive provider licensing	
• Renewable resource portfolio requirement	
• Bill unbundling	
14. <u>Total</u>	\$360,000

ATTACHMENT II

Law governing duties and responsibilities of OPA

35A § 1702. Duties

The duties and responsibilities of the Public Advocate are to represent the using and consuming public in matters within the jurisdiction of the commission, including, but not limited, to the following:

1. Review and recommendations. The Public Advocate may review, investigate and make appropriate recommendations to the commission with respect to:

- A. The reasonableness of rates charged or proposed to be charged by any public utility;
- B. The reasonableness and adequacy of the service furnished or proposed to be furnished by any public utility;
- C. Any proposal by a public utility to reduce or abandon service to the public;
- D. The issuance of certificates of public convenience and necessity.
Recommendations may include alternative analyses and plans as necessary;
- E. Terms and conditions of public utilities;
- F. Mergers and consolidations of public utilities;
- G. Contracts of public utilities with affiliates or subsidiaries; and
- H. Securities, regulations and transactions of public utilities.

2. Intervention. The Public Advocate may intervene in any proceeding before the commission related to the activities under subsection 1, when determined necessary by the Public Advocate.

3. Petition to initiate proceedings. The Public Advocate may petition the commission to initiate proceedings to review, investigate and take appropriate action with respect to the rates or service of any public utility when determined necessary by the Public Advocate.

JOINT STANDING COMMITTEE ON UTILITIES AND ENERGY

4. Public complaints. The Public Advocate may investigate complaints affecting the using and consuming public generally, or particular groups, of consumers and, where appropriate, make recommendations to the commission with respect to these complaints.

5. Intervention on behalf of public. The Public Advocate may, on behalf of the using and consuming public, or any particular group of consumers, petition to initiate, or intervene and appear in, any proceedings before the commission, appeals from orders of the commission, or proceedings before state and federal agencies and courts in which the subject matter of the action affects the customers of any utility doing business in this State, except that the Public Advocate may not intervene in any proceeding in which the commission staff is representing a position substantially similar to that of the Public Advocate, as determined by the Public Advocate.

6. Annual report. The Public Advocate shall prepare and submit an annual report of activities of the Public Advocate to the Governor and to the joint standing committee of the Legislature having jurisdiction over public utilities by August 1st of each year, with copies available to all legislators on request.

7. Assist customers of consumer owned electric utilities. The Public Advocate shall assist customers of consumer-owned electric utilities in reviewing proposed rate increases and preparing questions and testimony for public hearings and, on request of a customer and when determined necessary by the Public Advocate, intervene in the proceedings conducted in accordance with chapter 35.

35A § 1702-A. Evaluation of needs and resources

1. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

- A. "Low-income consumers" means residential consumers for whom paying public utility bills is difficult or impossible without some form of assistance or government aid;
- B. "Residential consumers" means consumers who take public utility service for domestic purposes; and
- C. "Small business consumers" means commercial consumers that employ fewer than 100 employees.

2. Intent. It is the intent of the Legislature that the resources of the Public Advocate be devoted to the maximum extent possible to ensuring adequate

JOINT STANDING COMMITTEE ON UTILITIES AND ENERGY

representation of the interests of those consumers whose interests would otherwise be inadequately represented in matters within the jurisdiction of the commission.

3. Priority. When the interests of consumers differ, the Public Advocate shall give priority to representing the interests of consumers in the following order:

- A. Low-income consumers;
- B. Residential consumers;
- C. Small business consumers; and
- D. Other consumers whose interests the Public Advocate finds to be inadequately represented.

This subsection does not require the Public Advocate to represent the interests of a consumer or group of consumers if the Public Advocate determines that such representation is adverse to the overall interests of the using and consuming public.

JOINT STANDING COMMITTEE ON UTILITIES AND ENERGY

ATTACHMENT III

(as provided by the OPA)

Statewide Goal:

Maine will foster a regulatory environment that protects the public through appropriate, impartial, and efficient regulation of products and services, while encouraging a positive business climate.

Agency Goal:

Mainers will have affordable, quality utility services.

Agency Objectives:

By July 1, 2000, show a measurable improvement in the cost and quality of utility services in Maine, as measured by:

- a reduction in the energy cost differential between Maine and the U.S. from an 11.5% difference in 1993 to a 10% difference (Maine Economic Growth Council, 1997);
- a reduction in the cost of a 5-minute, in-state, long-distance telephone call from 62% higher than the national median in 1996 to within 10% of the national median (Maine Economic Growth Council, 1997);
- an increase in the number of residential households that have telephone service from 96% in 1996 to 98% in 2000;
- an increase from x% in 1997 to x% the number of Mainers who believe that the quality of the state's utility services is very good or excellent;
- an increase from x% in 1997 to x% in the number of Mainers who believe that the cost of utilities in Maine is fair and considers the ability to pay of the average consumer; and
- an increase in the number of Mainers who believe the Public Advocate Office is at least somewhat effective from 62% in 1996 to 80% in 2000.

Agency Strategies:

1. Intervene in PUC rate-setting proceedings as appropriate.
2. Petition to initiate proceedings for lower rates.
3. Investigate public complaints about utility service.
4. Assist utility customers with reviewing rate increase proposals and participating in PUC proceedings.
5. Educate consumers about their ability to participate in rate-setting proceedings.
6. Educate consumers about their ability to shop for unregulated telephone or energy products.

JOINT STANDING COMMITTEE ON UTILITIES AND ENERGY

ATTACHMENT IV

Draft legislation implementing majority recommendations

AN ACT to Implement the Recommendations of the Majority of the Joint Standing Committee on Utilities and Energy Arising From its Government Evaluation Act Review of the Office of the Public Advocate

Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, the Office of the Public Advocate needs immediate supplemental funding to support its current caseload and obligations;

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now therefore,

Be it enacted by the People of the State of Maine as follows:

Sec. 1. Allocation. The following funds are allocated from Other Special Revenues to carry out the purposes of this Act.

	1997-98	1998-99
EXECUTIVE DEPARTMENT		

Public Advocate

Personal Services	\$13,000	\$30,000
All Other		\$400,000

Provides for the allocation
of funds from the Public Advocate Regulatory
Fund to pay salary increases for the
Public Advocate and the Public Advocate's staff
and to cover costs of consultants and expert witnesses
to handle cases involving electric industry restructuring,
telephone utility regulation and Maine Yankee decommissioning.

EXECUTIVE DEPARTMENT		
TOTAL	<hr/> \$13,000	<hr/> \$430,000

JOINT STANDING COMMITTEE ON UTILITIES AND ENERGY

SUMMARY

This bill provides supplemental funding to Office of the Public Advocate to fund salary increases for the Public Advocate and the Public Advocate's staff and to cover costs of consultants and expert witnesses to handle cases at the Public Utilities Commission involving electric industry restructuring, telephone utility regulation and at the Public Utilities Commission and the Federal Energy Regulatory Commission involving issues related to Maine Yankee decommissioning.

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JOINT STANDING COMMITTEE ON UTILITIES AND ENERGY

ATTACHMENT V

Draft legislation implementing minority recommendations

AN ACT to Implement the Recommendations of the Minority of the Joint Standing Committee on Utilities and Energy Arising From its Government Evaluation Act Review of the Office of the Public Advocate

Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, the Office of the Public Advocate needs immediate supplemental funding to support its current caseload and obligations;

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now therefore,

Be it enacted by the People of the State of Maine as follows:

Sec. 1. Allocation. The following funds are allocated from Other Special Revenues to carry out the purposes of this Act.

	1997-98	1998-99
EXECUTIVE DEPARTMENT		

Public Advocate

Personal Services	\$13,000	\$30,000
All Other		\$350,000

Provides for the allocation
of funds from the Public Advocate Regulatory
Fund to pay salary increases for the
Public Advocate and the Public Advocate's staff
and to cover costs of consultants and expert witnesses
to handle cases involving electric industry restructuring,
telephone utility regulation and Maine Yankee decommissioning.

EXECUTIVE DEPARTMENT		
TOTAL	<hr/> \$13,000	<hr/> \$380,000

JOINT STANDING COMMITTEE ON UTILITIES AND ENERGY

SUMMARY

This bill provides supplemental funding to Office of the Public Advocate to fund salary increases for the Public Advocate and the Public Advocate's staff and to cover costs of consultants and expert witnesses to handle cases at the Public Utilities Commission involving electric industry restructuring and at the Public Utilities Commission and the Federal Energy Regulatory Commission involving issues related to Maine Yankee decommissioning.

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Program Evaluation Report
Office of Public Advocate
October 31, 1997

In response to 3 M.R.S.A. Section 956, the Committee on Utilities and Energy on March 19, 1997 directed the Public Advocate to prepare a program evaluation report under authority of the Government Evaluation Act. A program evaluation report requires submission of the following items:

- A. Enabling or authorizing law or other relevant mandate, including any federal mandates;
- B. A description of each program administered by the agency or independent agency, including the following for each program:
 - (1) Established priorities, including the goals and objectives in meeting each priority;
 - (2) Performance criteria, timetables or other benchmarks used by the agency to measure its progress in achieving the goals and objectives; and
 - (3) An assessment by the agency indicating the extent to which it has met the goals and objectives, using the performance criteria. When an agency has not met its goals and objectives, the agency shall identify the reasons for not meeting them and the corrective measures the agency has taken to meet the goals and objectives;
- C. Organizational structure, including a position count, a job classification and an organizational flow chart indicating lines of responsibility;
- D. Compliance with federal and state health and safety laws, including the Americans with Disabilities Act, the federal Occupational Safety and Health Act, affirmative action requirements and workers' compensation;
- E. Financial summary, including sources of funding by program and the amounts allocated or appropriated and expended over the past 10 years;
- F. When applicable, the regulatory agenda and the summary of rules adopted;
- G. Identification of those areas where an agency has coordinated its efforts with other agencies in achieving program objectives and other areas in which an agency could establish cooperative arrangements;
- H. Identification of the constituencies served by the agency or program, noting any changes or projected changes;
- I. A summary of efforts by an agency or program regarding the use of alternative delivery systems, including privatization, in meeting its goals and objectives; and
- J. Identification of emerging issues for the agency or program in the coming years.

This report provides detail responsive to each of these ten items, either in the form of the requested documents or in the form of a narrative.

A. Enabling Legislation: Office of Public Advocate

35-A M.R.S.A. Sections 1701 to 1710 read as follows:

CHAPTER 17

PUBLIC ADVOCATE (Enacted by PL 1987, c. 141, Pt. A, §6)

35A § 1701. Appointment and staff

1. Appointment of the Public Advocate. The Public Advocate shall be appointed by the Governor, subject to review by the joint standing committee of the Legislature having jurisdiction over public utilities and to confirmation by the Legislature, and shall serve at the pleasure of the Governor. Any vacancy shall be filled by similar appointment. [1987, c. 141, Pt. A, § 6 (new).]

2. Staff of the Public Advocate. The staff of the Public Advocate shall consist of such other personnel, including staff attorneys, as the Public Advocate determines necessary to represent the using and consuming public, as required by subsection 1702. All such personnel shall be appointed, supervised and directed by the Public Advocate. The Public Advocate is not subject to the supervision, direction or control of the chairman or members of the commission. [1987, c. 141, Pt. A, § 6 (new).]

3. Service. The professional employees of the Public Advocate shall serve at the pleasure of the Public Advocate; all other employees of the Public Advocate shall be subject to the Civil Service Law. [1987, c. 141, Pt. A, § 6 (new).]

Section History:

1987, c. 141, § A6 (NEW).

35A § 1702. Duties

The duties and responsibilities of the Public Advocate are to represent the using and consuming public in matters within the jurisdiction of the commission, including, but not limited, to the following: [1987, c. 141, Pt. A, §6 (new).]

Revision Note: First paragraph should end in ".

1. Review and recommendations. The Public Advocate may review, investigate and make appropriate recommendations to the commission with respect to:

- A. The reasonableness of rates charged or proposed to be charged by any public utility; [1987, c. 141, Pt. A, §6 (new).]
- B. The reasonableness and adequacy of the service furnished or proposed to be furnished by any public utility; [1987, c. 141, Pt. A, §6 (new).]
- C. Any proposal by a public utility to reduce or abandon service to the public; [1987, c. 141, Pt. A, §6 (new).]
- D. The issuance of certificates of public convenience and necessity. Recommendations may include alternative analyses and plans as necessary; [1987, c. 141, Pt. A, §6 (new).]
- E. Terms and conditions of public utilities; [1987, c. 141, Pt. A, §6 (new).]
- F. Mergers and consolidations of public utilities; [1987, c. 141, Pt. A, §6 (new).]
- G. Contracts of public utilities with affiliates or subsidiaries; and [1987, c. 141, Pt. A, §6 (new).]

H. Securities, regulations and transactions of public utilities. [1987, c. 141, Pt. A, § 6 (new).] [1987, c. 141, Pt. A, § 6 (new).]

2. Intervention. The Public Advocate may intervene in any proceeding before the commission related to the activities under subsection 1, when determined necessary by the Public Advocate.

[1987, c. 141, Pt. A, § 6 (new).]

3. Petition to initiate proceedings. The Public Advocate may petition the commission to initiate proceedings to review, investigate and take appropriate action with respect to the rates or service of any public utility when determined necessary by the Public Advocate.

[1987, c. 141, Pt. A, § 6 (new).]

4. Public complaints. The Public Advocate may investigate complaints affecting the using and consuming public generally, or particular groups, of consumers and, where appropriate, make recommendations to the commission with respect to these complaints.

[1987, c. 141, Pt. A, § 6 (new).]

5. Intervention on behalf of public. The Public Advocate may, on behalf of the using and consuming public, or any particular group of consumers, petition to initiate, or intervene and appear in, any proceedings before the commission, appeals from orders of the commission, or proceedings before state and federal agencies and courts in which the subject matter of the action affects the customers of any utility doing business in this State, except that the Public Advocate may not intervene in any proceeding in which the commission staff is representing a position substantially similar to that of the Public Advocate, as determined by the Public Advocate.

[1989, c. 660 (amd.).]

6. Annual report. The Public Advocate shall prepare and submit an annual report of activities of the Public Advocate to the Governor and to the joint standing committee of the Legislature having jurisdiction over public utilities by August 1st of each year, with copies available to all legislators on request.

[1987, c. 141, Pt. A, § 6 (new).]

7. Assist customers of consumer owned electric utilities. The Public Advocate shall assist customers of consumer-owned electric utilities in reviewing proposed rate increases and preparing questions and testimony for public hearings and, on request of a customer and when determined necessary by the Public Advocate, intervene in the proceedings conducted in accordance with chapter 35.

[1987, c. 141, Pt. A, § 6 (new).]

Section History:

1987, c. 141, § A6 (NEW). 1989, c. 660 (AMD).

35A § 1702-A. Evaluation of needs and resources

1. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

A. "Low-income consumers" means residential consumers for whom paying public utility bills is difficult or impossible without some form of assistance or government aid;

B. "Residential consumers" means consumers who take public utility service for domestic purposes; and

C. "Small business consumers" means commercial consumers that employ fewer than 100 employees.

2. Intent. It is the intent of the Legislature that the resources of the Public Advocate be devoted to the maximum extent possible to ensuring adequate representation of the interests of those consumers whose interests would otherwise be inadequately represented in matters within the jurisdiction of the commission.

3. Priority. When the interests of consumers differ, the Public Advocate shall give priority to representing the interests of consumers in the following order:

- A. Low-income consumers;
- B. Residential consumers;
- C. Small business consumers; and
- D. Other consumers whose interests the Public Advocate finds to be inadequately represented.

This subsection does not require the Public Advocate to represent the interests of a consumer or group of consumers if the Public Advocate determines that such representation is adverse to the overall interests of the using and consuming public.

35A § 1703. Appeal from commission orders

The Public Advocate has the same rights of appeal from commission orders or decisions to which the Public Advocate has been a party as other parties to commission proceedings. [1987, c. 141, Pt. A, § 6 (new).]

Section History:
1987, c. 141, § A6 (NEW).

35A § 1704. Legal representation

Notwithstanding the provisions of Title 5, section 191, the Public Advocate, or a staff attorney, may act as the counsel for the office of the Public Advocate. The Public Advocate may request the assistance of the Attorney General or employ private counsel for this purpose. [1987, c. 141, Pt. A, § 6 (new).]

Section History:
1987, c. 141, § A6 (NEW).

35A § 1705. Relationship with the Attorney General

This section in no way limits the rights of the Attorney General to intervene before the commission or to appeal from commission orders or decisions. [1987, c. 141, Pt. A, § 6 (new).]

Section History:
1987, c. 141, § A6 (NEW).

35A § 1706. Expert witnesses

The Public Advocate may employ expert witnesses and pay appropriate compensation and expenses to employ the witnesses. [1987, c. 141, Pt. A, § 6 (new).]

Section History:
1987, c. 141, § A6 (NEW).

35A § 1707. Expenses of the Public Advocate

The Public Advocate, within established budgetary limits and as allowed by law, shall authorize and approve travel, subsistence and related necessary expenses of the Public Advocate or members of the staff of the Public Advocate, incurred while traveling on official business. [1987, c. 141, Pt. A, § 6 (new).]

Section History:
1987, c. 141, § A6 (NEW).

35A § 1708. Information from utilities

Utilities shall provide to the Public Advocate copies of all reports and other information required to be filed with or which may be submitted to the commission, except to the extent that this requirement is waived, in writing, by the Public Advocate. The Public Advocate has the same right to request data as an intervenor in a proceeding before the commission, and, in addition, may petition the commission for good cause shown to be allowed such other information as may be necessary to carry out the purposes of this chapter. [1987, c. 141, Pt. A, § 6 (new).]

Section History:
1987, c. 141, § A6 (NEW).

35A § 1709. Conflicts of interest

In addition to the limitations of Title 5, section 18, the Public Advocate or any employee of the Public Advocate may not have any official or professional connection or relation with, or hold any stock or securities in any public utility operating within this State; render any professional service against any such public utility; or be a member of a firm which renders any such service. [1987, c. 141, Pt. A, § 6 (new).]

Section History:
1987, c. 141, § A6 (NEW).

35A § 1710. Restriction

Unless otherwise provided by law, the duties of the Public Advocate are restricted to those relating to matters within the jurisdiction of the commission. [1987, c. 141, Pt. A, § 6 (new); c. 490, Pt. C, § 6 (amd).]

Section History:
1987, c. 141, § A6 (NEW). 1987, c. 490, § C6 (AMD).

B. Program Description: ratepayer advocacy

1. **Goals and Objectives:** Since 1982 the primary obligation of the Public Advocate has been to represent the interests of utility consumers in proceedings at the Public Utilities Commission, the federal agencies regulating Maine utilities including the Federal Energy Regulatory Commission and the courts. The agency has an overall goal, as identified in its performance budgeting plan, to "increase ratepayer satisfaction with utility consumer advocacy in Maine." This goal is consistent with the agency's overall mission, as stated as follows:

The Public Advocate Office is committed to public service in representing Maine utility consumers in any matter that is covered by the authority of the Public Utilities Commission so that they have affordable, high quality utility services. We who work at the Public Advocate's Office seek to carry out this representation in a principled, diligent and compassionate manner.

In conjunction with the agency's goal and mission is a vision statement, adopted in October 1996, that reads as follows:

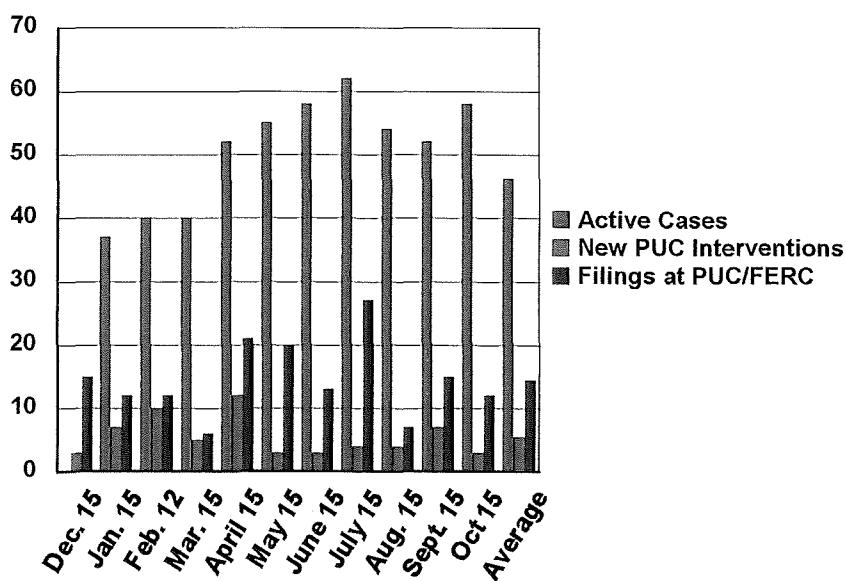
In fulfilling this commitment, we will work with absolute integrity and an unwavering commitment of excellence. We are committed to:

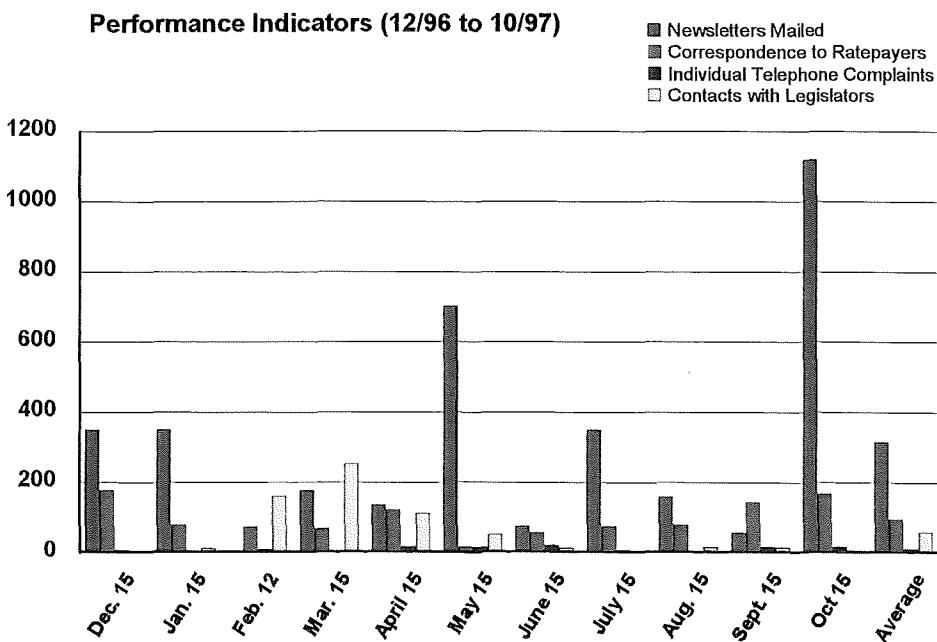
- Making persuasive efforts to influence the PUC's setting of utility rates and its regulation of utility services in a manner that provides affordable and quality services to utility consumers;
- Earning the respect of individual consumers and consumer groups by communicating openly, clearly, and courteously;
- Encouraging broad public representation in PUC proceedings, consumer coalitions and in our own policy-making process;
- Being sensitive to the overall impact of our actions on all participants in the regulatory process and protecting utility consumers who lack competitive alternatives; and
- Treating the public, utility personnel and each other with respect and courtesy, encouraging open dialog and communication, and recognizing that the work of every employee is important to the Office's success.

The agency's overall performance budgeting objectives are attached as Exhibit 1.

2. Performance Criteria: As shown in this bar graph and in the attached monthly reports on performance indicators, the Public Advocate requires all staff to compile monthly data concerning the following seven performance measures: 1) number of active cases at the PUC, FERC or courts; 2) number of new PUC or FERC interventions; 3) number of filings, memoranda or testimony submitted in a utility case; 4) number of newsletters mailed to the general public concerning office activities; 5) the number of letters sent to individual consumers or ratepayer organizations; 6) the number of telephone contacts recorded on a phone log form from a member of the public concerned about a utility matter; and 7) the number of contacts by mail or phone with a legislator or member of Congress.

Performance Indicators (12/96 to 10/97)





Additionally, beginning with the Annual Report for FY 97, the Public Advocate has maintained quarterly data on some of the same indicators as shown below:

A. number of mailings to consumers, by quarter

Quarter 1: July 1996 to September 1996	23
Quarter 2: October 1996 to December 1996	183
Quarter 3: January 1997 to March 1997	215
Quarter 4: April 1997 to June 1997	190
Total	611

B. number of telephone referrals, by quarter

Quarter 1: July 1996 to September 1996	34
Quarter 2: October 1996 to December 1996	12
Quarter 3: January 1997 to March 1997	30
Quarter 4: April 1997 to June 1997	47
Total	123

C. number of organizations with whom office worked

Quarterly average 29

D.	<u>number of intervenors assisted, Quarterly average</u>	18
E.	<u>number of editorial board meetings</u>	4
F.	<u>number of invitations for speaking engagements</u>	11

3. Assessment of Agency's Success: The primary criterion we have historically employed in determining whether Maine's ratepayers are likely to be satisfied with our efforts in their behalf has been to calculate the amount of dollars saved in PUC cases that would not have been saved in the absence of our involvement in those cases. Since 1982, we have maintained a running total of ratepayer savings due to our advocacy at the PUC, in two categories: savings associated with a final PUC order adopted in cases where our witness' recommendation was adopted in the absence of any other witness making the same recommendation; and savings in rates attributable to multi-party settlements in which we participated. As shown on the chart, attached as Exhibit 2, in both cases the savings for ratepayers have been substantial since 1982 totaling \$76 M without consideration of rate case settlements and \$128 million when settlements are included.

The second method we have used to assess the agency's success in performing its mission is to commission surveys in which a random sample of adults in Maine were asked the following questions:

The Public Advocate's Office, headed by Steve Ward, represents the interests of consumers at the Maine Public Utilities Commission, at the Federal Energy Regulatory Commission, and at the Maine State Legislature. Were you aware of this office?

In general, how effective do you think the Public Advocate's Office has been in representing the interests of the utility customers, particularly with respect to price issues and service quality?

In September 1996 and September 1997, the percentage response to each question was as follows:

aware of office?	<u>9/96</u> 17% yes	<u>9/97</u> 23% yes
how effective?	62% somewhat effective, or better	66% somewhat effective, or better

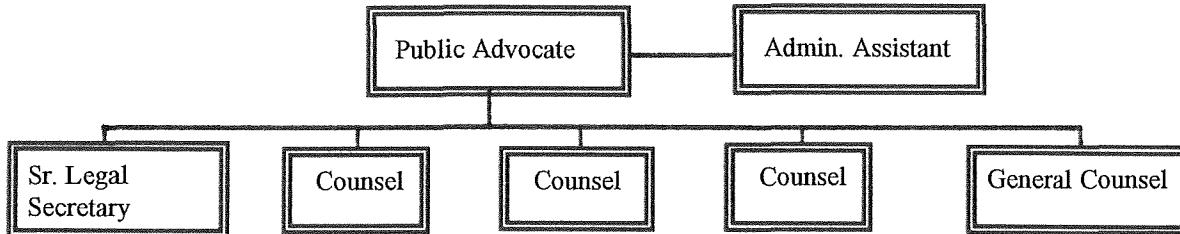
Exhibit 3 provides the full text of both the 1996 and 1997 surveys.

A third method we have used concerns our activities in the Legislature where the Public Advocate regularly appears with recommendations on pending legislation. As summarized below, the office has tracked the ultimate outcome of individual legislative proposals and compared them with the office's written recommendations.

	OPA position adopted	OPA position rejected	Bills Carried over	% adopted
FY 94	20	12	0	62.5%
FY 95	36	3	0	92.3%
FY 96	25	9	4	65.0%

C. Organizational Structure of the Office

The current organizational structure of the office is identified graphically as shown below:



D. Compliance with Relevant Health and Safety Laws

The office is in full compliance with applicable requirements of the American's with Disabilities Act, the Occupational Safety and Health Act, the Civil Rights Act of 1964 and related regulations.

E. Financial Summary

The schedule, attached as Exhibit 4, presents amounts in the Public Advocate Regulatory Fund allocated and expended or encumbered in fiscal years beginning with FY 87 and ending with FY 97. All amounts shown pertain to public utility assessments billed annually under authority of 35-A M.R.S.A. Section 116(8).

F. Regulatory Agenda and Summary of Adopted Rules

The Public Advocate office has never adopted rules under the Administrative Procedures Act and has no authority to do so.

G. Efforts at Coordinating Agency Mission

In two recent areas, the Public Advocate has attempted to coordinate the implementation of our statutory mission with other agencies. In the case of multi-agency pilot program for performance budgeting, the Office participated in a pilot program established on September 1 for coordinating the efforts of the Department of Professional and Business Regulation, the Public Utilities Commission and the Workers Compensation Commission along with the efforts

of the Public Advocate's Office. The resulting document, entitled "Major Policy Area Business Licensing and Regulation Strategies Planning Pilot" is attached as Exhibit 5 to this report.

Additionally the Office, in conjunction with the Public Utilities Commission and the State Planning Office, has been discussing with Governor King a joint proposal for reorganizing the advocacy functions that all three agencies perform as they pertain to the interests of utility consumers. It is expected that this proposal will take the form of legislation to be submitted by the Governor in the 2nd Regular Session. The Public Advocate also regularly consults with numerous state agencies and public officials with regard to the interstate compact for the disposal of Maine's low-level radioactive waste at a facility in Texas. These organizations include: the State Nuclear Safety Advisor (Uldis Vanags), the Advisory Commission on Radioactive Waste, the Division of Health Engineering within the Department of Human Services and the Governor's Office.

H. Identification of Constituencies Served

Historically the Public Advocate has undertaken the representation of all consumer interests in PUC proceedings. In rate cases and revenue requirement disputes with a utility, typically all consumers share the same interest (i.e. lowered rates) while the utility and its shareholders argue the other side of the issue (i.e. higher rates). Occasionally, however, groups of consumers are pitted against each other with conflicting self-interests; this typically is the case when the PUC decides how to redesign rates or divide up an approved increase between business and residential customers. In order to help clarify the Public Advocate's responsibilities in cases where there are differing consumer interests, the Legislature enacted PL 1997, Chapter 166 (attached as Exhibit 6) to establish a hierarchy of claims on the Public Advocate's representation. The highest claim is by low-income customers, followed by all other residential customers, by commercial customers with 100 or fewer employees and then by all remaining utility consumers. Because Chapter 166 has just recently taken effect, it is not yet evident that this hierarchy of consumer interests will provide significant changes in the actual operation of the Office.

In recent years the Public Advocate has interacted extensively with a number of local and statewide consumer organizations as well as with industrial consumers and businesses. These interests can be summarized as follows for the year ending in June:

A. Organizations

1. **Community-based:** Maine Council of Churches, Western Mountain Alliance, Neighborhood Action Coalition, Coastal Enterprises, Inc., Alliance to Benefit Consumers
2. **Business Organizations:** Lewiston/Auburn Economic Growth Council, Maine Grocers Association, Industrial Energy Consumer Group, Independent Energy Producers of Maine, Maine Oil Dealers Association, Maine Telephone Users

Group, Maine Telecommunications Council, Maine Innkeepers Association, National Federation of Independent Businesses, New England Cable Television Association, Maine Chamber and Business Alliance, Businesses for Social Responsibility, Ski Maine, Telephone Association of Maine

3. **Edlerly Advocacy:** American Association of Retired Persons, Maine Council of Senior Citizens, Senior Legislative Advocacy Coalition
4. **Low-Income Organizations:** Community Action Association of Maine, Maine Association of Interdependent Neighborhoods, Kennebec Valley Community Action, Washington-Hancock Community Action, Maine Equal Justice Project
5. **Energy and Environmental Organizations:** Conservation Law Foundation, Natural Resources Council of Maine, Coalition for Sensible Energy, Maine Safe Energy, Maine Chapter/Sierra Club, Coalition for Public Energy Choice, the Island Institute, Friends of the Coast

B. Individuals and Businesses

1. **Businesses:** Moose River Lumber, Blue Rock Industries, F.R. Carroll, Robbins Lumber, Stratton Lumber, Bethel Furniture Stock, Oscar and Reuben Lumber.
2. **Individual Ratepayers in the Towns of:** Liberty, Lebanon, Damariscotta, Andover, Monhegan, Hampden, Otis, Matinicus, Stockton Springs, Bowdoinham, West Gray, Manchester, Surry, Blue Hill, Berwick, North Berwick, Bucksport, Gorham, Deer Isle, Mount Vernon, Kingsbury Plantation, Standish, Monmouth, West Gray, Carrabasset Valley, Eastport, Ellsworth, Greenville, Hartland, Penobscot and Castine.

I. Use of Alternative Delivery Systems

Over the past year we have experimented with producing newsletters in-house using graphic design software, as opposed to having them produced by a lay-out specialist paid under a consulting contract. The results have varied with newsletters produced by office staff, in whole or in part, being both more expensive and less expensive than a professionally produced newsletter. Copies of all the Office's newsletters over the past year are attached as Exhibit 7.

J. Emerging Issues

A key emerging issue for the Office over the near-term future will concern effective means of educating consumers about their rights and opportunities in a world of partially deregulated utility services. To be effective in providing usable advice on these issues, agencies

and private organizations will necessarily have to collaborate more effectively than has been the case in the past. In this respect, the PUC's Consumer Education Advisory Board or the privately-managed Maine Telecommunications Council represent an increasingly important model for consumers to work together on the design of policy initiatives and attempt to increase public awareness of utility issues.

A second emerging issue has already been discussed in this Report: the necessity of reorganizing the operations of the Public Advocate Office in order to deal more effectively with the consumer impacts triggered by competition in utility markets in Maine and in the Northeast. As shown on the chart attached as Exhibit 8, the Maine's Office of Public Advocate is smaller and has fewer resources - on average - to deploy than other comparable agencies in 39 other states. Over the next two years, it will be necessary to pursue changes in the Office's staffing level, funding for expert witnesses and overall budget in order to provide the greatest benefit for Maine's consumers in an era of utility deregulation.

Mission

The Public Advocate Office is committed to public service in representing Maine utility consumers in any matter that is covered by the authority of the Public Utilities Commission so that they have affordable, high quality utility services. We who work at the Public Advocate's Office seek to carry out this representation in a principled, diligent and compassionate manner.

Vision

In fulfilling this commitment, we will work with absolute integrity and an unwavering commitment to excellence. We are committed to:

- Making persuasive efforts to influence the PUC's setting of utility rates and its regulation of utility services in a manner that provides affordable and quality services to utility consumers;
- Earning the respect of individual consumers and consumer groups by communicating openly, clearly, and courteously;
- Encouraging broad public representation in PUC proceedings, consumer coalitions and in our own policy-making process;
- Being sensitive to the overall impact of our actions on all participants in the regulatory process and protecting utility consumers who lack competitive alternatives; and
- Treating the public, utility personnel and each other with respect and courtesy, encouraging open dialog and communication, and recognizing that the work of every employee is important to the Office's success.

Goal

Increase ratepayer satisfaction with utility consumer advocacy in Maine.

Objective #1

Increase consumer participation in PUC proceedings that pertain to affordable rates or utility service quality.

Strategies

1. Increase the number of speaking engagements, meetings with ratepayer coalitions and meetings with community organizations in FY 97;
2. Increase the number of press releases, editorial board meetings and press conferences in FY 97
3. Undertake a survey of Maine consumers to ascertain their current degree of knowledge about the office and the degree of their satisfaction with its efforts.

Objective #2

Increase media coverage of utility-related issues and deregulation efforts.

Strategy

Increase the number of press releases, editorial board meetings and press conferences in FY 97.

Objective #3

Increase the number of consumers who are knowledgeable about the efforts and activities of the office.

Strategies

1. Increase the number of mailings we initiate with the general public, legislators and other interested groups on utility deregulation issues in FY 97;

2. Increase the number of speaking engagements, meetings with ratepayer coalitions and meetings with community organizations in FY 97;
- 3.
4. Undertake a survey of Maine consumers to ascertain their current degree of knowledge about the office and the degree of their satisfaction with its efforts.

Objective # 4

Seek the lowest possible rates for utility services.

Strategies

1. Increase the percentage difference between the level of increase sought by a utility and the level allowed by the PUC.
- 2.
3. Locate utilities that are over earning and petition the Commission to reduce their rates.

EXHIBIT 2

Summary of Ratepayer Savings, 1982 to 1997 Attributable to Public Advocate Interventions

1. FY 97		
	• <u>Consumers Maine Water rate case</u> , \$8,000 reduction in final rate increase awards for Bucksport and Hartland where no other party filed testimony	\$ 8,000
2. FY 95	• <u>NYNEX rate case</u> , \$16.6 million reduction based on items proposed by no other party and adopted by PUC in final order	\$16,600,000
3. FY 91	• <u>Bangor Hydro rate case</u> , \$800,000 in lowered rates based on items by no other party and adopted by PUC on final order	\$ 800,000
4. FY 90	• <u>CMP rate case</u> , \$4 million reduction based on recommendations not duplicated by any other party which were adopted in the final order	\$ 4,000,000
5. FY 89	• <u>New England Telephone settlement</u> , \$5 million reduction in intra-state where magnitude would have been less without our participation • <u>CMP rate case</u> , only party to file for motion to exclude CMP's late filed attrition testimony, motion granted 12/22/89 <u>CMP avoided cost case</u> , supported cost levels adequate to permit 6 AEI wood-fired units to begin construction in Aroostook County • <u>CMP Hydro-Quebec case</u> , supported purchase • <u>Isle au Haut</u> , instrumental in bringing telephone service to island	\$ 500,000 \$35,000,000 NA NA NA
6. FY 88	• <u>Bangor Hydro rate case</u> , provided sole rate of return testimony • <u>Maine Yankee rate case</u> , (FERC), successfully proposed equity return at 11.9% and flowthrough of \$1.5 million settlement with Westinghouse • <u>LCP Chemical rate with Bangor Hydro</u> , successfully argued for special pricing flexibility in order to save jobs in Orrington • <u>Portland Pipeline cases</u> , successfully intervened at FERC, PUC, DOE Natural Energy Board (Canada) for approval of new gas supplies	\$ 2,000,000 \$ 750,000 NA NA

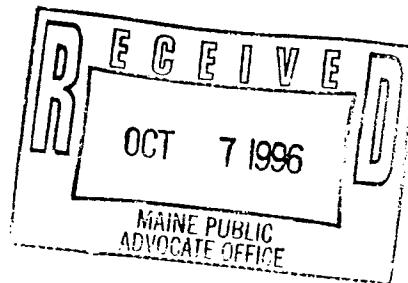
7. Prior to FY 88

- | | |
|--|---------------|
| • <u>Seabrook cases</u> , negotiated agreement for \$85 million writeoff by CMP and for PUC and FERC approval of sale of Seabrook shares | NA |
| • CMP conservation programs, worked closely with CMP, PUC and OER for design of new industrial and residential conservation programs | NA |
| • <u>Local Measured Service</u> , successfully proposed at PUC the three option plan which was later overridden by referendum | NA |
| • <u>Rate Cases:</u> | |
| Maine Public Service, 1982 - litigated | \$ 2,000,000 |
| Eastern Maine Electric Coop. 1983 - litigated | \$ 200,000 |
| New England Telephone 1983 - litigated | \$10,000,000 |
| New England Telephone 1984 - stipulated | \$20,000,000 |
| Northern Utilities, 1981 - stipulated | \$ 100,000 |
| Northern Utilities, 1983 - stipulated | \$ 1,000,000 |
| Central Maine Power Co., 1982 - litigated | \$ 5,000,000 |
| Central Maine Power Co., 1984 - stipulated | \$10,000,000 |
| Central Maine Power Co., 1986 - stipulated | \$20,000,000 |
| Total of all savings directly attributable to PA positions, FY 82-97 | |
| a. including stipulated settlements | \$127,958,000 |
| b. excluding stipulated settlements | \$ 75,600,000 |
| c. average of two | \$104,279,000 |

MARKET DECISIONS
INCORPORATED

October 4, 1996

Mr. Steve Ward
Office of the Public Advocate
112 State House Station
Augusta, ME 04333



Dear Steve:

Attached are the results of your survey questions in our recent Maine Omnibus Survey.

The results indicate that 17% of Maine adults are currently aware of the Public Advocate's Office. Among those aware, 62% think that the Public Advocate's Office has been at least somewhat effective in representing the interests of the utility customers, while 27% think the Office has not been effective and 11% don't know.

Mainers feel that the Office should advertise/increase awareness (13%), limit rate hikes on utilities (13%), be more aggressive (9%), have public hearings (6%), and listen to consumers (6%). One in four (27%), however, did not know what else the Office could do to be more effective.

When reviewing these results, it is important to note that the total sample of 401 provides a maximum sampling error of +/-4.9%. For the subsample of 70 people who were aware of the Office, the error of margin is a much larger +/-11.7%.

I hope these results are helpful to you in your planning. Please call if you have any questions. We would be happy to have you as a full subscriber, which would entitle you to receive our quarterly reports which document the Maine Consumer Confidence and various social and economic trends among Mainers.

Thank you!

Sincerely,


Barbara Nash

MARKET DECISIONS MAINE OMNIBUS SURVEY -- SEPTEMBER, 1996

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Page 1.....P47. The Public Advocate's Office, headed by Steve Ward, represents the interests of consumers at the Maine Public Utilities Commission, at the Federal Energy Regulatory Commission, and at the Maine State Legislature. Were you aware of this office?

Page 2.....P47a. In general, how effective do you think the Public Advocate's Office has been in representing the interests of the utility customers, particularly with respect to price issues and service quality? Would you say the office has been...
BASE: Based on those aware of The Public Advocate's Office

Page 3.....P47b. In what ways do you think the Public Advocate's Office could be more effective? (All mentions, ranked)
BASE: Based on those aware of The Public Advocate's Office

MARKET DECISIONS MAINE OMNIBUS SURVEY -- SEPTEMBER, 1996

P47. The Public Advocate's Office, headed by Steve Ward, represents the interests of consumers at the Maine Public Utilities Commission, at the Federal Energy Regulatory Commission, and at the Maine State Legislature.
Were you aware of this office?

<-----RESIDENCE-----><----COUNTY LOCATION-----><--OWN/RENT--><----AGE-----><----INCOME-----><----EDUCATION-----><---GENDER--

	Total	Urban	Sub-urban	Small Town	Rural	South	Coast	Central	North	Own Home	Rent Home	< 35 yrs	35-54 yrs	55 + yrs	Under \$25k	\$25k-\$50k	\$50k & Grtr	HS Less	Cllge	Cllge /More	Female	Male
TOTAL	401	53	49	172	126	132	54	93	122	303	97	103	181	113	120	168	78	184	108	109	213	188
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
YES	70	7	15	21	26	27	9	19	15	58	12	8	37	24	15	30	21	22	25	23	23%	38
	17%	13%	31%	12%	21%	20%	17%	20%	12%	19%	12%	8%	20%	21%	12%	18%	27%	12%	23%	21%	15%	20%
NO	330	46	34	150	100	105	45	74	106	244	85	95	144	88	104	138	57	161	83	86	181	149
	82%	87%	69%	87%	79%	80%	83%	80%	87%	81%	88%	92%	80%	78%	87%	82%	73%	88%	77%	79%	85%	79%
DON'T KNOW	1	-	-	1	-	-	-	-	-	1	1	-	-	-	1	1	-	-	1	-	-	1
	*%	-	-	1%	-	-	-	-	-	1%	*%	-	-	-	1%	1%	-	-	1%	-	-	1%

MARKET DECISIONS MAINE OMNIBUS SURVEY -- SEPTEMBER, 1996

P47a. In general, how effective do you think the Public Advocate's Office has been in representing the interests of the utility customers, particularly with respect to price issues and service quality? Would you say the office has been...

BASE: Based on those aware of The Public Advocate's Office

	<-----RESIDENCE----->						<----COUNTY LOCATION----->				<--OWN/RENT-->				<----AGE----->				<----INCOME----->				<----EDUCATION----->				<----GENDER--			
	Total	Urban	Sub-urban	Small Town	Rural	South	Coast	Central	North	Own Home	Rent Home	< 35 yrs	35-54 yrs	55 + yrs	Under \$25k	\$25k-\$50k	\$50k & Grtr	HS Grad less	Some Collge	Collge Grad /More	Female	Male								
TOTAL	70 100%	7 100%	15 100%	21 100%	26 100%	27 100%	9 100%	19 100%	15 100%	58 100%	12 100%	8 100%	37 100%	24 100%	15 100%	30 100%	21 100%	22 100%	25 100%	23 100%	32 100%	38 100%								
Very effective	6 9%	-	1 7%	1 5%	3 12%	-	2 22%	3 16%	1 7%	6 10%	-	1 12%	3 8%	2 8%	1 7%	4 13%	1 5%	2 9%	3 12%	1 4%	3 9%	3 8%								
Somewhat effective	37 53%	4 57%	8 53%	13 62%	12 46%	14 52%	7 78%	8 42%	8 53%	33 57%	4 33%	1 12%	17 46%	18 75%	8 53%	16 53%	10 48%	14 64%	12 48%	11 48%	19 59%	18 47%								
Not effective	19 27%	1 14%	5 33%	5 24%	8 31%	9 33%	-	5 26%	5 33%	15 26%	4 33%	5 62%	14 38%	-	3 20%	7 23%	8 38%	4 18%	9 36%	6 26%	4 12%	15 39%								
DON'T KNOW	8 11%	2 29%	1 7%	2 10%	3 12%	4 15%	-	3 16%	1 7%	4 7%	4 33%	1 12%	3 8%	4 17%	3 20%	3 10%	2 9%	2 4%	1 22%	5 19%	6 5%	2 2%								

MARKET DECISIONS MAINE OMNIBUS SURVEY -- SEPTEMBER, 1996

P47b. In what ways do you think the Public Advocate's Office could be more effective? (All mentions, ranked)

BASE: Based on those aware of The Public Advocate's Office

<-----RESIDENCE-----><----COUNTY LOCATION-----><--OWN/RENT--><----AGE-----><----INCOME-----><----EDUCATION-----><---GENDER--

	Total	Urban	Sub-urban	Small Town	Rural	South	Coast	Central	North	Own Home	Rent Home	< 35 yrs	35-54 yrs	55 + yrs	Under \$25k	\$25k-\$50k	\$50k & Grtr	HS Grad less	Some Collge	Collge Grad /More	Female	Male
TOTAL	70 100%	7 100%	15 100%	21 100%	26 100%	27 100%	9 100%	19 100%	15 100%	58 100%	12 100%	8 100%	37 100%	24 100%	15 100%	30 100%	21 100%	22 100%	25 100%	32 100%	38 100%	
Advertise/increase awareness	9 13%	1 14%	1 7%	5 24%	2 8%	2 7%	3 33%	2 11%	2 13%	6 10%	3 25%	4 50%	4 11%	4 4%	1 7%	6 20%	1 5%	4 18%	4 16%	1 4%	6 19%	3 8%
Limit rate hikes on utilities	9 13%	3 43%	3 20%	3 14%	- -	7 26%	- -	1 5%	1 7%	6 10%	3 25%	1 12%	5 14%	3 12%	1 7%	4 13%	3 14%	4 16%	2 4%	8 25%	1 3%	
Be more aggressive	6 9%	1 14%	- -	- -	5 19%	1 4%	- -	2 11%	3 20%	6 10%	- -	1 12%	2 5%	3 12%	- -	3 10%	3 14%	2 9%	3 12%	1 4%	- -	6 16%
More public hearings	4 6%	1 14%	- -	3 14%	- -	2 7%	- -	2 11%	- -	4 7%	- -	- -	1 3%	3 12%	1 7%	2 7%	- -	2 9%	2 8%	- -	4 12%	- -
Listen to consumers	4 6%	- -	2 13%	2 10%	- -	1 4%	- -	1 5%	2 13%	3 5%	1 8%	2 25%	- -	2 8%	2 13%	1 3%	1 5%	2 9%	1 4%	1 4%	2 6%	2 5%
Investigate alternatives to electric power production	4 6%	- -	1 7%	1 5%	2 8%	2 7%	- -	1 5%	1 7%	4 7%	- -	- -	4 11%	- -	2 13%	1 3%	1 5%	- -	2 8%	2 9%	- -	4 11%
More regulations on utilities	3 4%	- -	- -	1 5%	2 8%	1 4%	1 11%	- -	1 7%	3 5%	- -	- -	2 5%	1 4%	1 7%	1 3%	1 5%	2 9%	- -	1 4%	1 3%	2 5%
More consumer activism/support	3 4%	- -	2 13%	- -	1 4%	3 11%	- -	- -	- -	1 2%	2 17%	- -	2 5%	1 4%	1 7%	2 7%	- -	- -	- -	3 13%	1 3%	2 5%
Better relationship with utilities	2 3%	- -	- -	- -	2 8%	- -	- -	1 5%	1 7%	2 3%	- -	- -	2 5%	- -	- -	2 10%	- -	- -	2 9%	- -	2 5%	

MARKET DECISIONS MAINE OMNIBUS SURVEY -- SEPTEMBER, 1996

P47b. In what ways do you think the Public Advocate's Office could be more effective? (All mentions, ranked)

BASE: Based on those aware of The Public Advocate's Office

<-----RESIDENCE-----><----COUNTY LOCATION-----><--OWN/RENT--><----AGE-----><----INCOME-----><----EDUCATION-----><---GENDER--

	Total	Urban	Sub-urban	Small Town	Rural	South	Coast	Central	North	Own Home	Rent Home	< 35 yrs	35-54 yrs	55 + yrs	Under \$25k	\$25k-\$50k	\$50k & Grtr	HS Grad less	Some Collge	Collge Grad /More	Female	Male	
Increase resources/More funding	2 3%	-	2 13%	-	-	2 7%	-	-	-	2 3%	-	-	2 5%	-	-	-	1 3%	1 5%	-	-	2 9%	-	2 5%
Fewer regulations on utilities	2 3%	-	-	1 5%	1 4%	-	-	2 11%	-	2 3%	-	-	2 5%	-	-	-	1 3%	1 5%	-	1 4%	1 4%	2 6%	-
Pay cuts for utility administration	1 1%	-	-	-	1 4%	-	-	-	1 7%	1 2%	-	-	1 3%	-	-	-	1 3%	1 5%	-	-	-	1 3%	
DON'T KNOW	19 27%	1 14%	3 20%	5 24%	9 35%	3 11%	5 56%	7 37%	4 27%	16 28%	3 25%	-	9 24%	9 38%	4 27%	9 30%	5 24%	8 36%	6 24%	5 22%	7 22%	12 32%	
NOTHING	5 7%	-	2 13%	1 5%	2 8%	4 15%	-	1 5%	-	5 9%	-	-	3 8%	2 8%	2 13%	1 3%	2 10%	-	2 8%	3 13%	2 6%	3 8%	

EXHIBIT 4

FY	Personal Services	All Other	Consulting	All Other Less Consulting	Capital	TOTAL
Allocated 1987	\$273,586.00	\$132,776.00				\$406,362.00
Expended 1987	\$246,039.93	\$61,389.89	\$35,254.61	\$26,135.28		\$307,429.82
Allocated 1988	\$304,003.00	\$127,608.00			\$9,000.00	\$440,611.00
Expended 1988	\$233,680.41	\$146,847.18	\$108,230.44	\$38,616.74	\$8,799.12	\$389,326.71
Allocated 1989	\$317,239.00	\$128,064.00			\$750.00	\$446,053.00
Expended 1989	\$275,892.79	\$90,253.10	\$50,743.15	\$39,509.95	\$659.00	\$366,804.89
Allocated 1990	\$328,040.00	\$131,102.00				\$459,142.00
Expended 1990	\$301,248.48	\$139,783.38	\$98,268.69	\$41,514.69		\$441,031.86
Allocated 1991	\$336,660.00	\$146,243.00				\$482,903.00
Expended 1991	\$337,462.46	\$131,296.13	\$100,777.91	\$30,518.22		\$468,758.59
Allocated 1992	\$386,589.00	\$125,214.00				\$511,803.00
Expended 1992	\$327,098.72	\$65,752.28	\$57,713.42	\$8,038.86		\$392,851.00
Allocated 1993	\$392,386.00	\$201,818.00			\$2,000.00	\$596,204.00
Expended 1993	\$344,369.01	\$164,461.37	\$119,319.10	\$45,142.27	\$1,989.10	\$510,819.48
Allocated 1994	\$413,916.00	\$143,286.00			\$7,900.00	\$565,102.00
Expended 1994	\$337,673.77	\$157,975.54	\$99,166.30	\$65,295.07	\$7,865.00	\$503,514.31
Allocated 1995	\$420,382.00	\$151,233.00			\$2,521.00	\$571,615.00
Expended 1995	\$388,673.70	\$209,153.12	\$149,282.11	\$59,871.01	\$2,452.00	\$600,278.82
Allocated 1996	\$428,602.00	\$189,618.00			\$8,000.00	\$618,220.00
Expended 1996	\$422,116.93	\$217,343.63	\$132,802.98	\$84,540.65	\$7,975.00	\$647,435.56
Allocated 1997	\$427,506.00	\$198,375.00			\$2,900.00	\$625,881.00
Expended 1997	\$457,550.31	\$237,056.21	\$158,064.35	\$78,991.86	\$2,726.00	\$697,332.52

Note: Expenditures may exceed allocations due to amounts encumbered in one year and carried forward into subsequent years, as in the case of contract amendments. For FY 92 and 93 the allocated amounts do represent the carried forward amounts.

MAJOR POLICY AREA

BUSINESS LICENSING AND REGULATION

STRATEGIC PLANNING PILOT

Participating State Departments/Agencies:

Office of the Public Advocate

Department of Professional and Financial Regulation

Public Utilities Commission

Workers' Compensation Board

September 1, 1997

BACKGROUND ANALYSIS

BUSINESS LICENSING AND REGULATION

This assessment examines the forces driving change in the way Maine state government meets the needs of its citizens.

The obligation to provide efficient governmental services.

Clearly, among the global factors affecting all levels of government is the pressure for a less costly and intrusive regulatory presence. The desire for more efficient government is also not the exclusive domain of the business community, but reflects the recognition by individual consumers that the costs of government are ultimately borne by them. Further, given both the mobility of individuals and businesses and their active pursuit of the most accommodating economic atmosphere, interstate competition for commercial enterprise provides a strong motivation for government efficiency. It is also true that while the demand for economy is real, today's rapidly paced, technologically oriented society requires a sophisticated and responsive regulatory apparatus to ensure that public protections are maintained. Currently, only a third of Maine citizens and a fifth of Maine businesses feel that they are getting good governmental services for the taxes they pay.¹

Forces of change impacting Maine State Government regulatory agencies.

Within the community affected by the Business Licensing and Regulation policy area, industry consolidation, a proliferation of new products and services and the advent of deregulation typify a rapidly changing environment. Significant statutory changes in areas relating to workers' compensation, banking and insurance as well as the operation and very nature of public utilities provide additional regulatory challenges. These changes are occurring both at the state and federal levels, as elected officials attempt to respond to their constituencies. Among these changes are: the federal Telecommunications Act of 1996, the passage of legislation requiring the restructuring of the electric utility industry and reductions in instate telecommunication rates in Maine, sweeping changes to workers compensation laws, the enactment of Kennedy-Kassebaum at the federal level and bank modernization at the state level, as well as pending federal legislation for financial modernization which will affect the banking, insurance and securities industries.

Maine State Government business licensing and regulatory agencies meet the challenge.

As Maine State Government moves to implement its Performance Budgeting mandate, an array of economic, competitive and political circumstances confront and shape that effort. Defining goals and objectives through the alignment of distinct agencies, as well as recognizing the realities peculiar to individual departments provide further challenges. As a policy area, Business Licensing and Regulation must also respect the tension implicit in its goal of protecting Maine's citizens while maintaining an atmosphere conducive to business growth and prosperity.

¹ Maine Development Foundation, The Maine Economic Growth Council - Measures of Growth 1997, Third Report of the Maine Economic Growth Council, January 1997.

The Department of Professional and Financial Regulation, Office of the Public Advocate, Public Utilities Commission and the Workers' Compensation Board have been brought together under a common goal to "foster a regulatory environment that protects the public through appropriate, impartial, and efficient regulation of products and services, while encouraging a positive business climate." Our shared objective has been created as a measurement of progress toward that goal. It should be noted that this goal does not account for substantial public concerns over the impact of environmental regulation at the DEP. Agency strategies, which are detailed on page 6, describe the means by which that progress will be made and comprise several basic themes. The strengthening of EDUCATIONAL programs for consumers, employees and regulated entities; the increased use of TECHNOLOGY in processing information and interacting with our consumers; and a commitment to EFFICIENCY through the establishment of quantifiable measurements.

Draft Statewide Goal:

Maine will foster a regulatory environment that protects the public through appropriate, impartial, and efficient regulation of products and services, while encouraging a positive business climate.

Policy Area Objective	
<p><i>Protect the public by improving Maine's business regulation system as measured by an increase in the number of customers who agree that the system is efficient, fair, and timely by XX% in the (year) as compared to 1997.</i></p> <p>Outcome Measure:</p> <p>Percentage of customers who agree that the licensing and regulatory systems is efficient, fair, and timely.</p>	<p>About This Objective:</p> <p><i>All four agencies in this grouping are responsible for assuring the public's interest in a fair, responsive and efficient system of regulation in Maine. Each of these agencies is committed to securing the best outcomes for Maine businesses and individual citizens that protect the public and at the same time do not impose unreasonable or unfair burdens on insurers, utilities, licensed professionals and other business people. The four agencies have determined that a useful measurement of their collective progress in accomplishing these goals comes from the consumers of regulatory services themselves - those customers who interact with the Public Utilities Commission, the Department of Professional and Business Regulation, the Office of Public Advocate and the Workers' Compensation Board. The four agencies propose to survey consumers of agency services on at least an annual basis.</i></p>

Agency Objectives			
Maine Public Utilities Commission	Office of the Public Advocate	Department of Professional and Business Regulation	Workers' Compensation Board
Objective 01-A-3: To make the regulatory process more efficient and effective (as measured by an increase in the number of utilities and utility customers who regard the services the Commission provides as good or excellent from <u>XX%</u> to <u>XX%</u> by (date)).	Objective 01-A-1: Increase consumer participation in PUC proceedings that pertain to affordable rates or utility service quality.	Objective 01-A-3: Increase by 10% over 1997 figures the number of consumers who rate the services they receive from professional and regulatory boards and agencies as very good or excellent, by June 30, 2000.	Objective 01-A-2: To reduce turnaround time <u>from (X)% in 1996</u> for employees to receive workers' compensation benefits when compensable <u>by 30% at all three levels of the dispute resolution process by the year 2000.</u>
Objective 01-B-2: To better meet all utility service customers' quality and reliability needs and strengthen Maine's economy, increase the percentage of utility customers who are satisfied with the quality and reliability of their utility service as measured by an increase in the number of customers who, by (date), regard their utility service as good or excellent from <u>XX%</u> to <u>XX%</u> for electric service; <u>XX%</u> to <u>XX%</u> for telecommunications services; <u>XX%</u> to <u>XX%</u> for gas service and <u>XX%</u> to <u>XX%</u> for water service.	Objective 01-A-3: Increase the number of consumers who are knowledgeable about the efforts and activities of the office.	Objective 01-B-1: Increase the Agencies' service rating by regulated entities and individuals 15% over 1997 figures, by June 30, 2000.	Objective 01-A-3: To decrease by 10% by the year 2000 administrative, medical, and legal costs to all parties arising from disputed claims from <u>(X)% in 1996</u> .
		Objective 01-C-1: Develop an effective and efficient system of licensing, registration and regulation by improving the Department's capacity to accept and dispense applications, complaints, filing fees, and regulatory and consumer information electronically from 10% capacity in 1997, to 80% capacity by June 30, 2000.	Objective 01-B-3: <u>To increase from (X)% in 1996 to 100% by the year 2000 parties' satisfaction level and attitudes with the workers' compensation system.</u>
			Objective 01-C-1: To increase staff efficiency and productivity from <u>(X)% in 1996</u> by at least 5% by the year 2000.

Agency Strategies			
Maine Public Utilities Commission	Office of the Public Advocate	Department of Professional and Business Regulation	Workers' Compensation Board
<p>01-A-3-007: Develop a training program that improves our ability to provide a trained, knowledgeable, professional and motivated work force; meets the needs of our internal customers; enables us to perform our statutory obligations in a manner that is fair, comprehensible, and timely; and continues to reduce the Commission operating costs in real dollar terms.</p> <p>01-A-03-008: Implement Information Technology Plan to improve internal efficiency and facilitate participation by outside parties.</p> <p>01-A-03-009: Review the "advocacy" functions provided by the OPA and the Commission to determine whether this function can be more efficient without compromising effectiveness.</p> <p>01-A-03-010: Assess all Commission activities to determine if there is a duplication of regulatory effort with any other governmental agency, and if there is, coordinate with the appropriate agency to remove duplication.</p> <p>01-A-03-011: Review current operations at the Commission to reduce processing times, backlogs, and costs of performing the services we provide.</p> <p>01-A-03-012: Review and rewrite our rules to make them conform with current law and understandable to the public.</p> <p>01-A-03-013: Offer technical training to small utilities so that they can effectively participate in Commission proceedings or comply with regulatory requirements.</p> <p>01-B-02-021: Eliminate any unnecessary regulatory barriers to the proliferation of local gas distribution systems and the expansion of the availability of gas service to industrial, commercial and residential customers in Maine.</p>	<p>01-A-01-001: Increase the number of speaking engagements, meeting with ratepayer coalitions and meetings with community organizations in FY97.</p> <p>01-A-1-003: Undertake a survey of Maine consumers to ascertain their current degree of knowledge about the office and the degree of their satisfaction with its efforts</p> <p>01-A-3-005: Increase the number of mailings we initiate with the general public, legislators and other interested groups on utility deregulation issues in FY97</p>	<p>01-A-3-009: Improve customer service by reducing the average time necessary to resolve consumer complaints.</p> <p>01-A-3-010: Determine the groups served by the agencies of the Department, develop surveys for those groups, establish a system for routinely distributing those surveys and tabulating the results, and develop a baseline against which June 30, 2000 numbers could be measured.</p> <p>01-A-3-011: Identify those areas of Departmental activity on which consumers most rely, and develop a program to continually review how delivery of those services can be improved.</p> <p>01-A-3-012: Provide customer service training for staff after information is compiled and analyzed.</p> <p>01-A-3-013: Identify those aspects of the consumer complaint process which most often impede resolution and develop appropriate solutions.</p> <p>01-A-3-014: Develop training program for Board Complaint Officers or other departmental complaint staff.</p> <p>01-B-1-018: Improve services to licensing applicants by reducing the response time.</p> <p>01-B-1-019: Reduce average staff time for review and response to routine business filings.</p> <p>01-B-1-020: Reduce routine regulatory examination costs.</p> <p>01-C-1-021: Develop the ability to accept the payment of fees electronically.</p> <p>01-C-1-022: Provide for public, electronic access to licensing and registration forms and information</p> <p>01-C-1-023: Provide for public, electronic access to educational materials, decision, orders and notices.</p> <p>01-C-1-024: Develop and maintain next generation licensing system capable of serving the licensing needs of the Department and other State agencies.</p>	<p>01-A-2-008: To improve the efficiency of the Troubleshooting Program.</p> <p>01-A-1-009: To improve the efficiency of the Mediation Program.</p> <p>01-A-2-010: To provide/establish a Rehabilitation Program, utilization review process, and medical protocols (through the office of Medical/Rehabilitation Services).</p> <p>01-A-2-011: To develop a Worker Advocate Program.</p> <p>01-A-2-013: To develop the Board's management information system.</p> <p>01-A-3-014: To reduce time frames for agreements and decisions.</p> <p>01-A-3-015: To provide for fair medical fee schedules, utilization review practices, protocols, and the Independent Medical Examiner Program.</p> <p>01-A-3-016: To identify and eliminate bureaucratic jargon and streamline required forms.</p> <p>01-A-3-017: To communicate with the legal community with advice regarding the Act and through rulemaking.</p> <p>01-B-2-024: To conduct an annual survey of the parties to determine their level of satisfaction and attitudes with the workers' compensation system.</p> <p>01-A-3-027: To develop and establish enhanced computerized systems that will not only increase efficiency and productivity but which will also enhance the Board and the Agency's overall effectiveness in accomplishing their statutory responsibilities.</p> <p>01-A-3-030: To develop and establish a permanent education and training committee which addresses agency and individual education and training needs.</p>

Programs to which the legislature currently allocates/appropriates funds from which the policy area objective is derived.

Department of Professional and Financial Regulation:

- Bureau of Banking
- Bureau of Insurance
- Office of Licensing and Regulation
- Consumer Credit Regulation

Office of the Public Advocate

Public Utilities Commission

Workers' Compensation Board

MAY 12 '97

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BY GOVERNOR

PUBLIC LAW

STATE OF MAINE

**IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY-SEVEN**

S.P. 241 - L.D. 810

**An Act to Clarify the Duties of the Office of the Public
Advocate**

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 35-A MRSA §1702-A is enacted to read:

§1702-A. Evaluation of needs and resources

1. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

A. "Low-income consumers" means residential consumers for whom paying public utility bills is difficult or impossible without some form of assistance or government aid;

B. "Residential consumers" means consumers who take public utility service for domestic purposes; and

C. "Small business consumers" means commercial consumers that employ fewer than 100 employees.

2. Intent. It is the intent of the Legislature that the resources of the Public Advocate be devoted to the maximum extent possible to ensuring adequate representation of the interests of those consumers whose interests would otherwise be inadequately represented in matters within the jurisdiction of the commission.

3. Priority. When the interests of consumers differ, the Public Advocate shall give priority to representing the interests of consumers in the following order:

- A. Low-income consumers;
- B. Residential consumers;
- C. Small business consumers; and
- D. Other consumers whose interests the Public Advocate finds to be inadequately represented.

This subsection does not require the Public Advocate to represent the interests of a consumer or group of consumers if the Public Advocate determines that such representation is adverse to the overall interests of the using and consuming public.

STATE OF MAINE

**IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY-EIGHT**

H.P. 1647 - L.D. 2277

**An Act to Implement the Recommendations of the Majority of
the Joint Standing Committee on Utilities and Energy
Arising from Its Government Evaluation Act Review of the
Office of the Public Advocate**

Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, the Office of the Public Advocate needs immediate supplemental funding to support its current case load and obligations; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 35-A MRSA §116, sub-§8, ¶C-1, as enacted by PL 1993, c. 633, §2 and affected by §3, is amended to read:

C-1. Except as specified in this subsection, funds that are not expended at the end of a fiscal year do not lapse but must be carried forward to be expended for the purposes specified in this section in succeeding fiscal years; but, with the exception of funds carried forward from fiscal year 1996-97 to fiscal year 1997-98, unexpended funds in excess of 10% of the total annual assessment authorized in this section must, at the option of the Public Advocate, either

be presented to the Legislature in accordance with paragraph A for reallocation and expenditure or used to reduce the utility assessment in the following fiscal year. In the case of funds carried forward from fiscal year 1996-97 to fiscal year 1997-98, 100% of these funds may be expended for the purposes specified in this section.

Sec. 2. Allocation. The following funds are allocated from Other Special Revenue to carry out the purposes of this Act.

1997-98	1998-99
---------	---------

EXECUTIVE DEPARTMENT

Public Advocate

All Other	\$60,483
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Provides funds from the unexpended balance at the end of fiscal year 1996-97 to cover increased costs associated with rate cases and the closing of the Maine Yankee Nuclear Power Plant.

Public Advocate

Personal Services	\$13,000	\$30,000
All Other		350,000
<hr/> TOTAL	<hr/> 13,000	<hr/> 380,000

Provides for the allocation of funds to pay salary increases for the Public Advocate and the Public Advocate's staff and to cover costs of consultants and expert witnesses to handle cases involving electric industry restructuring, telephone utility regulation and the Maine Yankee Nuclear Power Plant decommissioning.

EXECUTIVE DEPARTMENT

<hr/> TOTAL	<hr/> \$73,483	<hr/> \$380,000
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Emergency clause. In view of the emergency cited in the preamble, this Act takes effect when approved.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY-EIGHT

H.P. 1647 - L.D. 2277

**An Act to Implement the Recommendations of the Majority of
the Joint Standing Committee on Utilities and Energy
Arising from Its Government Evaluation Act Review of the
Office of the Public Advocate**

Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, the Office of the Public Advocate needs immediate supplemental funding to support its current case load and obligations; and

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Be it enacted by the People of the State of Maine as follows:

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C-1. Except as specified in this subsection, funds that are not expended at the end of a fiscal year do not lapse but must be carried forward to be expended for the purposes specified in this section in succeeding fiscal years; but, with the exception of funds carried forward from fiscal year 1996-97 to fiscal year 1997-98, unexpended funds in excess of 10% of the total annual assessment authorized in this section must, at the option of the Public Advocate, either

SENATE AMENDMENT "C" to H.P. 1647, L.D. 2277

REVENUES

2 Other Funds (\$50,000)

This amendment authorizes the Office of the Public Advocate's unobligated fiscal year 1996-97 Other Special Revenue balance of \$60,483 to be carried forward into fiscal year 1997-98 and provides an allocation of the same amount to support increased costs. It also reduces the All Other allocation in fiscal year 1998-99 by \$50,000 to provide the office with a total increase of \$380,000 in fiscal year 1998-99.

SUMMARY

16 This amendment authorizes unspent funds in the Public
18 Advocate Regulatory Fund for fiscal year 1996-97 to be carried
forward in their entirety for use in fiscal year 1997-98.

20
22 This amendment also reduces by \$50,000 the amount of the
allocation to the Office of the Public Advocate for fiscal year
1998-99 as proposed in the bill.

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SPONSORED BY: (John
(Senator CLEVELAND)

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QUARTERLY REPORT

OF THE MAINE OFFICE OF PUBLIC ADVOCATE

NO. 1, JULY- SEPTEMBER 1995

SUMMARY

In the first months of the current fiscal year (FY 97), the Public Advocate and his staff were involved in a number of major statewide cases and a still larger number of PUC proceedings with local or regional impact. The major cases included:

- 1. The PUC's consideration of deregulation in the electric industry** as governed by a 1995 state law establishing January 1, 2000 as the date by which all customers in Maine will be able to select their electricity supplier.
- 2. Northern Utility's proposal for construction of a gas facility** in Wells for the storage of liquefied natural gas (LNG), a project which we ultimately (and successfully) supported at the PUC.
- 3. Bell Atlantic's proposed takeover of NYNEX's operations** in New York and New England, affecting all telephone customers in Maine who use long-distance service and most Maine residents making local calls.
- 4. CMP's selection of a target for energy savings in 1997** due to conservation programs, challenged by the PUC Staff and our office as too low, and
- 5. Central Maine Power's proposal for charging customers** that reduce usage due to self-generation a \$1100/KW exit fee—a proposal that CMP was forced to withdraw in September.

The Public Advocate's small but experienced staff was also working—as of September 30, 1996—on twenty-five other, smaller cases involving water districts, telephone service and electricity prices across the state.

Additionally, during the first three months of the fiscal year, Public Advocate Ward travelled to Washington, DC and to Austin, Texas to lobby for ratification in Congress of the Texas Compact for disposal of Maine's low-level radioactive waste in Texas under state laws enacted in Maine, Vermont and Texas in 1993 and 1994.

Finally, OPA General Counsel Bill Black continues to represent the office on the Advisory Board for the Maine Schools and Library Network which supervises ratepayer-funded investments connecting school and libraries across the state to the Internet and to each other.

OPA Counsel Wayne Jortner also serves on the Maine Telecommunications Education Fund—along with NYNEX and the PUC—designed to increase public awareness of telecommunications opportunities and issues in the '90s.

MAJOR CASES

1. PUC Plan for Restructuring the Electric Industry

In 1995 the Maine Legislature directed the PUC to prepare recommendations for how best to deregulate those portions of the electric industry in Maine in which competition is likely. Following submission of written comments by 24 parties (including ourselves) in January and February and public hearings in May [see box on page 2 for a description of participants at those, and subsequent hearings], the PUC on July 19 issued a draft set of recommendations for comment.

The PUC's draft plan proposes that as of January 2000 electric utilities be forced to separate their power generation function (for which there already is competition in the marketplace, at least for large retail customers) from distribution, metering and billing functions. Ultimately as of January 2006, the PUC's plan would require distribution utilities to sell to third parties all of their generation units, contracts and power entitlements.

Continued on page 2

QUARTERLY REPORT

The Public Advocate's Office is designated as the consumer's representative in matters affecting Maine's regulated utilities - electric, telephone, natural gas and water. Since 1982, the Public Advocate's Office has intervened on behalf of the public in proceedings at the Maine Public Utilities Commission, the Federal Energy Regulatory Commission, the Maine Legislature and state or federal courts that affect the rates paid by utilities consumers. The current Public Advocate, Stephen Ward, was appointed in an acting capacity by Governor Joseph Brennan in 1986 and was re-appointed by Governor John McKernan and Governor Angus S. King. Mr. Ward's appointment was confirmed by the Legislature in 1987. An attorney himself since 1980, Mr. Ward employs four staff attorneys and two support staff.

The office is located at:
193 State Street
112 State House Station
Augusta, ME 04333-0112

and can be reached by telephone at:
207-287-2445 (Tel.)
207-287-4317 (Fax)

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Stephen.G.Ward@state.me.us

The Public Advocate also maintains a World Wide Web site at:
<http://www.state.me.us/ag/pubadv.htm>

This quarterly report was published by means of an appropriation in Account 014-07H 0410-03.

Continued from page 1

ments. Additionally, the PUC plan provides that all customers will be able to shop for the best energy arrangements as of January 2000 with the understanding that distribution, metering and billing will remain a regulated monopoly. Finally, the PUC has arranged for a back-up energy service to be made available to anyone who is unwilling or unable to shop for power. The PUC would select this Standard Offer service by means of a bid process every three years and would establish the same energy price for all similar customers (urban or rural) in a distribution utility's service territory.

We believe the PUC's draft Plan strikes the right balance in creating competitive opportunities for all electric customers while at the same time not jeopardizing Maine's electric utilities.

There are numerous major areas awaiting resolution in the PUC's final Plan (due in December) including the issue of whether utility shareholders will be guaranteed full recovery of so-called "stranded costs" that result from the low oil prices, the existence of surplus power in New England and past regulatory decisions in Augusta and Washington, DC. Nonetheless, we have advised the consumer coalitions in which we are active that the PUC's plan gets it just about right in framing of the issues.

Readers interested in more information about electric restructuring should look at a series of Question and Answer newsletters entitled "*Electricity Matters*" produced by the office in five editions and available by means of the office's World Wide Web site.

Consumer Involvement

In the first three months of the fiscal year, office staff interacted with the following groups either as part of a coalition effort or in accepting an invitation to make a presentation:

- American Association of Retired Persons
- Telephone Association of Maine
- Maine State Electricians Association
- Independent Energy Producers of Maine
- Selectman in Canton
- Town of Pittston
- Selectmen of Stockton Springs
- Coalition for Sensible Energy
- Pine Tree Legal Assistance, Inc.
- Maine Equal Justice Project
- Coastal Enterprises, Inc.
- Maine Community Action Association
- Alliance to Benefit Consumers
- Industrial Energy Consumer Group
- Advisory Council, Maine Telecommunications Relay Service
- Low-Level Waste Forum
- Maine Telecommunications Council
- Advisory Commission on Radioactive Waste
- Competition Policy Institute
- Maine Council of Senior Citizens
- Maine Council of Churches
- Ratepayer Intervenors: Andover, Searsport, Hampden, Gorham, Lebanon, Surry, Liberty, Deer Isle, Sidney and Mount Vernon

We also interacted with 23 individual consumers by mail and dealt with another 34 consumers over the phone during this period.



Patty Moody, Administrative Assistant and 14-year employee at the Office received a Distinguished Service Award from Governor King on September 16, while Public Advocate Steve Ward looked on.

ATTENDANCE AT SEPTEMBER HEARINGS ON PUC DRAFT RESTRUCTURING PLAN

	Large and Small Businesses	Utility Employees, Shareholders	Small Customers, Elderly, Legislators	Municipal Power	Environ- mental	Testifying Witnesses
Portland	15	6	8	2	1	32
Lewiston	8	1	2	0	0	11
Presque Isle	4	0	1	0	0	5
Bangor	8	1	8	0	2	19
Augusta	4	5	6	0	5	20
1st Round % 5/96	31%	41%	25%	2%	1%	100%
2nd Round % 9/96	45%	15%	29%	2%	9%	100%
Total %	37%	29%	27%	2%	5%	100%

MAJOR CASES

Continued from page 2

2. Natural Gas Decisions at the PUC and FERC

On July 2 we filed with the PUC our 40-page Brief in support of the Settlement Agreement we negotiated in May with Northern Utilities (NU) and Maritimes & Northeast Pipeline. Notwithstanding considerable support for the Settlement Agreement, No Tanks and the Town of Wells have maintained their opposition to PUC and FERC approval of the proposed liquified natural gas (LNG) tank. In July the PUC Examiners released draft recommendations rejecting the settlement, but in a way that caused us to file written comments in support of the

Examiners' recommendations. The Examiners proposed approval of the Wells LNG agreement between Northern Utilities and its affiliate, Granite State Gas, while at the same time rejecting NU's participation in the PNGTS Pipeline project on the grounds of excess capacity.

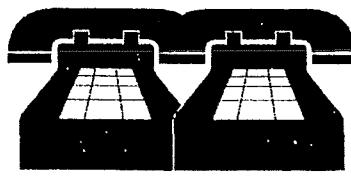
The PUC's final decision on August 9 adopted the Examiners' recommendation, approving construction of a 2 BCF LNG tank in Wells as a necessary expedient for resolving a gas shortfall as of April 1998 that will occur when NU's Portland Pipe Line lease expires. On October 1 NU filed a new precedent agreement for the PNGTS project that reduces to zero the surplus gas on its system that originally had triggered PUC rejection of this supply contract. We believe the PUC's

decision is a sound one and to be one that forced NU to eliminate excess supplies of pipeline gas from its PNGTS contract.

In August FERC granted approvals based on economic need for both the PNGTS and the Maritimes Phase I projects. Each project must still undergo extensive environmental review at FERC, but FERC apparently has decided that gas markets in New England will ultimately decide which project is economic and has declined to pick one over the other. As a direct consequence of these preliminary approvals, we have received a series of requests for advice and assistance from landowners in the Pittston, Yarmouth and Cumberland areas whose property may be traversed by one of the two pipeline projects.

3. Bell Atlantic/NYNEX Merger

On July 3 NYNEX formally filed for PUC approval of its acquisition by Bell Atlantic. This consolidation would create the third biggest telephone entity in the country. Pursuant to 35-A M.R.S.A. § 708, the PUC must act on this request by early January, 1997. We filed an intervention petition in the case and began discussions with the Attorney General's Office about their level of interest regarding the



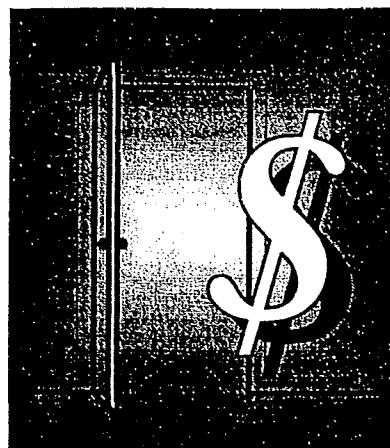
merger and their participation in the PUC case. The Attorney General's Office ultimately intervened in the PUC proceeding and, with us, jointly sponsored a Motion in Limine requesting that the PUC reserve for a future proceeding —after the U.S. Department of Justice completes its anti-trust

review—the question of whether consumers will be harmed by the loss of a competitor in the 12 jurisdictions in which NYNEX and Bell Atlantic were expected to compete with each other. The PUC denied the motion on September 30, causing all issues associated with the merger to be within the scope of the PUC's final decision in this case. We are sponsoring expert witnesses from Economics and Technology, Inc. in Boston and the Competition Policy Institute in Washington, D.C. to assist us in this major case.

MAJOR CASES*Continued from page 4***4. CMP Conservation Target Case**

We filed testimony at the PUC supporting a 36 GWH total of savings from CMP's conservation programs in 1997 as the number to be used in evaluating CMP's management of those programs next year.

The current system of ratemaking for CMP - the Alternative Rate Plan - provides for penalties each year in the event that CMP management fails to secure conservation savings at pre-determined target levels. CMP's proposed target for conservation programs in 1997 is 20 GWH. Despite efforts to negotiate a resolution to this case, we ended up filing on October 1 our brief with the PUC supporting the 36 GWH target. A final PUC decision is expected later this Fall.

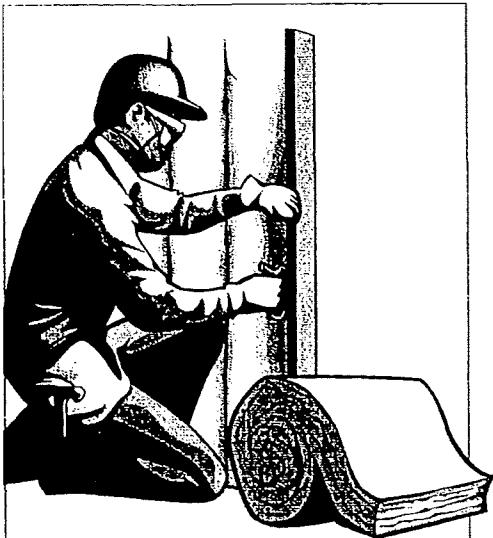
**5. CMP's "Exit Fee" Proposal**

In the Spring of 1996 CMP filed with the PUC a proposal for authority to charge an "exit fee" to customers who install self-generation exceeding 200 KW and then reduce their purchases of CMP electricity. This proposal was apparently motivated by Hannaford's interest in installing a natural gas-fired self-generation unit at one of its Shop 'n Save stores in Scarborough.

Although Hannaford and CMP eventually negotiated a discount contract for electricity (on the condition that Shop 'n Save not pursue its self-generation options), the PUC's review of the emergency "exit fee" proposal continued into the fall. In early August we filed the testimony of our witness Neil Talbot, opposing CMP's "exit fee" proposal. We noted that self-generation has always been an option for customers

just as has been the option of using alternative fuels to meet desired end uses. Since it is not a result of any regulatory change or restructuring, we argued that it represents no "new risk" which deserves the type of extraordinary protection CMP has requested.

Hearings at the PUC began in late September but ended with a surprise. CMP witnesses under oath admitted that CMP was not facing a serious exodus to self-generation. Upon motion of our office, the AARP and the Industrial Energy Consumers Group, CMP promptly agreed to withdraw the proposed tariff. This is positive news because our office and every other intervenor opposed the imposition of CMP's proposed \$1100 per kwh "exit fee." The tariff was withdrawn with prejudice, but CMP retains the right to offer a different tariff that may include an exit fee, if CMP believes circumstances warrant at some later date.

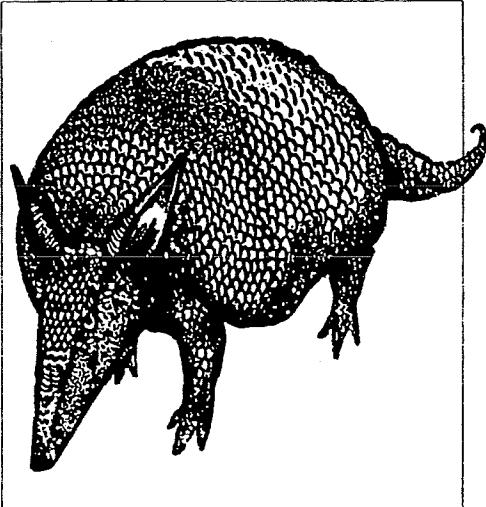
**Suggestions?**

We welcome comments on the content, design, and usefulness of this quarterly report. Please contact the Office at 287-2445 or fax comments to 287-4317.

SMALLER CASES**1. Capitol Hill Lobbying on the Texas Compact**

In July, Public Advocate Ward visited 15 offices at the U.S. House and Senate to discuss the prospects for prompt enactment of the Texas Radioactive Waste Compact. Ward concentrated on House Staffers for U.S. Representatives who voted against the Compact on September 19 last year. In this effort Ward has been working closely with lobbyists for Texas and Vermont government, nuclear utilities in the three states and Afton Associates, a DOE contractor working with state of Vermont and officials across the country on facility siting for low-level radioactive waste.

Although there are no prospects for action in the House on Compact ratification prior to the November recess, we continue to believe that Congress will eventually approve the Compact.

**2. Central Maine Power Plans for Competition with Electricians**

On September 12 Bill Black attended a meeting of the State Electricians Association in response to an invitation by that group to discuss CMP's plans for using its in-house personnel on wiring projects across the State that are unrelated to any utility service. Understandably, electricians are concerned about a ratepayer-subsidized behemoth competing in their line of work. The PUC has indicated its willingness to take up the issue of ratepayer subsidies and cost allocations but prefers not to address the questions of unfair competition.

3. Bangor Hydro Burglar Alarm Subsidiary

On Wednesday we filed testimony at the PUC opposing Bangor Hydro's request to operate a burglar alarm service under the same roof as its electric utility operation. In pointing to the danger of ratepayer subsidies that would support the home security service, we recommended that Bangor Hydro be required to treat all expenses and profits "below the line" as items solely affecting Bangor Hydro's shareholders.

4. MaineCom/CMP

On September 19 we filed our comments on the proposal by CMP that it be permitted to rent out part of its utility poles to its subsidiary MaineCom so that MaineCom can string fiber cables and provide "private" telecommunications services to large business customers with locations in different areas of the state. CMP asked for a quick 45-day approval of its proposal.

In our comments we suggested that the CMP/MaineCom arrangement raises significant issues such as:

Will the proposed use of telecommunications cables mean that either CMP or MaineCom is acting as a "telephone utility?"

If so, what conditions or protections are necessary to ensure that MaineCom/CMP's entry into the market does not force the ratepayers of other telephone companies to pay the costs of any "stranded" telecommunications investments?

Finally, does CMP's proposal violate the Telecommunications Act of 1996 which requires that a utility provide all telecommunications carriers with nondiscriminatory access to its poles and rights-of-way?

SMALLER CASES*Continued from page 6***5. Community Service Telephone Company**

On September 23, the PUC acceded to our request this Summer and opened an investigation into the issue of whether Community Service Telephone is overearning thereby justifying a rate decrease. We had submitted exhibits with our request demonstrating annual overearnings of \$562,000. The Commission suggested that the parties to the proceeding first

take 30 days to see if we can negotiate a rate decrease. If not resolved by negotiation, the Commission will set a schedule for litigation.

6. Housing Authority Changes in HEAP Benefit Structure

In a recent APA rulemaking the Housing Authority proposed to simplify the formula for allocating fuel assistance benefits among eligible households in Maine in a manner which we believe would greatly reduce the targeting of those benefits to

households in greatest need. We are concerned about this change in the allocation formula because, under the program design for the utility bill payment assistance programs, electric ratepayers will end up making up the difference in increased assistance to those customers receiving smaller HEAP benefits. Accordingly we filed comments urging the Housing Authority to stick with last year's allocation formula. In early September the Housing Authority announced that it had put its proposal on hold for the 1996/97 heating season.

PUBLIC ADVOCATE STAFFING SUMMARY: CUMULATIVE HOURS AS OF 9/96

Staff	PUC Cases	Radwaste	Consumer Contacts	Administrative	Public Speaking	Sick Time	Vacation Time	Total
SGW	126	19	4	17	0	5.5	9.5	181
WCB	136	0	9.5	9	2.5	16	0	173
WCP	158	0	0	2	0	0	0	160
WRJ	134	0	2	2	0	0	0	138
EJB	139	0	3	1	1	0	16	160
PJM	47	0	0	83	0	0	30	160
BJS	115	0	0	0	0	16	29	160
Month's Total Hours	855	19	18.5	114	3.5	37.5	84.5	1132
Sept. 1996	75.53%	1.68%	1.63%	10.07%	0.31%	3.31%	7.46%	100%
Cumulative Total Hours	2520.25	31.5	43.75	406	6	95.5	482.5	3584.5
Cumulative %	70.29%	0.88%	1.22%	11.32%	0.17%	2.66%	13.46%	100%
% of Direct Hours	97.99%	0.74%	0.72%	0	0	0	0	100%

Note: WRJ works a 4-day work week.

SMALLER CASES*Continued from page 7***7. Searsport Water District**

On September 24, we traveled to Searsport to negotiate the rate design for the Searsport Water District's ongoing increase in rates. The principal issue involves the allocation of the second step of the increase between the District's residential ratepayers and its major industrial customers, General Alum & Chemical. Both parties were represented at the meeting.

8. NYNEX Rate Decrease under Alternative Form of Regulation

NYNEX's first price change pursuant to the 1995 Order instituting an Alternative Form of Regulation (AFOR) was recently filed with the Commission. As a result of a 2.4% change in inflation as measured by the GDP-PI and a 4.5% productivity offset, NYNEX is required to reduce rates for core services by 2.1%. This translates into a \$7 million rate reduction although NYNEX has proposed an \$8.3 million total rate reduction or 2.5% overall. Total rate reductions will amount to \$11.283 million

because NYNEX chose to raise certain rates thereby requiring offsetting additional rate reductions.

On September 12, 1996, we filed a list of proposed issues. Some of those issues proposed reviewing whether the allocation of rate reductions violate the price cap order. However, there is one policy issue which deserves attention under NYNEX's proposal: the fact that regular in-state toll rates will not receive any reduction; nor will local exchange rates. Instead NYNEX proposes to allocate rate reductions primarily to high-volume business customers using optional calling plans.



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E L E C T R I C I T Y MATTERS

Newsletter of the Maine Office of Public Advocate
No. 6 • November, 1996

Representative Comments from the Public on the PUC's Draft Report

IN THE SPRING OF 1995, the Maine Legislature passed a resolve calling for a study of ways to restructure electric utilities in Maine. Currently, the electric utility industry is a regulated monopoly. The Legislature wants plans made to introduce competition and free markets. The goal of the study is to recommend "guidelines and requirements for an orderly transition to a competitive market for retail purchases and sales of electric energy."

A. STEP ONE: WORK GROUP
The Legislature set up a three-stage process to develop a plan for deregulating Maine's electric utility industry. In 1995, a Work Group on Electric Industry Restructuring was to study the issue and propose a plan. In 1996, the Maine Public Utilities Commission is to continue the study and prepare at least two plans, to be sent to the Legislature, by January 1, 1997. The Work Group produced a December 1995 report that outlined major issues and problems associated with restructuring. The eighteen members of the group were unable to reach consensus on a specific plan to suggest to the PUC.

B. STEP TWO: DRAFT PLAN
The 1995 Legislative resolve directed the PUC to develop at least two plans for the orderly transition to a competitive market for retail purchases and sales of electric energy...One plan is to provide for "full retail market competition" by the year 2000. The other plan is to provide for competition "wherever effective competition is likely" and to continue regulation of other parts of electrical service.

During May, 1996, the PUC sponsored discussions and public hearings on deregulation at four locations across the state. All three PUC members—Chairman Thomas Welch and Commissioners Heather Hunt and William Nugent—participated in the Consumers' Energy Conference of 1996, cosponsored by the Public Advocate Office and held June 27 and 28 in South Portland. The PUC issued its draft report on deregulation on July 19, and gathered more public comment on that report at five hearings in September held in Portland, Lewiston, Augusta, Bangor and Presque Isle.

C. STEP THREE: FINAL REPORT
The final version of the PUC report—expected to be released in December 1996—will complete the planning process. During 1997, the Legislature will proceed with a final step: discussion of, and action on, a plan to restructure Maine's electric utility industry.

This sixth issue of *Electricity Matters* summarizes some of the main points in the PUC draft report and provides a range of comment from the public on key issues. Five previous newsletters have discussed background material and related questions. If you would like copies of the earlier newsletters, or if you have questions about this issue, please contact:



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At hearings across the state in May and again in September, the three PUC Commissioners solicited comments from the public on the merits and risks of deregulation. Here is some of what they heard.

Goals of Restructuring



Tom Austin

9/24/96 Augusta

"The goal in the new competitive world is going to be to conscientiously not give a hoot about the prospects or the financial position of any individual competitor. It's going to be to care solely about what antitrust people care about; that is to care about competition and to care about the market."



LECTRICITY MATTERS 2

Representative Comments from the Public on the PUC's Draft Report

CONTINUED FROM PAGE 1



Glenn Poole

9/19/96, Bangor

"I'm chairman of the Industrial Energy Consumer Group, which consists of several companies that, as you know, use a considerable amount of electricity; and we had three items that we thought restructuring should achieve. Number one, it should achieve identifiable benefits. Number two, nobody should be worse off. And number three, the benefits that are achieved should be fairly shared among the stakeholders."

Richard Penley

9/17/96 Lewiston

"The oil industry, the airlines, the trucking and railroad industries, the telecommunications industry, the gas industry and now the electric power industry have had to face the reality of deregulation. Those that were efficient and responsive to the market have survived and prospered. The consumer has benefited from lower rates and more efficient services."

Dennis Tompkins

9/24/96 Augusta

"Transferring risks to investors, providing customer choice, protecting environmental quality, maintaining energy efficiency, and ensuring fairness to customers are laudable goals. However, we strongly recommend that an improved business climate should be a guiding principle of restructuring."

Risks of Deregulation

Roger Cooper

5/29/96 Augusta

"It would be wise for the Commission to advise the Legislature to go slow, that Maine needn't be the first in the nation this time, that we've done it too often in the past and it's burned us badly and we've been in a recession since 1990 in this state. We have not recovered from it completely yet."

George Chalmers

9/19/96 Bangor

"And then finally, which the important thing is, we all want low electricity. Are you gonna get it lower this way? I don't believe you are. If you get together and rectify and modify and modernize the way you work in harmony with each other, I think you can accomplish it with modification of the system you have today."

Clyde MacDonald

9/19/96, Bangor

"But we are concerned because we want to know what the impact would be on rural areas. I think that if you look at the history of deregulation, it works well and works best in places where you have large consumers, large numbers of people and a large number of companies struggling against one another to serve those large markets. Competition has never, to my knowledge, worked in favor of rural areas."

Don Brown

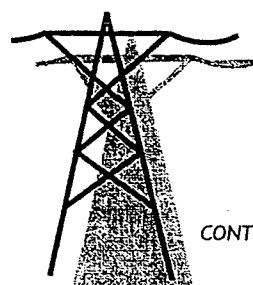
9/24/96, Augusta

"I live in a very small rural community. I wonder, if restructuring should go through and we are offered a choice of providers, how many providers would be interested in supplying electricity to a town of 600 or 700. I think our choice in rural areas would be limited and we would again have an uneven playing field for the ratepayer."

David Gordon

9/19/96, Presque Isle

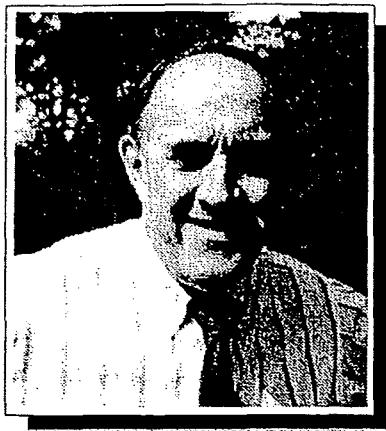
"Most of the manufacturers here in the State of Maine, whether it's McCain's, National Starch or anybody else, the cold hard reality is that we are competing with the world. It used to be without fax machines and modems and all the instant communications and many of us were competing on a regional basis; but now because of all the communications, information and transportation, we are competing with the world."



CONTINUED ON PAGE 3

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Representative Comments from the Public on the PUC's Draft Report



Rep. Dick Gould

8/29/96, Bangor

"Be very cautious in what you do so that you do not cause economic hardship on anybody, because, as the gentleman from the Public Advocate's Office said, if we're going to end up hurting people, there isn't much sense to restructure, because restructuring should be to foster good development, not hurt."



Joyce Dyttmer

9/24/96, Augusta

"You'll pardon my skepticism. After all, the best laid plans of mice and men still have to pass through the three "L's: lawyers, lobbyists and the legislature. Thank you."

L low-Income and Other Subsidies

Sen. John Cleveland

9/17/96, Lewiston

"All consumer groups, residential groups, small business people as well as the large consumers ought to see a benefit from having a competitive marketplace; and I think we ought to proceed with caution as you outlined ... I think it's extremely important to remember that there are some folks who are low income and elderly who have a difficult time meeting their daily bills."

Gordon McPhail

5/29/96, Bangor

"The cost that has been put on the existing utilities for these social programs and conservation and non-utility generation power agreements should not be put on the shareholders. I hope not. Because they have taken a beating already. You can beat an old horse so long before it up and dies and I'm afraid this is what might happen to the existing utilities in the State of Maine."

Norman A. Powell

9/9/96, Bangor

"The current system forces electric customers to subsidize other people's savings but does nothing to promote efficient use of heating oil, gas or wood or to help low-income purchasers."

Mr. Dufour

5/29/90, Bangor

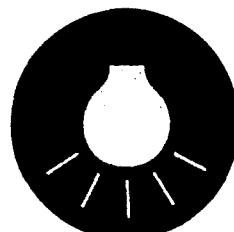
"A lot of the area is sparsely populated residential accounts and probably a pretty high number of them are low income. I would ask you as you consider this restructuring of our industry that you take into effect that we need some manner or some mechanism to protect these customers that they are provided with the source of electricity and that it's brought to them in a manner that is competitive with power that's purchased by other residential customers in the state."



Connie Sandstrom

9/18/96, Presque Isle

"We do highly endorse the part of the plan that strongly recommends that the Maine Legislature fund the low-income bill payer assistance program through general taxes or a tax or surcharge on all energy services."



CONTINUED ON PAGE 4



Representative Comments from the Public on the PUC's Draft Report

CONTINUED FROM PAGE 3

Exit Fees and Exiters

Gregory Sweetser

5/29/96, Bangor

"Electrical expenses are substantial to each and every ski area no matter what the size. In fact, electricity is our #2 cost of operations following payroll. As a percentage of our overall expenses, electricity runs an average of 10 to 12% at most areas."

Russ Hewett

9/19/96, Bangor

"Our markets are world wide and we are facing ever-increasing worldwide competition from countries in which the cost of doing business is far lower than it is here in Maine ... In order for us to remain competitive in the global markets that we serve, self-generation must remain an option for us. The imposition of an exit fee, which in our case would cost several million dollars, would make self-generation out of the question for us, leaving us hostage to some of the highest power rates in the United States."

Jenness Robbins

9/19/96, Bangor

"I've reviewed your restructuring plan and it sounds okay, but I am strongly opposed to the exit fees as proposed by the CMP. I understand that you have not

accepted CMP's proposal, but I want to make you aware of our concerns. If this exit fee tax is assessed, it would cost our company over \$2.5 million to leave CMP. We consider this an imposition that would make us less competitive and result in much higher power costs compared to other sawmills in other states."

Lynn Ricker

9/19/96, Bangor

"A few years ago we lost a large customer of one of our products. We had very little notice and never realized until it happened that it would be a total loss of this market. We received payment for the product we sold, but we didn't receive any exit fee because we operate in a free and competitive market. We expect no less from the utilities of this State"

John Thurston

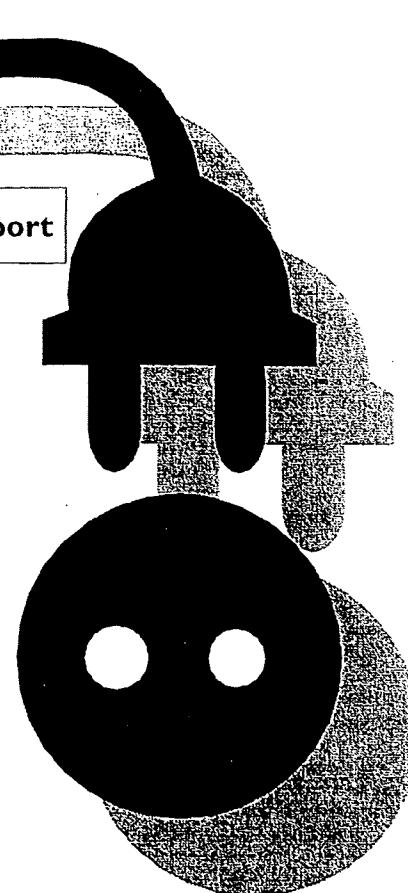
9/17/96, Lewiston

"I would love to have the luxury of charging our customers for the privilege of leaving us and going somewhere else. If you could pass that, I'll vote for whoever appoints you."

David Gordon

9/19/96, Presque Isle

"Because we are a small company, we're nimble, we can move to wherever the business environment is best for us; and that's why some of our operations have moved to Canada."



Rep. Conrad Heeschens

9/24/96, Augusta

"I think proportionately a homeowner could be hit with a bigger exit fee than a company could be because they're paying higher rates as it is and the utility could expect normally to get more per kilowatt-hour on that; but I think that — we should think very carefully before either penalizing people from getting off or reducing their own load on the system."

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Representative Comments from the Public on the PUC's Draft Report

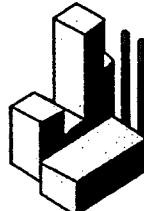
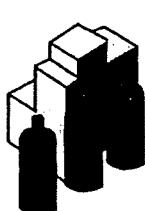
Stranded Costs and Independent Power

Gerald Hart
5/29/96, Bangor

"An example of high stranded cost is the PERC trash burner contract in Orrington right across the river, the energy of which costs Bangor Hydro 12 cents per kilowatt-hour. It is my understanding that it could be replaced at probably three cents, that's what I'm told."

Gerald Robertson
5/29/96, Bangor

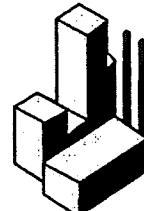
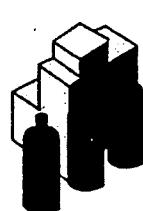
"We believe that stranded costs should be shared fairly among stockholders and all classes of customers contributing to the need for plant capacity. Regulation and/or legislation should not allow the industry alone to determine the amount of stranded investment it will encounter due to retail competition or to determine who will pay the utility for these stranded costs. Hearings should be held to determine how stranded costs should be dealt with by regulators."


Don Brown
9/24/96, Augusta

"It is because of these ironclad but outmoded contracts now supplying some 40% of CMP's output that our rates are high by comparison with other suppliers... This is a situation which cannot continue and which could be remedied through PUC's action or legislative action. One needs only to compare Madison Electric rates with CMP to see the pernicious effect of NUG contracts."

Scott Hersey
5/29/96, Bangor

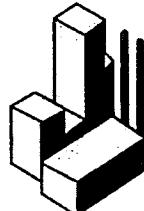
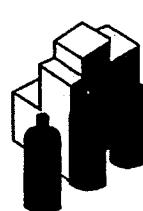
"But what about the cost of independent power? Despite all the utility rhetoric, the answer is clear. Without the development of the independent power industry, rates would be even higher. Utility regulators forced Maine's utilities to divest themselves from their Seabrook investments in the mid '80s, an act that did more to protect ratepayers than any action since. As it turned out, Seabrook became one of the most expensive plants in New England... Consider what would have happened if small power producers had not built nearly 100 high efficient plants across the state and instead the utilities had stayed in Seabrook. Again, the answer is clear. Without the development of the independent power industry, rates would now be even higher."


Greg Cyr
9/19/96, Presque Isle

"It seems counterproductive to me to continue to engage in blaming one side or the other or perpetrating the myth of cheap power absent the NUG contracts. There's considerable debate and rancor over so-called stranded costs, NUG contracts and the current cost of electricity. The revisionists would have us believe that absent the NUG contracts we'd be awash in cheap power. Well, that is certainly an attractive fantasy. It's just that."

Hilton Power
9/29/96, Augusta

"In this election season I've become very much of a Republican. Stranded costs are the major obstacles preventing consumers from making a sound judgment about proposals for restructuring... Most of us are not CPAs. This being the case, my response is we operate in a free enterprise capitalist economy. Those who live by the sword, die by the sword; or let the investors/owners face the music."

CONTINUED ON PAGE 6


Rick Thornton

9/19/96, Bangor

"it's not uncommon for someone in my area to ask for paper instead

money that's being collected now I don't think will be sufficient to decommission that plant."

Representative Comments from the Public on the PUC's Draft Report

CONTINUED FROM PAGE 5

New Marketing Options

Norman A. Powell

9/19/96, Bangor

"New Hampshire found out this spring that many customers preferred to go on drawing energy from their local utility. CMP would like to be able to offer its customers the option for one-stop shopping. The MPUC Draft Plan, however, makes no provision for utilities arranging energy purchases for its customers."



Beth Nagusky

9/24/96, Augusta

"There is ample evidence to suggest that a significant percentage of electric consumers would prefer to buy their power from renewable energy sources, even if they had to pay more for that power."

of plastic when coming out of the local Shop 'n Save. It is for this reason, and in talking with my fellow rate payers, that we would find the information to play a major role in our future decision for purchased power with an eye towards sources that support local economies, such as clean, efficient and competitive renewable resources, such as some of the biomass plants ... I think even some of 'em would consider paying a slightly higher rate if they knew that the power was coming from the local economy and help supporting the local economy 'cause they see that and it has an offsetting effect."



Pam Person

9/19/96, Bangor

"Therefore, we've recommended to you in our initial comments, and we re-recommended it tonight, that a State Energy office which was in force until 1990 be reinstated and that there be an Energy Advisory Council for the transition period."

Energy Planning

Ralph Webber

9/19/96, Bangor

"Natural gas is a tremendous economic opportunity for Maine and, one, that would provide us with business expansion that we could offer, that we could even consider, that if natural gas was not available, we would not be able to do so. We are the only site within James River that is not served by natural gas."

Victor Grob

9/19/96, Bangor

"What I would like to see — in the draft report is information concerning the decommissioning of Maine Yankee, how that's going to be handled; because the amount of

E ffects on the Environment

Phil Person

5/29/96, Bangor

"How can we assure, for example, that if a Maine company were to buy power at a cheaper rate from a Mid-West coal-burning power plant, that the resulting stack emissions will not degrade unacceptably Maine's air, or for that matter any air in between the generating plant and the user?"

CONTINUED ON PAGE 7

CONTINUED FROM PAGE 6

Representative Comments from the Public on the PUC's Draft Report**Sen. John Cleveland**

9/17/96, Lewiston

"We ought to try to look as creatively as we can so we don't inadvertently put ourselves in the position where producers in other states who are not quite as sensitive about environmental impacts are producing power at a lower rate than we are purchasing it in the State of Maine and then we inherit all the downwind environmental impacts, particularly from coal-burning facilities in the Mid West."

Pam Person

5/29/96, Bangor

"Please make sure that the energy policy goals of increased efficiency and reduced pollution as well as service reliability, equitable economic benefits and customer protections are enhanced not abandoned."

**Madelaine Kelly**

9/24/96, Augusta

"Commercial power generation has its own hidden intangible costs. The generation of nitric and sulfuric oxides, carbon dioxide which may be changing the climate of our whole planet, nuclear waste that we still need to develop a good way of disposing of them. We have at our fingertips clean renewable energy that may soon be available to anyone who wants to use it."

Who Testified at the September 1996 Hearings on the PUC's Draft Restructuring Plan?

	Large and Small Businesses	Utility Employees, Shareholders	Small Customers, Elderly, Legislators	Municipal Power	Environ- mental	Testifying Witnesses
Portland	15	6	8	2	1	32
Lewiston	8	1	2	0	0	11
Presque Isle	4	0	1	0	0	5
Bangor	8	1	8	0	2	19
Augusta	4	5	6	0	5	20
9/96 Round %	45%	15%	29%	2%	9%	100%
5/96 Round %	31%	41%	25%	2%	1%	100%
Total % May and September	37%	29%	27%	2%	5%	100%



LECTRICITY MATTERS 8

Restructuring Activity Around the U.S. appears to be driven by the cost of electricity, with the highest going first.

Restructuring plans

have been adopted in California and Rhode Island, with average electric costs in each case of 10.5¢/KWH.

Companies have been ordered to file a plan

in the following five states: Maryland (7¢), Massachusetts (10¢), New York (11¢), Pennsylvania (8.5¢), Vermont (9.5¢), with an average ¢/KWH of 9.2¢.

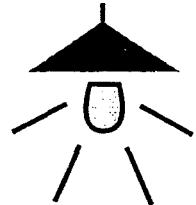
An investigations is under way in the following eight states: Illinois (7.5¢), Iowa (5.5¢), **Maine (9.5¢)**, Michigan (7¢), Minnesota (5.5¢), New Hampshire (11.5¢), Texas (6.5¢), Wisconsin (5.5¢), with an average ¢/KWH of 7.3¢.

Fact finding is under way

in the following 23 states: Alabama (5¢), Alaska (5.5¢), Arizona (10.5¢), Connecticut (11.5¢), Delaware (7¢), Washington, D.C. (8¢), Idaho (4¢), Indiana (5¢), Kansas (6.5¢), Louisiana (6¢), Missouri (6.5¢), Montana (5¢), Nevada (7¢), New Jersey (10.5¢), New Mexico (8¢), North Carolina (6.5¢), North Dakota (6¢), Ohio (7¢), Oklahoma (5.5¢), Utah (5¢), Virginia (6.5¢), Washington (5.5¢), Wyoming (5¢) with an average ¢/KWH of 6.6¢.

No activity is taking place in the following 11 states: Arkansas (7¢), Colorado (6¢), Florida (6.5¢), Georgia (6.5¢), Kentucky (4.5¢), Mississippi (6.5¢), Oregon (5¢), South Carolina (5.5¢), South Dakota (6¢), Tennessee (4.5¢), West Virginia (5¢) with an average ¢/KWH of 5.7¢.

By November 1996, three states had enacted electric deregulation and restructuring statutes (New Hampshire, California and Rhode Island) with a fourth state—Pennsylvania—expected to do so imminently. Each of these states had adopted 1998 as the target date for the partial deregulation of electricity.



MAINE OFFICE OF PUBLIC ADVOCATE

112 State House Station
Augusta, ME 04333-0112

QUARTERLY REPORT

OF THE MAINE OFFICE OF PUBLIC ADVOCATE

SUMMARY

NO. 2, OCTOBER-DECEMBER 1996

IN THE SECOND QUARTER of the current fiscal year (FY 97), the Public Advocate and his staff were involved in a series of major cases with state-wide impact as well as a number of PUC proceedings affecting smaller communities or regions of the state. The major cases included:

- 1. The PUC's preparation of final recommendations to the Legislature for restructuring electric utilities for creating retail competition among electricity suppliers in Maine, and for protecting rural, low-income and small business consumers;**
- 2. Bell Atlantic's proposal to merge with NYNEX and take over local telephone service, in-state toll service and infrastructure improvements for Maine, approved at year's end by the PUC subject to one of our recommended conditions;**

3. Bangor Hydro's operation of an unregulated home security/burglar alarm service under its roof and on company time, opposed by us as unfair to competing businesses in the home security market due to the existence of ratepayer subsidies;

4. CMP's selection of a target for energy savings in 1997 resulting from conservation programs, a case whose final PUC decision adopted arguments advanced by our office and the PUC's own staff;

5. Proposals from three competing syndicates for the right to sell natural gas in communities in Central and Eastern Maine where new supplies of pipeline gas may become available by 1999.

The Public Advocate's small but experienced staff was also working, as of December 31, 1996, on thirty-five other, smaller cases involving water districts, telephone and natural gas service and prices for long-distance telephone service in Maine.

Additionally, at the end of the fiscal year, Public Advocate Ward asked for—and received—financial assistance in the amount of \$15,000 from the Advisory Commission on Radioactive Waste (a legislatively-created board in Maine) to assist in the effort to secure ratification in the upcoming session of Congress of the Texas Compact for disposal of Maine's low-level radioactive waste in Texas.

Under laws enacted in Maine, Vermont and Texas in 1993 and 1994, the three states agreed to create an interstate Compact limiting disposal of radioactive waste at an as-yet-unbuilt Texas facility for material originating at hospitals, power plants and labs in the three states. Financial assistance from the Advisory Commission will pay for the preparation of educational and briefing



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SUMMARY

Continued from page 1

materials for use in the 105th Congressional Session.

In December, Public Advocate Ward co-led a group discussion at the University of Maine School of Law following a video conference sponsored by the American Bar Association on the restructuring of the electric industry.

In October, OPA Counsel Bill Perkins attended a training session on estimating the cost of

nuclear power plant decommissioning.

In December, OPA General Counsel Bill Black attended a conference in Washington DC on the anti-trust aspects of recent federal legislation deregulating telecommunications.

Finally, office staff participated in the Governor's Conferences on Small Business in Portland, Lewiston, Rockland and Bangor held in October and November 1996.

Consumer Involvement

In the second quarter of the fiscal year, office staff interacted with the following groups either as part of a coalition effort or in accepting an invitation to make a presentation or give a speech:

- National Federation of Independent Business
- Businesses for Social Responsibility
- Maine Telecommunications Council
- Maine Telephone Users Group
- Maine Chamber and Business Alliance
- Independent Energy Producers of Maine
- American Association of Retired Persons
- Senior Legislative Advocacy Coalition
- Maine Council of Senior Citizens
- Advisory Commission on Radioactive Waste
- Industrial Energy Consumer Group

- Maine Council of Churches
- Maine Equal Justice Project
- Alliance to Benefit Consumers
- Coastal Enterprises, Inc.
- Coalition for Sensible Energy
- Western Maine Alliance
- Community Action Association of Maine
- Conservation Law Foundation
- Natural Resources Council of Maine
- Union of Concerned Scientists
- Committee for a Safe Energy Future
- National Association of State Utility Consumer Advocates
- National Consumer Law Center
- The Island Institute
- Coalition for Public Energy Choice
- Friends of the Coast
- Ratepayer Intervenors: Deer Isle, Mount Vernon, Liberty, Lebanon, Andover, Monhegan, Matinicus, Kingsbury Plantation, Surry, Hampden, Bowdoinham, Standish, Manchester, Otis, Monmouth, Bucksport, West Gray, Searsport, Stockton Springs and Carabassett Valley.

We also interacted with 183 individual consumers by mail and dealt with another 12 consumers with telephone complaints or problems during October, November and December 1996.

QUARTERLY REPORT

The Public Advocate's Office is designated as the consumer's representative in matters affecting Maine's regulated utilities—electric, telephone, natural gas and water. Since 1982, the Public Advocate's Office has intervened on behalf of the public in proceedings at the Maine Public Utilities Commission, the Federal Energy Regulatory Commission, the Maine Legislature and state or federal courts that affect the rates paid by utilities consumers. The current Public Advocate, Stephen Ward, was appointed in an acting capacity by Governor Joseph Brennan in 1986 and was reappointed by Governor John McKernan and Governor Angus S. King. Mr. Ward's appointment was confirmed by the Legislature in 1987. An attorney himself since 1980, Mr. Ward employs four staff attorneys and two support staff.

The office is located at:
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and can be reached by telephone at:
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Stephen.G.Ward@state.me.us

The Public Advocate also maintains a World Wide Web site at:
<http://www.state.me.us/ag/pubadv.htm>

This quarterly report was published by means of an appropriation in Account 014-07H-0410-03.

MAJOR CASES

PUC Plan for Restructuring the Electric Industry

On December 31, 1996 the PUC completed a task assigned to it by the Maine Legislature in June 1995 when it directed the PUC to prepare recommendations on the partial deregulation of Maine's electric utilities.

The PUC's final report tracks fairly closely the recommendations in a draft report released by the PUC on July 19. The draft recommendations have been the subject of six previous Question and Answer Newsletters entitled "Electricity Matters" and released periodically by the Public Advocate's office since February 1996. They were also the focus of two sets of public hearings held at locations across the state at which nearly 200 citizens testified.

We believe that the PUC's final plan strikes just about the right balance in satisfying three distinct policy goals for the state: 1) enabling a competitive market for electric service to become established in Maine; 2) not jeopardizing the financial viability of Maine's utilities or independent power producers; 3) preserving protections for consumers (particularly low-income and rural customers) as well as for Maine's environment.

Anticipating that the PUC's plan will lead to a full-scale debate in the Legislature on the

details of utility restructuring and the deregulation of power generation, the office has been working closely this year with two different consumer coalitions on issues of implementation.

One large coalition effort has involved thirteen meetings in 1996 (with five meetings in the second quarter of FY 97) of representatives from 25 organizations with local or statewide membership in Maine (see box for a listing of the participating organizations). Under the name "Electric Consumers Coalition," the group has reached consensus on a set of principles that will protect competition, Maine's environment as well as vulnerable consumers during the transition from electric monopolies to competitive electricity markets. At year's end the group was working on legislation for introduction in the 1997 legislative session that would put these principles - and their implementation - into Maine law.

The second coalition effort consisted of a much smaller group - seven utility personnel, public agency staff and low-income representatives - that met five times in October, November and December 1996 to reach consensus on the consumer protection aspects of electric restructuring.

The Group's final recommendations were sufficiently specific to be incorporated in the PUC Final Report to the Legislature on restructuring, as an appendix.

Participants:
Electric Consumers Coalition
Maine Electric Consumers
as of 12/96

A. Community-Based Organizations

1. Maine Council of Churches (State-Wide)
2. Neighborhood Action Coalition (Portland)
3. Coastal Enterprises, Inc. (Wiscasset)
4. Western Maine Alliance (Farmington)

B. Business Organizations

1. National Federation of Independent Business
2. Industrial Energy Consumer Group
3. Maine Chamber & Business Alliance (observers)
4. Independent Energy Producers of Maine

C. Elderly Advocacy

1. American Association of Retired Persons
2. Maine Council of Senior Citizens

D. Low-Income Advocacy

1. Community Action Association of Maine
2. Kennebec Valley Community Action
3. Penquis Community Action
4. Western Maine Community Action
5. Washington-Hancock Community Action
6. Maine Association of Interdependent Neighborhoods

E. Energy and Environmental Advocacy

1. Coalition for Sensible Energy
2. Committee for a Safe Energy Future
3. Conservation Law Foundation
4. Natural Resources Council of Maine
5. Maine Chapter, Sierra Club
6. Northern Appalachian Restoration Project
7. Union of Concerned Scientists

F. Ratepayer Advocacy

1. Public Advocate, State of Maine
2. Coalition for Public Energy Choice

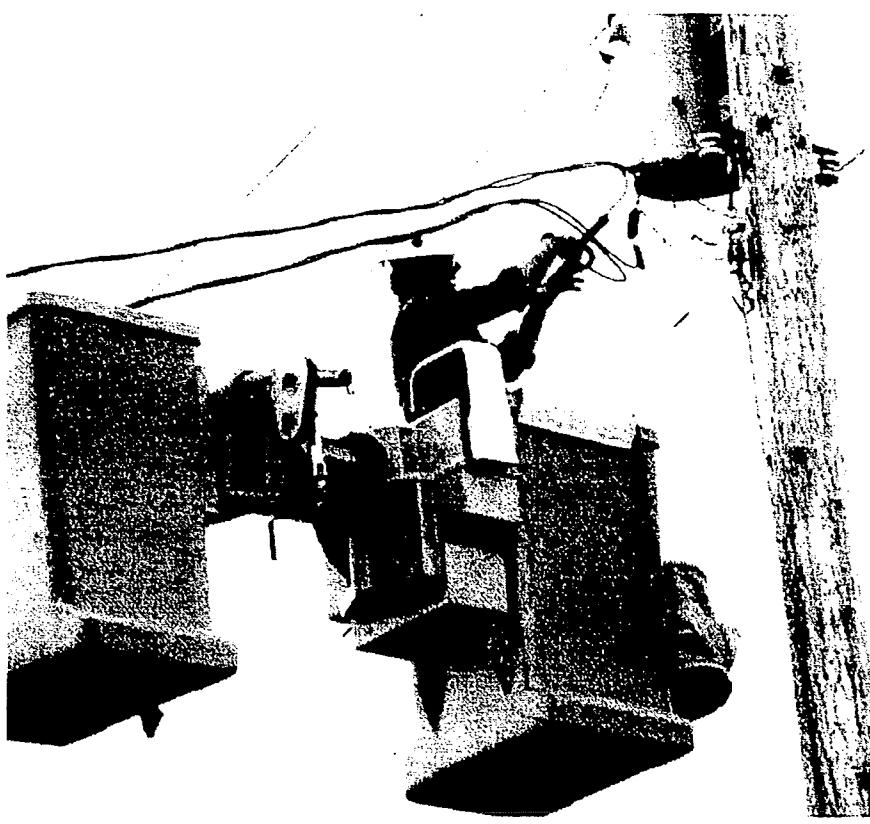
MAJOR CASES

Bell Atlantic Merger with NYNEX

In July 1996 NYNEX filed for Maine PUC approval of a major reorganization: its merger with Bell Atlantic, the regional Bell operating company serving West Virginia, Virginia, Maryland, Delaware, Pennsylvania, District of Columbia and New Jersey.

The Maine statute governing mergers and reorganizations requires the PUC to determine whether the proposal is consistent with the interests of utility ratepayers as well as shareholders, not merely that utility ratepayers are exposed to no risk of harm. NYNEX's initial testimony in the case claimed that competition in Northeast telephone markets would not be damaged as a result of the merger and that consumers in time would likely receive the benefits of lower prices for telephone service.

In testimony filed on October 15, our witnesses challenged each of these points asserting that the NYNEX/Bell Atlantic merger should be approved only if: 1) customers received an immediate rate reduction - to be targeted on in-state toll service - reflecting the savings expected to result from the merger; and 2) NYNEX satisfies each requirement of the "competitive checklist" by



means of which the federal Telecommunications Act of 1996 seeks to stimulate real competition for local exchange service in localities across the country.

At PUC hearings in early November, our witnesses (Lee Selwyn of Economics and Technology, Inc. and Ronald Binz of the Competition Policy Institute) were cross-examined, along with witnesses for the PUC Staff Advocates and for NYNEX. In early December, the PUC issued its recommended decision in this case which proposed unconditional approval of the merger on the theory that the PUC had ample authority in the future to flow through to NYNEX's customers any cost savings that resulted from the

merger if and when they actually occur. Along with the PUC Staff, we urged the PUC to take a more pro-active and forceful posture in setting conditions on the merger approval that would immediately benefit Maine consumers.

In late December the PUC announced its final decision approving the merger but on the condition that NYNEX be made subject to the "competitive checklist" from the 1996 Telecommunications Act, as we had proposed.

At the end of 1996 we were awaiting receipt of the PUC's written order in order to determine how much consumer interests were considered - and protected - in the PUC's final decision.

MAJOR CASES

Bangor Hydro's Burglar Alarm Venture

Earlier this fall a group of business people in Bangor Hydro's service territory filed objections with the PUC to Bangor Hydro's recent decision to offer home security services to its customers.

The businesses objected for two reasons: 1) the belief that Bangor Hydro was exploiting the good will and "brand name" recognition of its customers to an extent that represented unfair competition in the burglar alarm market and 2) the belief that Bangor

Hydro's electric customers were unwittingly subsidizing the unregulated home security venture in a way that guaranteed a low-cost position for Bangor Hydro.

We were sympathetic to these concerns, particularly with respect to uncompensated subsidies and in-kind support from electric customers, and hired an expert witness, Scott Rubin, to testify on these issues.

Following PUC hearings in October, we filed our brief and reply brief in this case in November, as did as well Bangor Hydro, CMP, the attorney representing the local home security businesses and the Attorney General on behalf of the State Electrician's Board.

On December 13 the PUC issued a recommended decision that accepted - virtually in their entirety - our witness' recommendations for separate accounting for the venture, the careful allocation of joint costs and reporting requirements for all unregulated activities.

As a result, we are pleased by the PUC's treatment of these issues and recognize in it important features as well for establishing consistent and fair rules for electric deregulation and telecommunications subsidiaries.

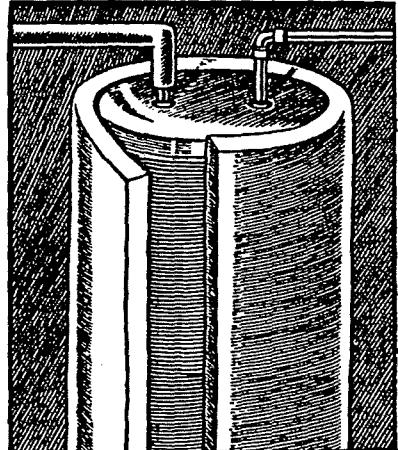
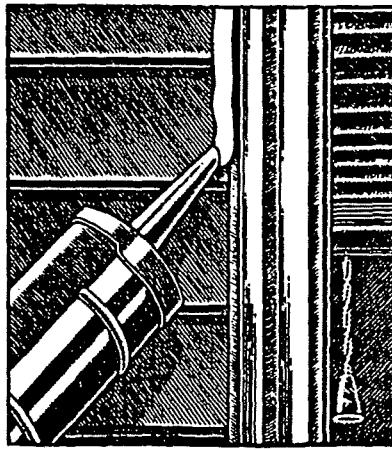
At year end, the PUC had not yet taken final action on this recommended decision.

Central Maine Power's Target for Conservation Savings in 1997

In another major success this quarter, we successfully argued for setting a target for energy savings resulting from CMP's management of conservation programs in 1997 that was nearly double the level recommended by CMP.

The current system of ratemaking for CMP - the Alternative Rate Plan - provides for penalties each year in the event that CMP's management fails to secure

conservation savings at pre-determined target levels. CMP proposed a target for 1997 of 20 GWH. We proposed a 36 GWH target with the PUC in a recommended decision released in early



December adopted a 34 GWH target, rejecting CMP's arguments for a low level of unaudited efficiency savings.

Final action by the PUC in this case is expected shortly.

MAJOR CASES

Competition for the Retail Distribution of Gas in Maine

Currently two pipeline consortiums are seeking federal approval at FERC and at Canada's Natural Energy Board for the construction of natural gas pipelines across Maine - one from Montreal to Portland, and one from Nova Scotia, across New Brunswick and Eastern Maine to Portland.

On December 23 the competing pipelines announced that they had reached agreement on jointly constructing a 30 inch pipeline from Northern Massachusetts to Portland, and no longer were pursuing construction of two independent pipelines in parallel over that portion of their respective routes.

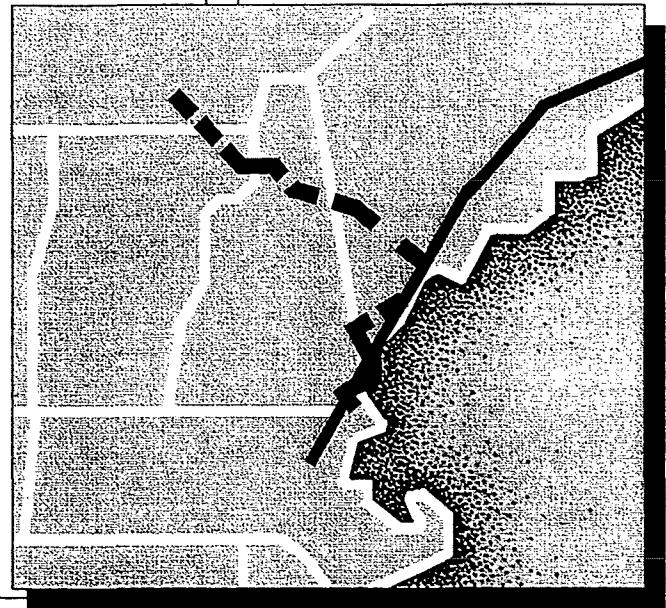
The expected arrival of new Canadian gas supply in Maine in 1998 or 1999 has also triggered a flurry of interest on the part of would-be retail gas distributors.

An investor's syndicate with the name Mid-Maine Gas, as well as Central Maine Power and Northern Utilities (the existing distributor of pipeline gas in York, Cumberland and Androscoggin counties) each have indicated to the PUC their interest in being certificated

under Maine law as a gas distributor in Eastern Maine, the Bangor area and the Kennebec Valley.

We have intervened in these cases with the belief that retail customers are well served by vigorous competition among potential suppliers. The PUC is likely to certificate one or more of these applicants as retail gas distributors, in the first six months of 1997.

Two natural gas pipelines are proposed to bring gas service for the first time to many communities in Western and Downeast Maine



SMALLER CASES

Andover Water District: Safe Drinking Water Act (SDWA) Compliance

On November 15 we participated in multi-party discussions in the PUC case that is monitoring the problems that Andover has had in complying with federal

mandates to obtain suitable sources of water. For the past two years the Board of the Water District has failed to complete the steps necessary to come into compliance, despite the fact that water rates were increased in October 1994 to cover the cost of necessary construction.

Threatened by a EPA-instituted compliance lawsuit in Federal court,

the former Board members resigned, and the newly appointed Board members are quickly taking the steps necessary to site and drill the required well. We anticipate that new Board will complete the SDWA construction and that this proceeding - which has involved a great deal of behind the scenes maneuvering - will be resolved by agreement among the affected parties.

SMALLER CASES

Northern Utilities: Unbundled Rate Filing

In compliance with this summer's LNG tank order, Northern utilities filed on December 13 a presentation of rates, revenue requirements and test-year earned return as the first step in unbundling retail gas rates in Maine.

As is customary, the gas company's filing indicates that shareholders underearned last year and deserve a \$1.2 million rate increase in order to achieve a 9.44% overall return on investment.

We have doubts about these numbers and have engaged an accounting consultant, Randy Allen of Columbia, Maryland to critique Northern's filing and advise us as to the value of any proposed adjustments before we proceed with the unbundling of Northern's rates into gas supply, transportation and customer service components.

Effective competition in retail gas markets in Maine depends on getting the numbers right for the rates charged by Northern for transporting gas supplies on behalf of its competitors. This case is the first step in that process.

Maine Yankee Safety Assessment

Although no OPA staff person was part of the NRC assessment team, Public Advocate Ward did sit in on some of the final meetings with NRC and state personnel who conducted a detailed inventory of Maine Yankee's safety procedures and management over the summer of 1996.

Office personnel also sat in on meetings in Wiscasset at which NRC personnel presented their assessment to the public and a subsequent meeting at which Maine Yankee's critics took exception with portions of the NRC assessment.

In conjunction with the probable deregulation of power in New England, the question of how big is the appropriate safety margin for an aging nuclear plant clearly is timely. The question of economics - as opposed to safety

- with respect to nuclear units nearing the end of their license is a tough one, particularly in view of the magnitude of the decommissioning liability that remains uncollected.

At present Maine Yankee collects \$15 million per year for its decommissioning trust fund and already has \$160 million set aside, earning interest. The expected cost of decommissioning in 2008, however, is \$650 million in 2008 dollars, so we still have significant increases yet to come. The undercollection will become acute, of course if Maine Yankee were to be retired prematurely.

We intend to intervene in the next FERC proceeding (Fall 1997) at which the annual decommissioning collection will be revisited and possibly increased. We have argued for increases in the decommissioning collection each time the issue has arisen at FERC, in 1986, 1989 and 1993.



BRENDA STEVENS,
*legal secretary in the Maine
Office of Public Advocate,
received a commendation this
fall from Governor King for
25 years of service as a state
employee.*

PUBLIC ADVOCATE STAFFING SUMMARY: CUMULATIVE HOURS AS OF 12/96

Staff	PUC Hours	Radwaste	Consumer Contacts	Administrative	Public Speaking	Sick Time	Vacation Time	Total
SGW	113.5	6.5	4.5	10.5	0	4.5	36	175.5
WCB	141	0	4	4.5	0	2	18.5	170
WCP	142	0	0	2	0	0	16	164
WRJ	142	0	3	0	0	0	0	145
EJB	167	0	1	0	0	0	0	168
PJM	44	1	0	61	0	0	62	168
BJS	140	0	0	0	0	8	20	168
Month's Total Hours	889.5	7.5	12.5	78	0	18.5	152.5	1158.5
Dec. 1996	76.78%	.65%	1.08%	6.73%	0%	1.60%	13.16%	100%
Cumulative Total Hours	5294.75	71	76.75	763.5	12.5	156	786.5	7161
Cumulative %	73.94%	.99%	1.07%	10.66%	0.17%	2.18%	10.98%	100%
% of Direct Hours	85.33%	1.14%	1.24%	12.30%	0	0	0	100%

Note: WRJ works a 4-day work week.



**MAINE OFFICE OF
PUBLIC ADVOCATE**
 112 State House Station
 Augusta, ME 04333-0112

QUARTERLY REPORT

OF THE MAINE OFFICE OF PUBLIC ADVOCATE

SUMMARY

IN THE THIRD QUARTER of the current fiscal year (FY 97), the Public Advocate and his six staff were involved in a series of major cases with statewide impact as well as a number of smaller cases at the Public Utilities Commission (PUC) affecting particular communities or regions of the state. We were also involved at the Maine Legislature in testifying on 27 bills and offering amendments designed to protect the interests of utility consumers. The major cases included:

1. The Legislature's consideration of proposals for restructuring Maine's electric utilities including a Consumer Coalition proposal for enactment of consumer protections, incentives for energy efficiency and for full divestiture of generating assets by January 2000.

2. Bangor Hydro-Electric's request for a \$10 million emergency increase in rates and for a permanent increase in electric charges in its Eastern Maine service territory as of February 1997—both necessitated by the costs created by the current shutdown at Maine Yankee;

3. Requests for PUC approval of telecommunications ventures, creation of a subsidiary for natural gas distribution, and for granting an option

for the sale of a major electric generating station to an interstate gas pipeline—all are examples of a flurry of recent efforts by electric utilities to branch out from core electricity service;

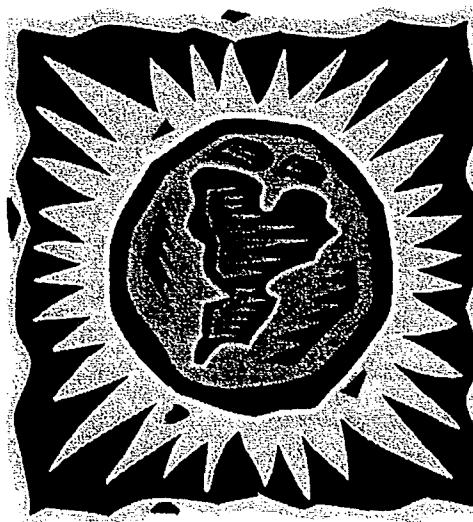
4. The PUC's proposal for reducing the access charges that NYNEX's telecommunications competitors must pay for use of NYNEX's system for intrastate toll calling by 20% on an emergency basis in order to lower instate long distance charges billed by those competitive telephone companies;

5. CMP's buy-out of a major independent power contract with Greenville Steam Company in a manner that is expected to reduce CMP's cost profile but still permit Greenville to compete in the bulk power markets.

The Public Advocate's small staff of six was also working, as of March 31, 1997, on thirty-six other, small cases involving telephone companies, natural gas service, water district rates and electric operations within Maine and regionally within the structure of the New England Power Pool (NEPOOL).

During the first three months of 1997, Public Advocate Ward responded to invitations to participate in the following speaking engagements:

- February 13, Portland Propeller Club, "Natural Gas: Risks and Opportunities for Maine"
- March 11, Maine State Employees Association Retirees, "Electric Restructuring and Securitization: Time to Think Twice"
- March 22, National Association of State Utility Consumer Advocates, "Trends in New England for Increased Competition for Electricity"
- March 25, Maine Development Foundation training session on electric restructuring for Leadership Institute



Continued on page 2

SUMMARY*Continued from page 1*

March 25, Maine Restaurant Association, "Electric Restructuring: the Consumer's View"

With respect to Maine's bid to join Texas and Vermont in a three-state compact for the disposal of radioactive waste in Texas, there were promising developments in Congress this quarter. On February 6 twenty-two Representatives in the U.S. House cosponsored the Compact Ratification legislation. One day earlier identical legislation was introduced in the U.S. Senate. On March 21 the Senate Judiciary Committee unanimously cleared the Compact bill for action on the floor of the Senate. Action in both chambers is expected this Spring on the ratification of compact language enacted by the Maine, Vermont and Texas legislatures in 1993 and 1994 and approved by a large majority of Maine voters in a statewide referendum in November 1993.

Mary Henderson of Maine Equal Justice Project, Karen Brown-Mohr of Mead Paper Company, Rep. Pat Colwell, Pat Kosma of Kennebec Valley Community Action, Joyce Dyttermer of AARP, Fred Pease of Maine Council of Churches at the March 19 press conference for the Consumer Coalition bill.

**Consumer Involvement:
January to March, 1997**

In the third quarter of the fiscal year, Office staff worked closely with each of the following groups on utility-related proceedings at the Maine PUC, Maine Legislature or FERC (Federal Energy Regulatory Commission):

- Maine Electric Consumers Coalition (see membership on facing page)
- Connecticut Office of Consumer Council
- National Association of State Utility Consumer Advocates
- Maine Telephone Users Group
- Telephone Association of Maine
- Left Bank Condominium Association
- Maine Telecommunications Council
- Ratepayer Intervenors: Andover, Liberty, Lebanon, Damariscotta, Monhegan, Hampden, Otis, Matinicus, Springs, Bowdoinham, West Gray, Manchester, Surry, Blue Hill, Berwick, North Berwick, Bucksport and Gorham

We also interacted with 215 individual consumers by mail and dealt with another 30 consumers over the phone with complaints or problems.

QUARTERLY REPORT

The Public Advocate's Office is designated as the consumer's representative in matters affecting Maine's regulated utilities—electric, telephone, natural gas and water. Since 1982, the Public Advocate's Office has intervened on behalf of the public in proceedings at the Maine Public Utilities Commission, the Federal Energy Regulatory Commission, the Maine Legislature and state or federal courts that affect the rates paid by utilities consumers. The current Public Advocate, Stephen Ward, was appointed in an acting capacity by Governor Joseph Brennan in 1986 and was reappointed by Governor John McKernan and Governor Angus S. King. Mr. Ward's appointment was confirmed by the Legislature in 1987. An attorney since 1980, Mr. Ward employs four staff attorneys and two support staff.

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The Public Advocate also maintains a World Wide Web site at:
<http://www.state.me.us/ag/pubadv.htm>

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Maine Electric Consumer Coalition as of 3/97

A. Community-Based Organizations

1. Maine Council of Churches (state-wide)
2. Neighborhood Action Coalition (Portland)
3. Coastal Enterprises, Inc. (Wiscasset)

B. Business Organizations

1. Maine Grocers Association
2. Industrial Energy Consumer Group
3. Independent Energy Producers of Maine
4. Maine Oil Dealers Association
5. Ski Maine

C. Individual Businesses/Consumers

1. Moose River Lumber
2. Blue Rock Industries
3. F.R. Carroll, Inc.
4. Robbins Lumber Co.
5. Stratton Lumber Co.
6. Bethel Furniture Stock
7. Oscar and Reuben Lumbr

D. Elderly Advocacy

1. American Assoc. of Retired Persons
2. Maine Council of Senior Citizens

E. Low-Income Advocacy

1. Community Action Association of Maine
2. Maine Association of Interdependent Neighborhoods
3. Kennebec Valley Community Action
4. Penquis Community Action
5. Western Maine Community Action
6. Washington-Hancock Community Action

F. Energy and Environmental Advocacy

1. Conservation Law Foundation
2. Natural Resources Council of Maine
3. Coalition for Sensible Energy
4. Maine Safe Energy
5. Maine Chapter, Sierra Club

G. Ratepayer Advocacy

1. Coalition for Public Energy Choice
2. Alliance to Benefit Consumers
3. Public Advocate, State of Maine

MAJOR CASES

Electric Restructuring: Consumer Coalition Sponsors Legislation

The Public Advocate and his staff were active participants at the Maine Legislature in a series of six educational sessions on aspects of electric industry deregulation that were convened by the Utilities and Energy Committee. Public Advocate Ward was a panelist at the first Restructuring Forum on creating a marketplace for power, and offered written and oral comments at several of the other sessions.

On March 19 the Maine Electric Consumer Coalition, of which the Public Advocate Office is a member and key organizer, held a press conference to announce its sponsorship of legislation calling

for retail competition in Maine's electric industry. See the box at left for a listing of the 31 member organizations and businesses that comprise the Consumer Coalition. The group has been meeting regularly since February 1996 in an effort to establish a proactive, pro-consumer position on the issues surrounding electric industry restructuring. In May 1996, the group released a 9-point "Declaration of Principles" for power deregulation on which the Coalition legislation was based.

The Coalition's legislation is entitled "An Act to Create Competition Among Sellers of Electricity While Preserving Protections for Retail Customers and the Environment" and is sponsored by Rep. Carol Kontos, the majority leader in the Maine House of Representatives. The March 19 press conference was

Continued on page 4



Pam Person of Coalition for Sensible Energy addresses the 80 or so people gathered in the Legislative Council Chambers in the State House on March 19. Looking on are: Jim Lippke of CSE, Carla Dickstein of CEI, Conrad Schneider of NRCM, Glen Poole of Champion Paper, Ralph Webber of James River, Bill Linnell of Maine Safe Energy and Senator Richard Bennett.

MAJOR CASES

Continued from page 3

attended by some 80 people including representatives of Coalition member organizations, legislators and cosponsors of the Coalition bill (including Senator Richard Bennett of Norway), press and TV journalists and a large number of utility lobbyists.

As of March 31, neither the Coalition's legislation nor the proposals put forward by Central Maine Power or by the PUC had been printed and assigned a number by the Revisor of Statutes.

Bangor Hydro's Request for an Emergency Rate Increase

On March 5 Bangor Hydro filed formal notice with the PUC that it would seek a major increase in retail electric rates to take effect in February 1998.

In its notice letter, Bangor Hydro identified the prolonged shutdown of the Maine Yankee nuclear unit as a major factor necessitating the rate increase request, primarily due to the unexpectedly high costs of replacement power. Bangor Hydro also built into its rate request plans the funding necessary to buy out its contract with the PERC trash-to-energy waste incinerator in Orrington.

Less than three weeks later, Bangor Hydro followed up on its original notice with an emergency request for a \$10 million rate increase to take effect in mid-1997. Under Maine law an emergency request can be granted when the PUC deems it necessary to prevent injury to the utility, its ratepayers or shareholders. Under such a procedure whatever amount of emergency increase that is approved ultimately is deducted from the final level of any permanent increase that the PUC authorizes on or before February 5, 1998.

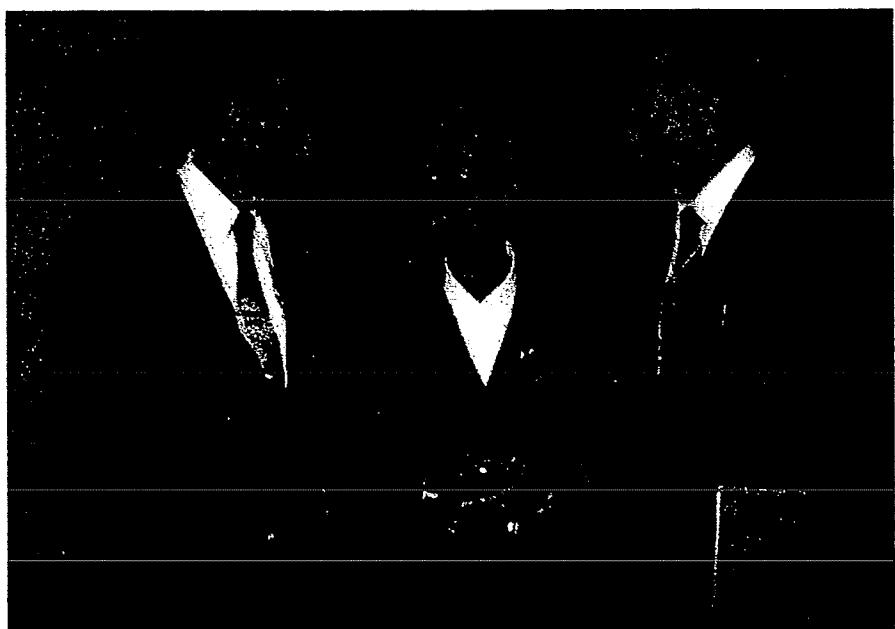
At the end of the quarter we had prepared a Request for Proposal for expert assistance

in these rate proceedings and were awaiting the submission of bids.

Efforts for Electric Utilities to Branch Out into New Services

In each of the following cases we were active at the PUC in defending electric consumers (and potentially, telephone and natural gas customers) from the unwanted impact of unsuccessful diversification efforts by Maine's electric utilities. In particular we have focussed attention on the risk of regulated utility customers being forced to subsidize the unregulated ventures of Maine's utilities.

Continued on page 5



Rep. Carol Kontos, sponsor of the Consumer Coalition legislation, Pat Brewster of AARP, and John Marvin of Maine Council of Senior Citizens discuss the Coalition proposal for partial deregulation of electricity.

MAJOR CASES

Continued from page 4

1. CMP Application to Serve as Natural Gas Distributor

In March we intervened in the PUC case considering CMP's request to be authorized as a natural gas distributor in portions of the state to be served by the Maritimes and Northeast Pipeline. That pipeline proposal is still undergoing review before FERC in Washington and, more importantly, before Canada's National Energy Board.

Assuming the new pipeline is certified for service from Nova Scotia to Massachusetts, CMP has now formally requested distributor status in the affected area. A request from an investor's syndicate called Mid-Maine was conditionally approved in February. Northern Utilities (the gas distributor in the Portland/Lewiston area) has also expressed interest in receiving PUC authorization for gas service in Eastern and Central Maine.

2. CMP's Telecom Subsidiary
In February the PUC issued an Order on Reconsideration that adopted our arguments concerning the status of CMP's telecommunications subsidiary (MaineCom). The PUC initially determined that MaineCom would not be subject to various

requirements applicable to all other utilities because it provided a facility (fiber optic capacity that is to be "dark" or not used by MaineCom) as opposed to a service. The PUC agreed that, as the law is written, MaineCom *should* be regulated for rates and tariffs. Along with us, the Telephone Association of Maine had argued vehemently against price deregulation for one of its competitors.

3. CMP Partnership Option with Natural Gas Pipeline
A report filed last year at the Securities and Exchange Commission by CMP states that Maritimes and Northeast has acquired an option on the purchase of an ownership share in CMP's oil-fired Wyman unit in Yarmouth in exchange for which CMP will acquire an ownership share in the Maritimes and Northeast project, if the option is exercised. Earlier press reports on this arrangement (which still has not been filed with the PUC or otherwise made public) also discussed the use by Maritimes and Northeast of CMP rights-of-way in exchange for the ownership share in the pipeline. We filed in February a formal request to the PUC for an investigation as to whether the granting of such an option (an equity interest in utility property) requires PUC approval, whether or not it is exercised.

Particularly in conjunction with pending legislation on utility transactions with affiliates and

subsidiaries (LD 502), we think it is important for the PUC to establish clear policies for attributing to taxpayers any proceeds from transactions involving utility property.

PUC Reduction in Access Charges for NYNEX's Competitors

On February 12 we filed with the PUC our comments in support of the PUC rulemaking proposal for an interim reduction in the charges paid by NYNEX's competitors for use of NYNEX's system.

Pending final action later this year by the FCC for resetting interstate access charges at the directive of the Telecommunications Act of 1996, the PUC has proposed to reduce these charges by 20% in order to accommodate a greater degree of competition for in-state toll service in Maine.

In our comments, we strongly supported the PUC's proposal while cautioning that the PUC should not assume that reduced access revenues necessarily will lead to increases in NYNEX's rates for other services. After all, as competition takes root in Maine's in-state toll markets, NYNEX will have to respond to lower cost competitors or lose market share. We do not think that the PUC should move quickly to insulate NYNEX from these competitive pressures.

MAJOR CASES

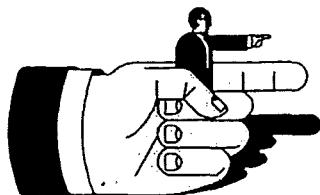
Greenville Steam Contract Buy-Out

In February we successfully negotiated an agreement governing the ratemaking treatment for CMP's buy-out of its contract for power generated by a wood-chip unit in Greenville, Greenville Steam.

Because we strongly support re-negotiation of high-cost contracts with the electric utilities in order to reduce consumer costs, we were supportive of CMP's effort to replace its contract arrangement with a newer, more flexible (and less costly) set of contract terms.

On the other hand, we were uncomfortable with the basic structure of the CMP/Greenville proposal for CMP's customers to receive modest price reductions to the year 2000 but face the possibility of price increases after the year 2000.

We therefore proposed to CMP that it accept all the benefits *and* risks of its contract renegotiation and that ratepayers essentially be held harmless. CMP accepted this proposal which the PUC approved summarily in March.



SMALLER CASES

NYNEX: Request for BSCA Reimbursement

In late March we filed our comments at the Commission suggesting how the PUC should resolve NYNEX's request that its revenues be increased to reimburse it for recent expansions in the local calling areas of certain rural exchanges. We recommended, for reasons of rate stability, that the Commission not adjust NYNEX revenues until it has also resolved the digital switch cost issue that we are planning to raise in the next two weeks.

That digital switch issue, which the Commission has invited parties to address, should result in revenue reductions in NYNEX, most probably in an amount greater than the amount of NYNEX's proposed BSCA reimbursement.

Northern Utilities Cleanup Costs

Following extensive discovery and negotiations in February, we reached agreement with the PUC Staff and with Northern Utilities on the terms for rate recovery by Northern of the costs associated with cleaning up old manufactured gas facilities in Portland, dating back to the nineteenth century.

Bell Atlantic/NYNEX Merger Approval

In January the PUC released a written order approving the Bell Atlantic merger, as decided in December. We had actively participated in this case arguing that the PUC should order an immediate reduction in NYNEX's rates if it approved the merger and, secondly, that NYNEX should be required to open its markets to effective competition.

Our chief concern with the order was the PUC's refusal to use the claimed benefits of the merger (in the form of lower operating costs) as a device for lowering telephone toll rates in Maine.

The PUC decided instead to evaluate in the year 2000, after the end of the Alternative Form of Regulation for NYNEX, whether sufficient net savings exist at that time to justify a rate reduction.

On the other hand, the PUC did adopt our arguments for a merger approval requirement that NYNEX demonstrate compliance with all items on the so-called "Competitive Checklist" in recently-enacted federal legislation, demonstrating that it was not impeding competition within its service territory.

Public Advocate Statute

In March the Utilities Commission unanimously approved a modification to the existing law governing the Public Advocate's Office that establishes a preferential series of consumer interests that the office is authorized to represent: first, low-income consumers; second, residential consumers generally; third, commercial customers with 100 or fewer employees and; fourth, all other utility consumers. Because we don't think these criteria represent a major change from our current practice and because they are discretionary to the Public Advocate, we supported these

amendments. This outcome puts to rest a controversy over the Public Advocate's role that was instigated by a proposal that we *solely* be permitted to represent those parties that lack representation at the PUC.

Staff Retreat

The entire office staff spent a day in March at the Wolfe Neck conference center in Freeport for an examination of the utility advocate role in a future in which telephone, gas and electric services are at least partially deregulated. We discussed the importance to consumers of price

comparisons for all marketplace offerings so that customers will be able to make informed choices and not be entirely at the mercy of advertising budgets. We also discussed the value of a joint and concurrent role for the Attorney General's Anti-Trust unit, the PUC and our office in dealing with market power issues and, as well, with unfair and deceptive practices, like telephone "slamming" or fly-by-night marketing scams.

Our full-day meeting was part of our preparation for discussions next year when the Legislature undertakes formal review of the office's mission and activities under the so-called Audit and Program Review Statute.

PUBLIC ADVOCATE STAFFING SUMMARY: CUMULATIVE HOURS AS OF 3/31/97

Staff	PUC Hours	Radwaste	Consumer Contacts	Administrative	Public Speaking	Sick Time	Vacation Time	Total
SGW	148.5	2.5	2.5	20.5	6	3	1	184
WCB	145	0	11	12	0	0	0	168
WCP	151	0	0	9	0	4	4	168
WRJ	143	0	1	8	0	0	16	168
EJB	142	0	0	8	0	18	0	168
PJM	58	0	0	70	0	0	40	168
BJS	160	0	0	0	0	8	0	168
Month's Total Hours	947.5	2.5	14.5	127.5	6	33	61	1192
March 1997	79.49%	.21%	1.22%	10.70%	0.500%	2.77%	5.12%	100%
Cumulative Total Hours	8028.5	91.5	118.75	1101.5	24	343.5	956	10663.75
Cumulative %	75.29%	.86%	1.11%	10.33%	0.23%	3.22%	8.96%	100%
% of Direct Hours	97.45%	1.11%	1.44%					100%

SMALLER CASES**Spent Fuel Disposal Law
Suit Against DOE**

With the input and encouragement of Public Advocate Ward, in March Maine joined twenty-some other state Attorneys General (and all the other New England states) in a Joint Petition for Review in the D.C. Circuit. This joint Petition requested a court order approving the payment of spent nuclear fuel charges (at the rate of one mill per kilowatt-hour generated at each nuclear utility) into an escrow account rather

than to the Department of Energy (DOE).

To date Maine Yankee has collected \$109 million in a trust fund that will be due and payable to DOE as of January 1998 under a contract for spent fuel disposal dating back to 1982. Since 1982, Maine Yankee has also paid \$70 million on a pay-as-you-go basis to DOE for the putative construction of a spent fuel facility at Yucca Mountain in Nevada.

Due to a lack of progress at Yucca Mountain, there is no indication that DOE will be able to accept delivery of spent nuclear fuel on

January 31, 1998 as required under the 1982 contract. The D.C. Circuit litigation could usefully set the stage for a judicial requirement that DOE open up capacity for the disposal of spent fuel at Savannah River, South Carolina for U.S. commercial reactors, as it already has done for foreign governments.

Such an action could (ultimately) reduce costs to electric rate-payers in Maine associated with on-site storage of spent fuel during the period after a nuclear unit shuts down permanently.

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**MAIN OFFICE OF
PUBLIC ADVOCATE**



QUARTERLY REPORT

OF THE MAINE OFFICE OF PUBLIC ADVOCATE

SUMMARY

IN THE FOURTH QUARTER of the current fiscal year, the Public Advocate and his six staff were busy with several major cases, as well as numerous smaller cases with local or regional impact, at the Public Utilities Commission (PUC). We were also very active at the Maine Legislature in testifying on a wide range of bills with potential effects on telephone, gas, water and electric services in Maine. Our primary focus on behalf of Maine's utility consumers, however, has been in the following five areas:

1. The Legislature's enactment of a final bill restructur-

ing Maine's electric industry as of March 2000 and its adoption of most of the pro-consumer recommendations that the office had presented as part of the Electric Consumers Coalition;

2. Bangor Hydro's request for a \$10 million increase in rates as of July 1 and a further \$5 million increase to take effect in March 1998, triggering a review of the Hydro's finances and management and a final PUC decision on the July 1 increase;

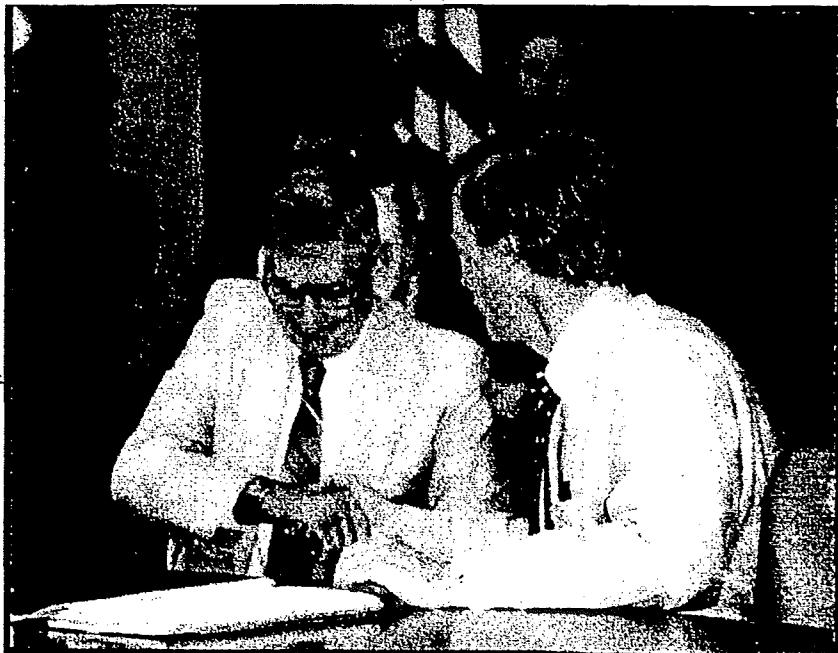
3. Maine Yankee's decision not to restart the Wiscasset nuclear unit but instead to seek a transfer of ownership to a new

NO. 4, JULY — SEPTEMBER 1997

owner, primarily as a result of major cash flow pressures for the unit's current owners;

4. Favorable action in the U.S. House of Representatives on the Texas Compact for disposal of Vermont and Maine's low-level radioactive waste at a facility in Texas, based on a unanimous mark-up at the House Commerce Committee on June 25;

5. A successful contract negotiation with Alternative Energy, Inc. of one of CMP's more expensive IPP Contracts, approved by the PUC on June 23 and netting \$10.5 million in savings for CMP ratepayers.



Governor Angus King and State Senator Richard Carey shake hands after signing legislation that will restructure Maine's electric industry as of March 2000. The final bill incorporates key consumer protections.

Office staff members (four lawyers and two support personnel) were also working — as of June 30, 1997 — on forty smaller cases involving NYNEX and other telephone companies in Maine, natural gas service, including a proposed LNG tank in Wells, rates for water sold by districts and investor-owned water companies in Maine and electric service, including complaints about the reliability of Bangor Hydro service on the Blue Hill peninsula and consideration of CMP's Alternative Rate Plan (ARP).

Consumer Involvement: April to June, 1997

In the fourth quarter of the fiscal year, office staff worked closely with the following groups on utility-related proceedings at the Maine PUC, Maine Legislature or FERC (Federal Energy Regulatory Commission):

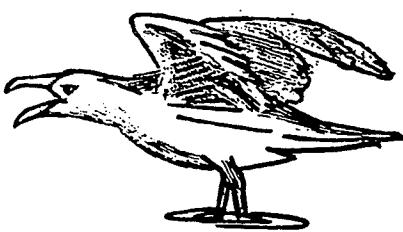
- **Maine Electric Consumers Coalition** consisting of:

Maine Council of Churches, Neighborhood Action Coalition, Coastal Enterprises, Inc., Maine Grocers' Association, Industrial Energy Consumer Group, Independent Energy Producers of Maine, Maine Oil Dealers Association, Ski Maine, American Association of Retired Persons, Maine Council of Senior Citizens, Community Action Association of Maine, Maine Association of Interdependent Neighborhoods, Kennebec Valley Community Action, Washington-Hancock Community Action, Conservation Law Foundation, Natural Resources of Maine, Coalition for

Sensible Energy, Maine Safe Energy, Alliance to Benefit Consumers, and Coalition for Public Energy Choice

- Town of Hartland
- Town of Bucksport
- Jed Prouty Inn
- Champion Paper
- Telephone Association of Maine
- Coalition for Sensible Energy
- National Association for State Utility Consumer Advocates
- Union of Concerned Scientists
- New England Cable Television Association
- Lewiston/Auburn Economic Growth Council
- Maine Equal Justice Project
- Maine Innkeepers Association
- American Association of Retired Persons
- Ratepayer Intervenors: Augusta, Andover, Lebanon, Damariscotta, Monhegan, Matinicus, Hampden, Bowdoinham, West Gray, Manchester, Surry, Blue Hill, Berwick, North Berwick, Greenville/Moosehead, Penobscot, Castine, Hartland, Bucksport, Eastport, and Ellsworth

We also interacted with 190 individual consumers by mail and dealt with another 47 consumers over the phone with complaints or problems during the quarter.



QUARTERLY REPORT

The Public Advocate's Office is designated as the consumer's representative in matters affecting Maine's regulated utilities — electric, telephone, natural gas and water. Since 1982, the Public Advocate's Office has intervened on behalf of the public in proceedings at the Maine Public Utilities Commission, the Federal Energy Regulatory Commission, the Maine Legislature and state or federal courts that affect the rates paid by utility consumers. The current Public Advocate, Stephen Ward, was appointed in an acting capacity by Governor Joseph Brennan in 1986 and was reappointed by Governor John McKenna and Governor Angus S. King. Mr. Ward's appointment was confirmed by the Legislature in 1987. An attorney since 1980, Mr. Ward employs four staff attorneys and two support staff.

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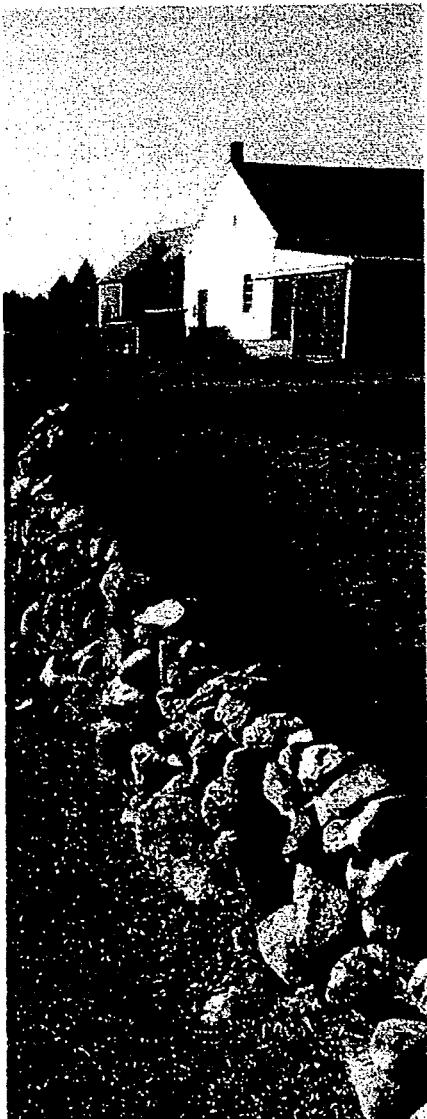
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MAJOR CASES

A. Maine Enacts Pro-consumer Legislation for Power Degegulation

Along with the Maine Electric Consumers Coalition, the Public Advocate Office was very active at the Legislature this quarter in seeking the enactment of legislation to open up retail electric markets to competition while still preserving basic protections for



consumers generally, for low-income customers and for Maine's environment. The Utilities Committee of the Legislature did an admirable job of seeking public input on these complex questions in a series of six Restructuring Forums, the last of which occurred on April 3. The Forums turned out to be extremely useful in enabling legislators, members of the public, lobbyists and resource people from around the country to share information about the risks and opportunities of restructuring.

In conjunction with the Forums, Public Advocate Ward was active in helping organize a series of Electric Consumers Coalition meetings (on April 7, 28, May 23 and July 2) at which citizens, environmentalist and business could work in support of a common legislative proposal. The Consumer Coalition legislation — LD 1794 — was sponsored by House Majority Leader Carol Kontos and was one of five bills for which a legislative hearing was scheduled on April 28. By May 14, in slightly more than two weeks, the Utilities Committee had performed the remarkable feat of reaching agreement on a final restructuring bill with only one dissenting vote. Its key provisions are separately summarized in this newsletter (*see page eight*).

The final bill incorporates protections for rural, low-income, and small business customers in a number of key areas.

B. Bangor Hydro Emergency Increase in Rates Authorized at \$5.1 Million

On April 1 Bangor Hydro filed with the PUC a request for an emergency increase in electric rates driven primarily by the high costs of Bangor Hydro's 7% ownership share of Maine Yankee and the cost of replacement power for Maine Yankee. The Wiscasset nuclear unit had shutdown unexpectedly in early December, and, due to a series of unresolved compliance concerns at the Nuclear Regulatory Commission (NRC), remains shutdown. For Bangor Hydro the unexpected duration of the Maine Yankee outage and the severity of its impact on cash flow precipitated a financial crisis. In particular, BHE ran the risk of having its banks call their loans due to violation of covenant requirements in the loan agreements.

In contrast to Bangor Hydro's \$10 million request, we provided the PUC with a recommendation that rates not be increased by more than \$3.1 million and that in any event funds provided on an emergency basis be used to retire so-called regulatory assets on the Company's books that ratepayers will eventually be required to pay off. We presented these recommendations at PUC hearings on May 20 through 23 in the testimony of three witnesses: Lee Smith of LaCapra Associates, Scott Rubin and George Branscombe, former Chief Financial Officer of Public

Continued on page 4

MAJOR CASES

Continued from page three

Service of New Hampshire.

The PUC considered the views of the various parties at oral argument held on June 19 and on June 23 approved a final level of emergency increase - \$5.1 million, an approximate 3.8% increase in retail rates. The PUC Commissioners adopted our proposal that the rate increase take the form of cash for the retirement of regulatory assets and not be unrestricted revenue available for shareholder earnings.

C. Maine Yankee Decides Not to Restart its Generators

In a May 27 decision that stunned many observers, Maine Yankee's Board announced that the unit would not be prepared for a late-summer restart and that, if it could not be sold to a new buyer, Maine Yankee would be shut-

down permanently. This decision apparently was driven by the desire of Maine Yankee's owners, retail utilities like Bangor Hydro, to avoid the high costs of a restart decision and of full compliance with NRC requirements. Effectively this decision left the cost of NRC compliance with any new owner that acquired a controlling interest in the unit. PECO Energy of Pennsylvania has expressed interest in acquiring Maine Yankee and could in time make an offer to buy out the current owners. If the unit is not sold, however, Maine Yankee would face the major task of decommissioning the nuclear portion of its physical plant — a task for which \$178 million has been collected (as of May 1997) but for which \$370 is the officially-estimated requirement.

Public Advocate Ward is serving on an intra-government task force reviewing the multiple implications of Maine Yankee's May 27 announcement, along with DEP, the Planning Office, Economic and Community Development,

Department of Human Services, the PUC and other affected agencies. We are also readying for an expected FERC rate case this Fall in which Maine Yankee will seek an increase in decommissioning collections in rates.

D. House Commerce Committee Approves the Texas Compact

There were a series of favorable developments this quarter with respect to the agreement between Maine, Texas and Vermont for the formation of an interstate compact agreement for the disposal of low-level radioactive waste at a regional facility in Texas. On May 13 Public Advocate Ward was one of five witnesses testifying before the Energy and Power Sub-Committee of the House Commerce Committee. Along with a representative of the medical community (a radiologist from El Paso) and a representative of Texas, Governor Bush, Ward spoke in favor of Congressional ratification of the Texas Compact. If ratified, the three-state arrangement would be the tenth interstate compact for low-level waste disposal to be ratified by Congress. The significance of membership in a Compact is that under a 1980 federal law Compact disposal facilities can limit their capacity to member states only and exclude low-level waste generated in non-member states.

Immediately following the May 13 Sub-Committee hearing the Sub-Committee unanimously approved the Compact legislation, forwarding it to the full

Continued on next page



Public Advocate staff William Perkins, Wayne Jortner, Brenda Stevens, Stephen Ward, William Black, Eric Bryant, and Patricia Moody dress-up for the camera in front of the OPA's new offices located across from the Blaine House in Augusta.

MAJOR CASES *continued*

Commerce Committee for action there. On June 25 the Commerce Committee likewise gave unanimous approval to the Compact.

E. PUC Approves the Renegotiation of CMP's Ashland Contract

CMP reached agreement this Spring with the owners of the Ashland wood-chip generator, Alternative Energy, Inc., on a renegotiation of CMP's power purchase contract. This renegotiation is expected to net savings of \$10.5 million over a 15-year period of which CMP ratepayers will receive more than \$2 million in savings in the first two and one half years alone. The deal involved a third-party financing package put together by Citizens Energy, Inc. and, because of their involvement, could have been jeopardized in the absence of a technical amendment to the Electric Restructuring legislation (LD 1804; see above) authorizing third-party financed renegotiations to be treated like IPP contracts and not be subject to mandatory divestiture. In order to preserve these savings, Public Advocate Ward testified at the Legislature in favor of the necessary technical amendments to the Electric Restructuring Statute at a June 19 hearing. With final legislative enactment of those amendments on June 20, the PUC granted its final approval to the Ashland stipulation on June 23, thereby securing for CMP customers a modest but important savings in power costs.

MINOR CASES**1. Consumers Maine Water rate increase requests for Hartland and Bucksport**

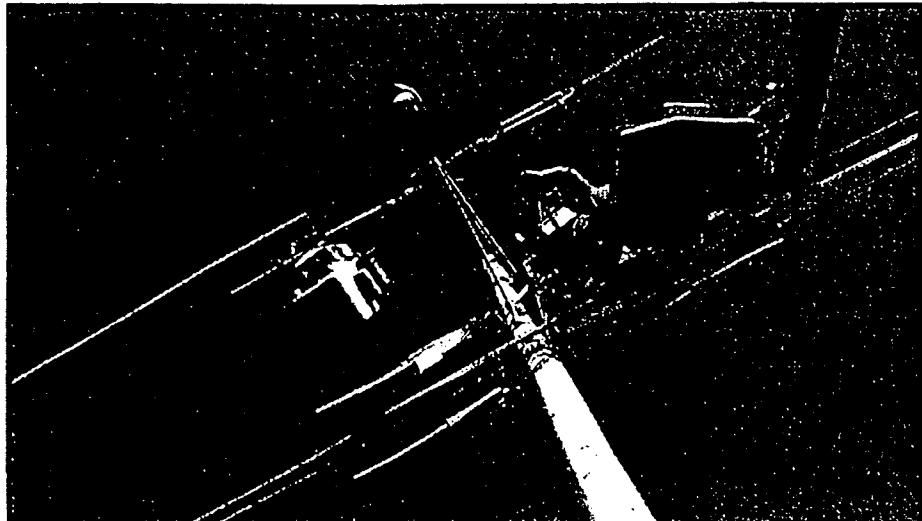
This Spring Maine's largest water utility requested PUC approval for rate increases at two of its divisions, Hartland and Bucksport. Due to needed capital investment at each of these divisions, Consumers Maine requested increases that were substantial both on a percentage basis and in absolute dollars. We hired consulting assistance from Exeter Associates in Maryland and were able to file testimony supporting a significantly lower level of increase for Hartland at approximately 55% of the Company's request or \$52,000. In the case of Bucksport we were not able to identify as significant a difference in required revenues from that requested by the Consumers, and recommended a \$290,000 increase, approximately 87% of the original request. At

the end of the quarter serious discussions were underway for a negotiated settlement of this case, leading to a stipulation supported by the Office, Champion Paper and Consumers Maine.

2. Bangor Hydro Permanent Increase in Rates

This case is minor only in the sense that, because it has just gotten underway, our level of effort so far is not significant. On May 7 Bangor Hydro requested a \$5 million increase in rates for February 1998 and a second \$4.5 million increase for February 1999, along with the creation of a pass-through mechanism for 100% of the Hydro's Maine Yankee-related costs. On June 24 we completed the first round of written questioning and plan to file the testimony of our consultants in this case in August. A final PUC decision is expected in early February.

Continued on page six



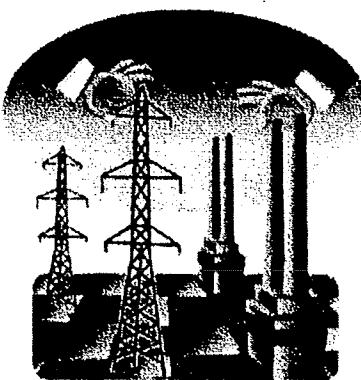
MINOR CASES

Continued from page five

3. CMP Mid-Period Review

The PUC approved a 5-year experiment in ratemaking for CMP, the Alternative Rate Plan or ARP, that permitted CMP to raise electric rates only once per year and then only at a predetermined share of the previous year's inflation rate. As part of the order approving the ARP program, the PUC required a mid-period review to be performed in the third year of the ARP. After extensive negotiations, we joined with the PUC Staff and with CMP in a set of agreed-to changes in the ARP

mechanism. All the proposed changes were minor and technical in nature. On June 24 the PUC held a hearing at which the agreement was presented and criticisms of it could be aired. No final decision on these changes had been made by the end of the fiscal year.



6. Rulemakings for the Reduction of Maine's Telephone Access Charges

In two separate rulemaking dockets, the PUC is considering ways of reducing the access charges required to be paid by all in-state telephone competitors who rely on local telephone monopolies to originate or terminate their traffic. The Legislature has mandated that Maine's high access rates be reduced to the same or lower levels as those set by FCC for interstate telephone traffic. NYNEX claims that its revenues will be substantially eroded unless it is allowed to increase rates for its other monopoly services, such as basic local service (lower access charges will

PUBLIC ADVOCATE STAFFING SUMMARY: CUMULATIVE HOURS AS OF 6/97

Staff	PUC Hours	Radwaste	Consumer Contacts	Admin.	Public Speaking	Sick Time	Vacation Time	Total
SGW	162	6	2.5	33	2.5	7	2	190.5
WCB	151.5	0	8	3	0.5	4	0	172
WCP	160	0	0	3	0	0	8	171
WRJ	144	0	1	1	0	0	8	164
EJB	137	0	1	1	0	0	32	171
PJM	54	0	0	27	0	3	24	168
BJS	138	0	0	0	0	3.5	26.5	168
Month's Total	946.5	6	16	102.5	3	17.5	100.5	1,193
June 1997	79.21%	0.25%	1.34%	9.08%	0.25%	1.46%	8.41%	100%
Cumulative Total Hours	10,767	104.5	163.25	1,653	43	402.5	1,344.5	14,274.75
Cumulative Percent	75.43%	0.73%	1.14%	10.18%	0.30%	2.82%	9.42%	100%
Percent of Direct Hours	97.57%	95%	1.48%					100%

make in-state toll competition much more likely). The Commission has asked all parties to negotiate these complex issues; if no settlement is reached, litigation will probably start in September of this year.

7. Rate Increase Resulting from Expansion of Local Calling Areas

The Public Advocate recently asked the Commission to reconsider adding \$6 million to local telephone rates as allowed by a Commission rule governing expansion of local calling areas. We argued that a retroactive increase in rates is unlawful under Maine's system of utility regulation. A decision by the PUC is expected soon.

8. Rulemaking to Prevent Subsidies From Utilities to Unregulated Affiliates

After we successfully litigated a case involving the terms to govern Bangor-Hydro's creation of an unregulated company planning to sell home security services, the Legislature required that the PUC issue rules to govern such relationships for utilities of all types. In this rulemaking, we have argued that the risks of unregulated ventures should not be borne by utility customers and that utility customers should be adequately compensated for all utility resources that are used to support the unregulated venture.

Speaking Engagements

During the quarter ending June 30, Public Advocate Ward responded to invitations to speak to a number of groups including:

- **Maine Farm Bureau, April 29,** "Electric Restructuring: Opportunities and Risks for Maine's Farmers."
- **State Legislative Committee, AARP, April 25,** "Pending Legislation on Electric Restructuring in Maine."
- **Advisory Commission on Radioactive Waste, April 29,** "Nuclear Power Plant Decommissioning and the Deregulation of Electricity."
- **New England Housing Conference, May 13,** "Maine's Electric Restructuring Legislation." (Staff Counsel Wayne Joanner reported on recent developments at a conference of public and private policymakers involved in subsidized housing projects in Maine, New Hampshire.)
- **National Association of State Utility Consumer Advocates, June 9,** "Future Roles for Consumer Advocates of Deregulation."

- **Lewiston/Auburn Economic Growth Council, June 24,** "Options for Municipalities in Looking Ahead to the Deregulation of Power Sales."

Additionally, Public Advocate Ward visited with editorial page writers at the Kennebec Journal (April 8), Lewiston Sun (April 10), Biddeford Journal-Tribune (April 17) and the Brunswick Times Record (April 18) to discuss pending legislation for the restructuring of the state's electric industry.



In the just-concluded 118th legislative session, the recommendations of the Public Advocate office were adopted two-thirds of the time.

OPA position adopted	25	66%
OPA position rejected	9	24%
bills carried over	4	10%
bills OPA testified on	38	100%

Summary of Electric Restructuring Legislation

Here are key aspects of the recently-enacted bill that deregulates retail power sales in Maine:

- Beginning March 1, 2000 everyone will have the right to buy power from an unregulated electric provider but otherwise will continue to receive electric services from the familiar local monopoly (CMP, Bangor Hydro, etc.);
- By March 1, 2000 the local

monopolies will have to sell off all their generation stations, no longer be involved in the sale of power and instead function only as a distributor of power;

- Losses that utilities can't avoid when they sell off their generating units, as well as costs mandated by the local government, can be recovered in rates by the local distribution monopoly following a PUC proceeding;
- Local power monopolies will be able to establish affiliated companies for marketing power anywhere they choose, provided that an affiliate of the local monopoly cannot acquire more than a one-third

share of the power sold in that monopoly's own territory;

- As of March 1, 2000 anyone who for any reason doesn't want to—or can't—pick their electric provider will take power under a Standard Offer program arranged by the PUC;
- Any unregulated electric provider doing business in Maine will have to establish to the PUC's satisfaction that at least 30% of their power portfolio is accounted for by renewable sources; currently, renewable sources account for 50% of the power generated or sold in Maine.

MAINE OFFICE OF
PUBLIC ADVOCATE
112 State House Station
Augusta, ME 04333-0112



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RATE WATCHERS IN-STATE PHONE GUIDE

BELL ATLANTIC (NYNEX) CUSTOMERS CAN NOW CHOOSE THEIR INSTATE LONG DISTANCE PHONE COMPANY

Welcome to the world of in-state long distance telephone competition! Maine people can now choose from a number of telephone companies to provide their in-state long distance service. For some people, more choices in the market mean greater freedom and opportunities to save money. Others regard new choices as another burden further complicating their already busy lives. We hope that this publication will help make your choice of in-state toll call providers easier and help to save money on your monthly bill.

While competition for in-state long distance service has existed for some years, as of September 15, 1997, it is no longer necessary to dial a five digit code to use a company other than NYNEX (now Bell Atlantic). You can now simply choose the company you want as your in-state toll call provider in much the same way that you choose an interstate long distance company. The first choice will be free if you make it before December 13, 1997. You may change in-state toll carriers again as often as you like but each change will cost \$5. (Your new provider may pick-up this cost, if asked.) If you make no choice, Bell Atlantic will be your in-state toll carrier by default.

Your in-state choice may be different from your interstate choice, but you may be able to take advantage of some of the best discount rates by agreeing to allow one company to be both your in-state and interstate toll provider.

**IF YOU ARE NOT A
BELL ATLANTIC
(NYNEX) CUSTOMER...**

Direct access to your in-state carrier of choice will not be available to independent telephone company customers (approximately 15% of Maine's telephone

customers) until sometime in 1998 or 1999. However, those customers may still take advantage of competition for in-state long distance. Some interstate long distance companies offer low rates for Maine in-state calls to match their interstate rates when you subscribe to their interstate service. You can still access those companies by dialing a 5-digit code before each in-state call. Call your long distance company of choice for details.



**TELEPHONE
COMPETITION
IS HEATING UP
-TAKE -
ADVANTAGE
OF IT**



CAVEAT EMPTOR --

(kā'vē-āt' ēmp'tōr')

Latin. LET THE BUYER BEWARE

We have tried to give the latest, most accurate information to allow you to compare the rates of various telephone companies. However, we have not included every plan offered by the phone companies listed. In addition, telephone companies are constantly introducing new plans or changing their rates as competition increases. Many factors can influence which company or plan is best for you -- those include the distance of your calls, the time of day you call, and the duration of your average call. Before choosing a company, it is best to ask questions. You may ask any phone company to calculate which of their plans is best for you. And don't forget to ask for any special promotion that may be available as an incentive to switch to - or remain with - a phone company.

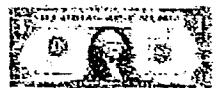
This rate comparison may not include every company that has registered with the Public Utilities Commission to provide subscribed in-state toll service in Maine. You may get a complete list of those companies by calling the Maine Public Utilities Commission at 1 (800) 452-4699 or 287-3831. The best way to keep getting the best rates is to periodically check with these companies about the most economical plan available given your calling patterns and calling volumes. You may also check the Public Advocate's web site at <http://www.state.me.us/ag/advocate/pahome.html> for future updates on telephone rates in Maine.

If you suspect that you may not be getting the best rate given your calling patterns, you may change phone companies again as often as you wish (and pay a \$5 charge). Please also note that you can use any company for any call by dialing that company's access code before the number. However, if you access a phone company's service using an access code, you may be charged a rate different from those for subscribed service.

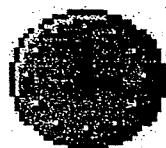
WATCH OUT FOR

**HIDDEN COST
DIFFERENCES**

Time unit billed - Some plans bill on a per minute basis (rounding up to the next full minute) and others bill for as little as every 6 seconds. If a call lasts 1 minute plus 12 seconds, at 10¢/minute, the charge for that call will be 20¢ if it is rounded up to 2 minutes -- as opposed to 12¢ if each 6 second interval is counted (a 60% savings). This will affect your bill more if you make many short calls.



Higher cost first minute - Some plans charge more for the first minute. If many of your calls are short, this will have a greater impact on your bill.



Peak/off peak price differences

If you make many of your calls during peak (daytime) hours, you should look for a plan with a good rate that doesn't charge more for day rates. If you make most of your calls at night, you may save money by choosing a plan with day/night differences.

Minimum or flat recurring charges - Some calling plans require monthly service fees in addition to your per-minute usage costs.

Other plans have minimum

monthly usage

levels or make

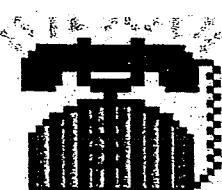
their best rates

available only after a given level of

usage. Pay special attention to those

charges if you don't make many in-state

toll calls each month.



Other plans charge minimum amounts or surcharges on a per-call basis (one plan charges for 3 minutes on every call). Pay special attention to these if you make many short calls.

SAMPLING OF MAINE IN-STATE RESIDENTIAL TELEPHONE RATES AS OF SEPTEMBER 1997

COMPANY	AT&T	Bell Atlantic (formerly NYNEX)*	Dial & Save	EXCEL		Frontier Communications		LCI																											
				10457 Flat Rate*	Excelplus II Service*	Option A	Frontier One																												
FEATURED PLAN	Blue Sense	See following pages for available optional calling plan discounts																																	
PER MINUTE RATE (for "featured" plan)	*see note																																		
- Day	12¢	14¢ to 36¢ 8 am - 5 pm M-F	14¢	37.09¢ 7 am - 6 pm	30¢	15¢	30¢ 8 am - 5 pm	35¢																											
- Evening	12¢	9.1¢ to 24.7¢ 5 pm - 11 pm M-F, Sun	14¢	23.39¢ 6 pm - 11 pm	30¢	15¢	15¢ 5 pm - 8 am	35¢																											
- Night/Weekend	12¢	5.6¢ to 15.2¢ 11 pm - 8 am - all days 8 am Sat - 5 pm Sun	14¢	14.99¢ 11 pm - 7 am	30¢	15¢	15¢ 5 pm - 8 am	35¢																											
Additional Fees	\$3.00/month or none (see below)*	None	None	\$1.00/month	\$1.00/month	None	None	None																											
TIME UNIT BILLED	1 minute	1 minute	1 minute	1 minute	1 minute	1 minute	1 minute	6 seconds																											
- Minimum Time Charged Per Call		First Minute is 2¢ to 14¢ higher	1 minute	1 minute	1 minute	1 minute	1 minute	30 seconds																											
VOLUME DISCOUNT	*Blue Sense I - \$3 mon. charge under - \$15/mon. usage Blue Sense II - no mon. charge - over \$15/mon. usage	over \$15 - 5% over \$30 - 10% over \$45 - 15%	N/A		N/A	N/A	N/A	N/A																											
OTHER DISCOUNTS				28% discount for calls to other Excel customers																															
CALLING CARD RATES																																			
- Rate Per Minute	30¢	Same	N/A	89¢ 1st minute - 29¢ add. min. (*see note)	89¢ 1st minute - 29¢ add. min. (*see note)	25¢	25¢	25¢/day 20¢/evening																											
- Additional Charge Per Call	30¢	58¢	N/A	See above	See above	None	None	55¢																											
DIRECTORY ASSISTANCE CHARGE	70¢	3 free - 40¢ each additional call	N/A	85¢	85¢	95¢	95¢	85¢																											
Typical Cost - for 5 Minute Call																																			
Day	\$0.80	74¢ to \$2.04	\$0.70	\$1.86*	\$1.50	\$0.75	\$1.50	\$1.75																											
Evening	\$0.80	48.4¢ to \$1.33	\$0.70	\$1.17*	\$1.50	\$0.75	\$0.75	\$1.75																											
Night/Weekend	\$0.80	29.4¢ to 87.6¢	\$0.70	\$0.75*	\$1.50	\$0.75	\$0.75	\$1.75																											
Typical Cost - for 30 Minute Call																																			
Day	\$3.60	\$4.24 to \$11.54	\$4.20	\$11.13*	\$9.00	\$4.50	\$9.00	\$10.50																											
Evening	\$3.60	\$2.76 to \$7.50	\$4.20	\$7.02*	\$9.00	\$4.50	\$4.50	\$10.50																											
Night/Weekend	\$3.60	\$1.70 to \$4.62	\$4.20	\$4.50*	\$9.00	\$4.50	\$4.50	\$10.50																											
TYPICAL MONTHLY USAGE - 200 min.per month (25% day, 45% evening, 30% night/weekend) 4 directory assistance calls, and 4 calling card calls @ 3 minutes/plus per call charge	\$31.60	*\$39.26 (based on 31-55 mile distance and 100 minutes under Circle Calling Plan) \$47.22 without optional calling plan and 100 min @ 14-30 miles and 100 min @ 31-55 miles	Per Call Service Only (must dial code - 10457)	\$58.89 (*see note)	\$70.28 (*see note)	\$35.20	\$44.30	\$78.60																											
DOES PLAN REQUIRE SUBSCRIPTION TO INTERSTATE SERVICE?	Yes	No Interstate service offered	No	Yes - unless access code is used	Yes	Yes	Yes	Yes																											
To Subscribe, Call:	1(800)222-0300	1(800)585-4466	1(800)787-3333	1(800)875-9235	1(800)875-9235	1(800)482-4848	1(800)482-4848	1(800)524-4885																											
<p>*Note: 10¢/min plan with \$4.95/month fee also available</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td colspan="3">Bell Atlantic rates depend on distances as follows:</td> </tr> <tr> <td>Day Rate</td><td>1st Min.</td><td>Additional</td></tr> <tr> <td>0-10 miles</td><td>18</td><td>14</td></tr> <tr> <td>11-18</td><td>29</td><td>19</td></tr> <tr> <td>19-30</td><td>40</td><td>27</td></tr> <tr> <td>31-55</td><td>52</td><td>32</td></tr> <tr> <td>56 and up</td><td>52</td><td>38</td></tr> <tr> <td>Evening</td><td>35% discount</td><td></td></tr> <tr> <td>Night/Wknd</td><td>60% discount</td><td></td></tr> </table>									Bell Atlantic rates depend on distances as follows:			Day Rate	1st Min.	Additional	0-10 miles	18	14	11-18	29	19	19-30	40	27	31-55	52	32	56 and up	52	38	Evening	35% discount		Night/Wknd	60% discount	
Bell Atlantic rates depend on distances as follows:																																			
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Evening	35% discount																																		
Night/Wknd	60% discount																																		
* Note: Dial & Save's pre-subscribed plan is not yet available in ME ** Note: When calling other Excel residential customers, calling card additional minutes receive 50% discount. ** Excelplus II rates shown do not include discounts for calls to other Excel residential customers.																																			

SAMPLING OF MAINE IN-STATE RESIDENTIAL TELEPHONE RATES AS OF SEPTEMBER 1997

COMPANY	MCI	MTC	Meridian Telecom Corp.	One Star	Sprint	Touch 1 Communications	VarTec Telecom	WorldCom	
FEATURED PLAN	Home MCI One			Family Advantage A	Sprint Sense Dial 1		Maine Dime Club	Maine Dime Line	Home Advantage Easy Plan (Flat Rate)
PER MINUTE RATE (for "featured" plan)									
- Day	12¢* or 15¢	34.50¢	32.2¢	10.75¢	30¢ 7 am - 7 pm	53¢ 7 am - 5 pm	20¢	35¢ 8 am - 5 pm	29.9¢
- Evening	12¢* or 15¢	34.50¢	32.2¢	10.75¢	25¢ 7 pm - 7 am	32¢ 5 pm - 11 pm	20¢	25¢ 5 pm - 11 pm	29.9¢
- Night/Weekend	12¢* or 15¢	34.50¢	32.2¢	10.75¢	25¢ 7 pm - 7 am	20¢ 11 pm - 8 am	20¢	20¢ 11 pm - 8 am	29.9¢
Additional Fees									
TIME UNIT BILLED	\$5/mon. minimum 6 seconds	None 1 minute	None 6 seconds	None 6 seconds	None 1 minute	None 1 minute	\$5/month 1 minute	20¢ surcharge per call 1 minute	None 6 seconds
- Minimum Time Charged Per Call	1 minute	1 minute	30 seconds	18 seconds over \$26 - 3% over \$51 - 5% over \$76 - 7% over \$101 - 10%	1 minute	1 minute * 0-39.99 - 2% \$10.00 - 24.99 - 12% \$25.00 + 27%	3 minutes	1 minute	1 minute
VOLUME DISCOUNT	*12¢ rate applies when usage is over \$25/mon.			N/A	N/A	N/A	N/A	N/A	NA
OTHER DISCOUNTS						*OR -- flat 15% off			
CALLING CARD RATES							choice of 26¢ OR 20¢ with a \$1.95/mon. fee	choice of 26¢ OR 20¢ with a \$1.95/mon. fee	
- Rate Per Minute	25¢	25¢	19.9¢	10.75¢ in New England*	30¢	28¢	choice of 50¢ OR \$1.95/mon fee	choice of 50¢ OR \$1.95/mon fee	30¢
- Additional Charge Per Call	79¢	N/A	None	0 in New England*	30¢	0			0
DIRECTORY ASSISTANCE CHARGE	90¢	65¢	75¢	85¢	95¢	60¢	75¢	75¢	65¢
Typical Cost - for 5 Minute Call									
Day	\$0.60 or \$0.75	\$1.72	\$1.61	\$0.53	\$1.50	\$2.65	\$1.00	\$1.75	\$1.49
Evening	\$0.60 or \$0.75	\$1.72	\$1.61	\$0.53	\$1.25	\$1.60	\$1.00	\$1.25	\$1.49
Night/Weekend	\$0.60 or \$0.75	\$1.72	\$1.61	\$0.53	\$1.25	\$1.00	\$1.00	\$1.00	\$1.49
Typical Cost - for 30 Minute Call									
Day	\$3.60 or \$4.50	\$10.35	\$9.66	\$3.22	\$9.00	\$15.90	\$6.00	\$10.50	\$8.97
Evening	\$3.60 or \$4.50	\$10.35	\$9.66	\$3.22	\$7.50	\$9.60	\$6.00	\$7.50	\$8.97
Night/Weekend	\$3.60 or \$4.50	\$10.35	\$9.66	\$3.22	\$7.50	\$6.00	\$6.00	\$6.00	\$8.97
TYPICAL MONTHLY USAGE - 200 min. per month (25% day, 45% evening, 30% night/weekend) 4 directory assistance calls, and 4 calling card calls @ 3 minutes/plus per call charge	\$33.76	\$74.60	\$69.79	\$25.40	\$61.10	\$54.89	\$48.12	\$60.12	\$66.00
DOES PLAN REQUIRE SUBSCRIPTION TO INTERSTATE SERVICE?	Yes	Yes	No	No	No	Yes	No	No	Yes
To Subscribe, Call:	1(800)462-4663	1(800)733-2682	1(888)637-4346	1(800)482-0000	1(800)877-4646	1(800)286-8241	1(800)583-88	1(800)583-8811	1(800)872-2398

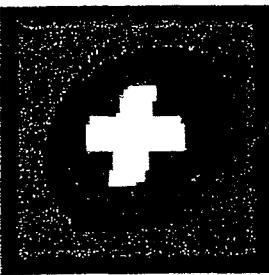
*Outside New England 11.9¢/min & 35¢ per call surcharge

*Depends on Plan Chosen

DON'T GET "SLAMMED"

Being "slammed" is when your phone service is changed to a new company without your permission -- this is illegal. If you are slammed, you should not pay more than what you would have paid the company that you actually chose. If your in-state service is changed without your permission, you should complain to the Maine Public Utilities Commission at 1-800-452-4699. If it is your interstate service that is wrongfully changed, you must complain to the Federal Communications Commission at 1-888-322-8255 or write to FCC, Common Carrier Bureau, Consumer Complaints, Mail Stop Code 1600A2, Washington, DC 20554.

There are ways to protect yourself. First, read your telephone bills carefully to be sure that your calls are being carried by the company that you chose. Second, if you speak to a salesperson trying to sell you on a new phone company, be careful not to let the salesperson think that you gave permission to change your provider - unless that is what you intend. Third, if you want to be extra cautious, you can ask your present phone company to "freeze" your choice. If you freeze your choice, your service may not be changed without your written permission.



WATCH OUT FOR "PHONE SHARKS"

"Phone sharks" are companies that market to consumers who have had their phone service disconnected because of credit problems. These companies often charge high connection fees, high rates, and usually require that you pay money in advance of using their service. If you are having difficulty obtaining telephone service because of past credit problems, you may seek help from the Customer Assistance Division of the Public Utilities Commission at 1 (800) 452-4699. There may be better alternatives than paying unreasonably high rates.



CAREFULLY CONSIDER OPTIONAL CALLING PLANS



Bell Atlantic (NYNEX) or your local independent telephone company offers a variety of optional calling plans that may save you money. However, the steep discounts that these plans offer may only apply during certain hours or they may only apply to certain geographical areas. Here is a summary of the optional calling plans offered by Bell Atlantic:

Pine Tree State Service - For \$5.40 per month, you get 60 minutes of calls anywhere in Maine (\$.09/minute) and you still pay \$.09 for each minute over the first 60 minutes. However, discount rates under this plan are not available for calls made between 9:00AM to 12:00 noon and between 6:00 PM and 9:00 PM on Mondays through Fridays. This plan also provides a 25% discount on calling card calls. This plan provides low rates for in-state toll calls during the hours allowed.

Circle Calling - For \$6.00 per month, you get 60 minutes of calls (10¢/minute) to areas within 30-miles - any time of day. You still pay 10¢/minute after the first 60 minutes. This plan provides low rates for in-state toll calls to areas within 30 miles.

Selective Calling - This plan allows you get a 50% discount on calls to up to 17 areas in Maine that you select (beyond your local calling area). The monthly charge is \$1.30 for each place that you choose. The discount will not apply to calls between 9:00 AM and 12:00 noon on Mondays through Fridays.

NOTE - If you are a customer of an independent local exchange company, call their business office to find out what other optional calling plans are available.

NOTE - In addition, Bell Atlantic customers in the following exchanges have access to special short distance toll discounts priced at \$3.00 for the first hour and 5¢ per minute after that: Eastport, Lubec, Machias, Old Orchard Beach, Pembroke, and Deer Isle.

NOTE - Bell Atlantic (formerly NYNEX) charges different rates depending on distance. For calls that do not qualify under a subscribed optional calling plan of Bell Atlantic, there is a wide range of possible charges. (See Chart)

SAVINGS TIP CALCULATE YOUR AVERAGE PER-MINUTE CHARGE

The best way to compare the costs of different telephone carriers and different plans -- as they apply to your specific calling patterns -- is to figure out the average per-minute charge that you've paid. To do this, simply add up all the in-state call minutes of use listed on your bill and divide the total cost of your in-state calls by that amount. The result is your average charge per minute which automatically factors in your specific calling habits for a given month. If you change carriers, see what happens to that average charge per minute.

THE BOTTOM LINE

Currently, some of the best in-state rates are available under one-rate plans offered by One Star, AT&T, MCI, and Frontier, as well as under optional calling plans offered by Bell Atlantic. You also may benefit from using Bell Atlantic for its optional calling plans, and for calls that don't qualify, dialing an access code to reach your (presubscribed) interstate carrier if it offers low priced in-state calls.

ACCESS CHARGES WILL BE SLASHED BETWEEN 1998 & 1999

Access charges are the charges that other phone companies must pay to use Bell Atlantic's network in Maine. Today, Maine has the highest access charges in the country. However, the State Legislature and the Governor recently passed a law requiring access charges to be reduced to much lower levels that are set by the federal government for interstate calls. When these access charges are lowered, we hope to see rates for toll calls dropping substantially.

How Will That Affect Me?



DON'T DIAL "0"

Dialing "0" for operator (or 0 plus a number) can result in per-minute rates and surcharges that are much higher than rates applicable to subscribed service. If you can't dial directly, using a calling card is usually your next best alternative.

TELEMARKETING

If you receive unwanted or annoying calls from companies trying to sell you telephone service -- or any other product -- you can do something about that. You have the right to stop receiving calls from any particular company if you make that request. Maine law also provides for financial penalties that may be imposed against telemarketers who fail to honor requests to stop calling.

**INTERESTED IN
COMPARING
INTERSTATE
TELEPHONE RATES?**

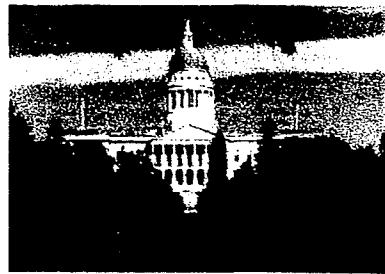
An excellent newsletter and rate comparison chart called Tele-Tips is published by TRAC, a non-profit membership organization. You may get their interstate long distance chart (residential - \$5, business - \$7) by writing to TRAC, P.O. Box 27279, Washington, D.C. 20005. (Web site - www.trac.org)

**ABOUT THE OFFICE
OF THE PUBLIC
ADVOCATE**

Five attorneys and two support staff work full time to represent Maine's telephone, electric, gas and water customers before the Maine Public

Utilities Commission, the Federal Energy Regulatory Commission, and the courts. Our mission is to help ensure fair rates and high quality service for utility customers in Maine. The Public Advocate also maintains a World Wide Web site which will continue to be updated on telephone rates in Maine. See <http://www.state.me.us/ag/advocate/pahome.html>

In February, 1997, the Utilities and Energy Committee of the Maine State Legislature recognized that it is important that consumers have enough information to make informed choices in this era of change in utility regulation. The Public Advocate has responded by providing greater resources to public information for consumers of utility services. The Public Advocate welcomes comments on how we can better help consumers make informed choices.



PUBLIC ADVOCATE OFFICES AND AFFILIATES IN 40 STATES

STATE	TOTAL STAFF	PROFESSIONAL STAFF	FY 97 BUDGET	CONSULTING BUDGET	PA TENURES (yrs)	PA SALARY
1. Alabama	4	3	\$250,000	NA	1.5	NA
2. Arizona	9	7	\$1,009,000	\$291,000.00	2.3	\$60,000
3. Arkansas	4.5	2.5	NA	NA	1.3	NA
4. Colorado	12	8	\$1,027,943	\$150,000.00	1.3	\$71,064
5. Connecticut	13	10	\$1,422,552	NA	1.0	\$68,000 to \$87,000
6. Delaware	4	3	\$398,400	\$130,000.00	5.8	\$55,000
7. D.C.	22	13	\$2,437,000	NA	6.0	\$81,885
8. Florida	30	20	\$2,600,000	\$400,000.00	19.0	\$104,772
9. Georgia	7	5	\$593,000	\$100,000.00	1.8	NA
10. Hawaii	25	19	\$2,100,000	\$800,000.00	9.3	\$74,500
11. Illinois	13	10	\$1,800,000	\$150,000.00	4.5	NA
12. Indiana	60	44	\$3,504,000	\$775,000.00	2.3	\$72,413
13. Iowa	30	27	\$2,358,000	\$130,000.00	14.5	\$78,000
14. Kansas	3	2	\$323,000	\$130,000.00	1.8	\$48,200
15. Kentucky	6	4	\$455,900	\$163,000.00	2.5	NA
16. Maine	7	5	\$649,336	\$135,000.00	10.0	\$54,000
17. Maryland	18	12	\$2,200,000	\$1,000,000.00	3.0	\$77,488
18. Massachusetts	15	12	\$1,300,000	NA	8.5	\$72,500
19. Michigan	8	4	\$832,000	\$70,000.00	2.0	NA
20. Minnesota	9	6	\$500,000	NA	2.0	NA
21. Mississippi	3	1	NA	NA	9.5	\$71,500
22. Missouri	14	13	\$664,000	\$64,000.00	8.5	\$60,689
23. Nevada	11	10	\$1,226,217	\$345,000.00	9.0	\$74,652
24. New Hampshire	6	5	\$402,000	\$75,000.00	14.0	\$57,057
25. New Jersey	35	26	\$4,000,000	\$75,000.00	2.3	\$95,500
26. New Mexico	6	4	NA	NA	7.5	NA
27. New York	17	10	\$2,240,000	\$85,000.00	1.0	\$76,241
28. North Carolina PUC	79	65	\$5,211,167	NA	2.0	\$81,989
North Carolina AG	4	1	\$215,000	NA	NA	NA
29. Ohio	40	25	\$5,149,500	\$550,000.00	2.5	\$96,616
30. Oregon	3.5	3	\$140,000	NA	5.5	\$32,000
31. Pennsylvania PA	31	24	\$3,906,000	\$1,525,000.00	7.0	\$83,658
Pennsylvania Sm. Bus.	7	5	\$823,000	\$384,000.00	7.5	\$65,000
32. South Carolina	8	6	\$319,000	\$120,000.00	2.8	\$76,000 to \$101,000
33. Tennessee	10	7	\$1,085,000	NA	2.3	NA
34. Texas	21	12	\$1,792,800	\$298,000.00	2.3	\$69,283
35. Utah	10	8	\$568,100	\$235,000.00	NA	NA
36. Vermont	9	7	\$509,810	\$173,966.00	7.8	\$61,203
37. Virginia	7	5	NA	NA	NA	NA
38. Washington	4	3	\$503,000	\$100,000.00	4.0	NA
39. West Virginia	9	7	\$817,000	\$210,000.00	15.8	\$67,000
40. California TURN	10	9	\$1,398,000	\$314,000.00	1.8	NA
41. New York PULP	7	6	\$600,000	\$25,000.00	9.0	\$90,000
42. California UCAN	6	4	\$440,000	\$200,000.00	NA	\$52,500
43. Shoreham CAP	3	2	\$385,000	\$30,000.00	NA	\$60,000
44. New York CUB	3	1	\$350,000	NA	3.5	NA
A V E R A G E S	14.41304347826	10.554347826087	\$1,392,970	\$285,530	7.80	\$66,325