

MAINE STATE LEGISLATURE

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State of Maine
Office of the Public Advocate
Annual Report

July 1, 2012 – June 30, 2013



September 1, 2013



State of Maine
Office of the Public Advocate
112 State House Station, Augusta, Maine 04333-0112
(207) 287-2445 (voice) 711 (TTY) www.maine.gov/meopa

Paul R. LePage
GOVERNOR
Timothy R. Schneider
PUBLIC ADVOCATE

September 1, 2013

Dear Governor LePage and Members of Joint Standing Committee on Utilities, Energy and Technology:

Each year, as required by 35-A M.R.S. § 1702(6), the Office of the Public Advocate submits an Annual Report providing an overview of the Office's work in the prior year. Over the past twelve months the Office of Public Advocate has been active in more than 80 proceedings at the state, regional and federal level, and testified on more than 25 bills affecting Maine utility customers. In all these efforts, our staff has worked to ensure that the interests of utility ratepayers are given proper consideration when regulators and legislatures make decisions that affect the price and quality of utility services.

Our office has vigorously pursued this mission for the past 32 years, and in the process earned the respect of both customers and regulated utilities. While there are a variety of ways to measure our success, the most easily understood is money saved for utility customers through our (sole) advocacy. During Fiscal Year 2013, our advocacy saved ratepayers \$61 million, bringing our 32 year total to \$539,225,437.

As you are aware, I began work as Maine's Public Advocate in June of this year, so the overwhelming majority of the work covered by this Annual Report was performed under the oversight of my predecessor, Richard Davies, who served as Public Advocate for the past six years. Under Dick's leadership, the Office of the Public Advocate saved ratepayers hundreds of millions of dollars, and his counsel to the legislature and ratepayers will not easily be replaced. I am grateful for his assistance in preparing this Report.

I am honored to have the opportunity to work on behalf of Maine consumers, and to represent their interests before the Maine Public Utilities Commission, the Maine Legislature, Federal and state courts, and Federal agencies. I look forward to continuing the work of this Office in the year to come.

Sincerely,

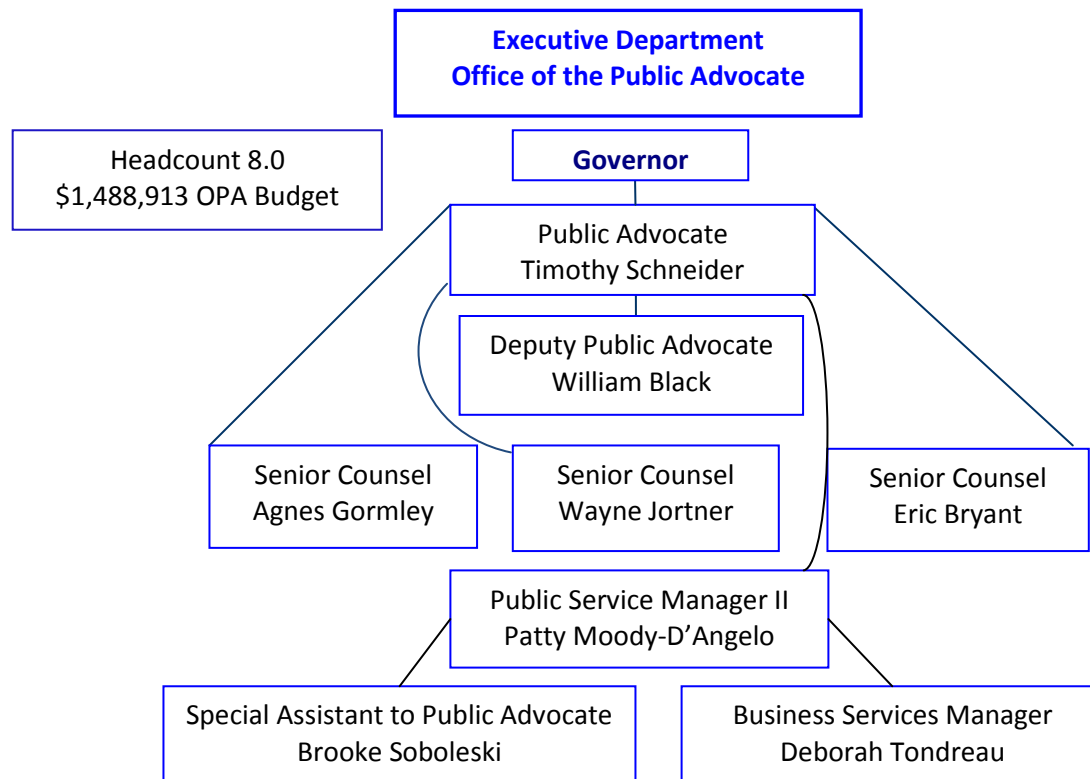
Timothy Schneider
Public Advocate

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About the Office of the Public Advocate

The Office of the Public Advocate's primary responsibility is to represent the interests of Maine users of utility services. Our attorneys and staff advocate for rates, services and practices to benefit residential customers in state and regional forums, and provide information advice to ratepayers.



ELECTRICITY

Our Office's advocacy on behalf of electricity consumers takes place in many forums: before the Maine Public Utilities Commission (and on appeal, the Law Court), as a participant in ISO New England stakeholder proceedings, at the Federal Energy Regulatory Commission (FERC), and with the expansion of retail competition, in providing information to the public at large. Our efforts in each of these four areas are described below.

Public Utilities Commission Dockets

CMP Transmission Cases

There were three significant CMP transmission cases this year.

In Docket No. 2012-302, CMP filed for approval to replace a transmission line running from Roxbury to Rangeley, claiming that the existing line was in serious disrepair, was too old and that reliability in the region was compromised. The upgrade would replace a 34.5kV line with a 69kV line at a projected cost of \$40.5 million. We retained an expert consulting firm and through discovery determined that the existing line was not in need of an upgrade, but did need maintenance and assorted new hardware items. Confronted with this information, CMP agreed to a dismissal of the CPCN petition.

The other two transmission cases included system reinforcement in the Skowhegan area and a five-year old request by CMP to reinforce transmission in the Lewiston area. In both cases, Stipulations we entered into with CMP were approved by the PUC.

Central Maine Power Alternative Rate Plan (ARP) 2014

On May 1, 2013 CMP filed a rate plan to replace ARP2008 when it expires next year. In it, CMP proposes to bifurcate incentive ratemaking, with what has become a traditional ARP approach applying to operations and maintenance expenses, but with distribution plant expenses pre-approved and then reconciled with actual costs in the future along with what CMP asserts is an incentive. The plan seeks annual increases of roughly \$18 million, with a total rate increase over the five year plan of around \$90 million. In June, we filed a motion to dismiss the distribution plant section of the case as not providing for reliable service at just and reasonable rates. On August 2, the Commission granted our motion. As of the date of this Report, CMP had not filed any supplemental testimony in response to this Order. The case is scheduled to be completed next June.

BHE/MPS Request for Approval of Reorganization

Bangor Hydro Electric and Maine Public Service filed a proposal for a corporate merger to bring the companies together as a single legal entity. We objected to the proposal that the companies "harmonize rates" which would have resulted in rate increases for customers of MPS. The Companies withdrew their request for "rate harmonization" and the Commission approved the merger subject to the resolution of several outstanding issues, including a change in Maine statute regarding market limitations on competitive electric service or standard offer service in the proposed

new territory of the merged utility, FERC approval of separate transmission rates, and refinancing of MPS debt.

Request for Commission Investigation Into Smart Meters & Smart Meter Opt-Out

This case is back at the Commission on remand from the Law Court in order for the Commission to make a determination about whether smart meter technology is safe. Our office hired consultants to provide an objective and independent testing program to measure radiofrequency output of CMP's smart meter network. The results of the testing indicated that the measured exposure levels are below the exposure limits set by the Federal Communication Commission. We expect this case to conclude before the end of 2013.

Northern Maine Issues/Northern Maine Independent System Administrator

Grid reliability issues have dominated the agenda in northern Maine. With ReEnergy's proposed retirement of its 33 MW Fort Fairfield biomass plant, the northern Maine transmission system's exposure to failure if certain lines or transformers were to go down came into sharp focus. The Northern Maine Independent System Administrator (NMISA) quickly concluded a deal with ReEnergy for an 18 month contract to keep that plant running for reliability purposes. The cost of this contract amounts to approximately \$0.0025/kWh, and buys time for more permanent solutions to be studied and proposed. The Public Advocate has participated in two ways. First, we regularly attend NMISA Board meetings (Eric Bryant is the Board alternate for the residential users) and we have participated in Planning Advisory Group meetings conducted by MPS. Also, late in 2012, the PUC opened an investigation into the reliability of the northern Maine grid and we have participated in that docket.

Emera/First Wind Merger

We joined with Houlton Water Co. and the Industrial Energy Consumers Group (IECG) to appeal the PUC's April 2012 decision to allow the Emera/First Wind transaction to proceed. This appeal raised a number of issues including the proper interpretation of the statute, whether the decision was based upon substantial evidence and whether the Commission has the legal authority to impose some of the fifty-plus conditions contained in the Order. Briefs were filed in the summer and fall and oral argument before the Court was held on January 16. At the time of this writing, the Court had yet to issue its decision.

ISO New England

Our Office continues work at the regional and national level, coordinating our efforts with other New England consumer advocates, and the E4 group in efforts to actively advance the interests of Maine's residential and small business customers. It is our second year of membership in the New England Power Pool (NEPOOL) where decisions made have enormous cost impacts for electricity prices.

E4 Group

The E4 Group is a collection of parties from CMP's MPRP case who have access to a \$1.5 million fund for the purpose of advocating for better transmission planning and cost allocation by ISO-NE. The Group is made up of the Public Advocate, GridSolar LLC, Environment Northeast, Conservation Law Foundation, National Resources Council of Maine and the Industrial Energy Consumers Group. We have a consulting contract with Synapse Energy Economics, a Cambridge based consulting firm that is heavily involved with ISO-NE and NEPOOL issues. Thus far, efforts to sway ISO-NE to pursue and adopt cost-allocation methods that put transmission and non-transmission alternatives on an equal cost-recovery footing have fallen short. However, Synapse prepared, at the Group's request, a report showing that there is a large amount of distributed generation (DG) in New England that ISO-NE is not recognizing when it conducts transmission planning studies. Recognizing this DG could lead to less of a need for transmission. This DG Report was well-received by many parties in New England when distributed at the June NECPUC Symposium. ISO-NE has now said that it will convene a stakeholder group in the fall to study the matter.

Energy Efficiency

As a result of our joint efforts with consumer advocates and regulators, ISO New England has agreed to apply a revised energy efficiency forecast for its system planning. The forecast will now require the ISO to explicitly account for the expected energy efficiency resources in the load forecast that is used to develop the regional system plan for transmission upgrades. This change in forecast resulted in the ISO eliminating a \$259 million transmission upgrade in Vermont and New Hampshire from the regional system plan.

Order 1000

In July of 2011 FERC issued Order 1000, regarding the transmission planning and cost allocation process in regional transmission planning. The Order required that ISO New England amend its transmission tariff to explicitly provide for the consideration of "public policy" requirements established by state or federal laws that may drive transmission needs. In October 2012, the New England Transmission Owners and ISO-NE jointly filed tariff revisions to comply with this requirement. These revisions were supported by only 17.1% of NEPOOL's members. Our Office joined the remaining membership in supporting an alternative set of tariff revisions (New Hampshire Transmission Proposal) which provided for increased opportunities for competition among project developers to build transmission for public policy projects. Our office also filed comments supporting a broader definition of what constitutes "public policy" requirements.

On May 17, 2013, FERC issued its order on the regions' compliance filing and found that the ISO New England filing only partially complied with Order 1000. FERC imposed additional requirements for compliance including establishing competitive transmission development for all regional transmission projects. On June 17, 2012 ISO New England filed a request for rehearing of FERC's Order on the compliance filing.

Transmission Planning

ISO-NE has started developing a Transmission Planning Technical Guide and Planning Process Manual that will set forth the current process and assumptions used in planning studies of the transmission system. Our Office has been participating in the process and has offered comments focused on planning assumptions that may lead to additional costs for building plant that provides an unreasonable level of reliability.

Consumer Liaison Group

ISO New England's Consumer Liaison Group (CLG) is a unique consumer group founded in 2009 in response to a Federal Energy Regulatory Commission order seeking to improve communication between the energy industry and consumers. Our Office played an important role in establishing the group and Senior Counsel Agnes Gormley is a member of the Coordinating Committee that governs the CLG. The CLG meets regularly with the goal of providing information to regional consumers and consumer representatives to help them better understand the opportunities as well as the risks of the region's wholesale electricity market structure. Each meeting has presentations and discussion about current industry activity, new technologies, and economic and public policy developments that change with the industry. A primary focus of the group is on working to balance economic and public policy goals with the lowest possible rates for end-users.

Federal Energy Regulatory Commission (FERC)

ISO New England Budget

In response to ISO New England's filing for a \$12.9 million increase to its administrative budget, we joined several state agencies (consumer advocates, offices of attorney general and state Commissions) in protesting the filing at FERC. ISO-NE had proposed \$165 million for its 2013 administrative budget, a 10% annual increase bringing the increase over the last four years to 35%. At the same time we requested that the ISO New England budget process be subject to more scrutiny and review. The action was settled with a budget decrease of \$2.85 million as well as with an agreement to have more transparency and closer review of the budget process going forward.

New England Transmission Owners Return on Equity

On September 11, 2011 we joined a complaint filed by a coalition of consumer advocates and state regulators against the New England Transmission Owners, requesting that FERC reduce the 11.14% base ROE used in calculating formula rates for transmission upgrades. The argument put forward is that, given the changes in financial markets since the ROE was last revised in 2006, that the percentage is no longer "just and reasonable." The coalition requested that the ROE be reduced to 9.2%, which would result in an annual savings to New England consumers of over \$100 million. On August 6, 2013, the FERC Administrative Law Judge issued an initial decision allowing the New England Transmission Owners a 9.7% ROE that would apply prospectively. Both parties are now afforded an opportunity to appeal this initial decision through the FERC appeal process.

Transmission Incentives

Our office filed joint comments with a group representing state public utility commissioners, consumer advocates, public power systems and cooperatives to voice shared concerns about how FERC's application of its transmission rate incentives policy result in consumers paying more than necessary to induce transmission owners to build needed transmission. Citing to our comments, in November of 2012 FERC issued a policy statement, stating that it will apply its incentives policy in a manner that assures the construction of needed new transmission, but that it would make changes to its policies going forward that would result in savings to consumers through lower transmission costs.

Retail Competition

In the last year, there has been an increase in retail electricity competition in the areas served by CMP and Bangor Hydro. At the end of the fiscal year, there were at least six active companies competing against the standard offer and many customers have switched. In CMP's territory, over 200,000 customers have left the standard offer. We have taken many phone calls from customers who have questions about the market or about specific companies. We have also worked with the Commission Staff to address a few issues that have arisen about some of the competitive offers.

In January of 2013 we published volume 18 of our Electricity Guide. In this edition, we highlighted the newly-emerged competition for retail electricity and also provided information on CMP's smart meters, net metering and electric bills. We mail this Guide to over 4,200 customers state-wide, and post it on our website. We also distribute it to community libraries for use by patrons.

NATURAL GAS

Public Utilities Commission Dockets

Bangor Gas– Petition for Multi-Year Rate Plan

On December 26, 2012, Bangor Gas filed its petition to renew its multi-year rate plan, which was due to expire on December 31, 2012. The position of the Office of the Public Advocate – and of Bucksport Energy/Verso, and other customer intervenors – has been that ratepayers are entitled to an assurance that the Bangor Gas’s rates at the starting point of any alternative rate plan must satisfy the “just and reasonable” standards in rate-of-return ratemaking. On March 25, 2013, Bangor submitted direct testimony in support of its request for renewal of its multi-year rate plan, and on April 30, 2013, Bangor Gas provided twelve months of actual data in support of its request that its current rates and its current rate plan remain in effect. Our review of that data was delayed pending resolution of a series of discovery disputes. The schedule in this case has been suspended until the proceeding regarding Bangor Gas’s affiliated-interest approval of the transfer of the Loring Pipeline from Penobscot Natural Gas is resolved.

Bangor Gas – Petition for Affiliated-Interest Approval Regarding Transaction with Penobscot Natural Gas (regarding Loring Pipeline)

In 2012 Penobscot Natural Gas (Penobscot), the immediate parent of Bangor Gas, acquired a leasehold interest in the Loring Pipeline and related assets including the easement corridor which runs from Searsport to Limestone, Maine. In March 2013, Bangor Gas requested that the Commission authorize it to accept Penobscot’s conveyance of rights in the pipeline and corridor to Bangor Gas. Bangor Gas proposes to activate the pipeline in phases and to operate it as a high-pressure distribution system reaching unserved areas along the corridor – which stretches from Searsport to the Loring Commerce Center in Limestone. Bangor Gas has indicated that, among other customers, it has signed a contract to deliver gas in November 2014 to the paper mill located in Lincoln.

In support of its request for a transfer, Bangor Gas has submitted a substantial amount of documents and data that make up its business case in support of the Pipeline’s operation, almost all of which are confidential. In the case, several technical conferences have been held, and the parties are currently discussing whether it is possible to fashion a settlement that will permit the proposed transfer to go forward in a manner that protects Bangor’s existing ratepayers.

Bangor Gas Request for Expedited Approval of Affiliated-Interest Transaction

In mid-May, Bangor Gas Company indicated informally that it planned to have Bangor Gas employees participate in refurbishing work on the Loring pipeline presently owned by Penobscot Natural Gas. In response, in a letter directed to Bangor Gas, the Commission indicated that Bangor Gas needed first to obtain approval under 35-A M.R.S. § 707 for such work. Accordingly, on May 15, 2013, Bangor Gas filed a request for expedited approval or waiver of an affiliated interest transaction. After a brief period of discovery, the Commission Staff issued an Examiner’s Report

critical of Bangor's use of employees in the refurbishing of the Pipeline owned by its affiliate. Soon thereafter, Bangor Gas withdrew its request for affiliated interest approval.

Northern Utilities d/b/a Unutil Request for Approval of Hedging Program

Northern Utilities operates a hedging program that provides uses a mix of physical and financial hedges to target that 70% of its winter supply is available at a fixed price during the winter heating season. The hedging program is intended as a way to reduce the impact on ratepayers of price volatility in the commodity markets. More recently, however, the structure of the program and relatively low and stable gas market prices have resulted in continued losses that are paid for by ratepayers. In April 2012, the Commission undertook a review of Northern's Hedging Program. Thereafter, the Commission Staff, the Office of the Public Advocate, and Northern met both in person and telephonically to discuss Northern's proposals for revisions to the program. Those meetings resulted in changes to its proposal so that the 2013 Hedging Program is now focused on protecting customers from peaks in the gas price by purchasing options contracts. Under the new program, call options will be purchased at a strike price that is high enough to offer a relatively low cost insurance against market price increases above that level. If prices do not spike, Northern can purchase the commodity at the prevailing market rates and the only additional cost incurred will be the price of the options. If the market price decreases, Northern will not have already locked in the price for the commodity. The cost of the options becomes insurance against the risk of increasing natural gas prices. The Commission adopted the revised program designed by the parties. .

Northern Utilities d/b/a Unutil Request for Approval of Rate Change

On April 1, 2013, Northern Utilities filed a request to increase its distribution rates by \$4.6 million, or 14%. In addition, Northern proposed a multi-year alternative rate plan (ARP) that would allow Northern to change distribution rates without requiring a rate case until April 2017. The proposed ARP includes an infrastructure replacement adjustment mechanism that would authorize rate increases to recover costs for specified improvements to Northern's distribution system for projects such as the replacement of cast iron pipes. Northern also proposed to change the design of its rates to recover more of the fixed costs associated with its distribution system through a fixed customer charge. After a round of discovery, a technical conference was held on May 31 concerning Northern's direct case. On July 3, the Office of the Public Advocate filed the testimony of its three expert witnesses, recommending that Northern's revenue increase be limited to \$1.5 million. It is expected that the Northern rate case will be resolved before the end of 2013.

Commission Investigation of Northern Utilities d/b/a Unutil's Capacity on Granite State Gas Transmission Co. and Rate Design

In early May 2013, the Commission opened an investigation into the effects on Maine customers of changes in Northern Utilities' firm capacity reservation on its affiliate Granite State Gas Transmission Company's pipeline. The Commission is seeking the resolve a debate over whether Northern should continue to reserve 100,000 Dth/day year round, given that its peak and off-peak actual and demand day usage is lower than this amount—in the case of off-peak usage, far lower. The Office of the Public Advocate had suggested that a reduction in the level of that reservation is called for. Because Northern's firm capacity reservation on Granite is so large relative to total Granite capacity available, Staff estimated that a reduction by Northern would result in substantially higher firm and non-firm rates, while Northern's firm sales and capacity assigned transportation

customers would see a modest decrease in their overall service costs. The Commission decided to investigate this cost shift and its effects on Maine gas customers. At the beginning of June, the Commission issued a procedural order directing Northern to prepare an analysis showing how modifying its Delivery Service tariff to require all transportation customers to hold year-round firm transportation capacity on Granite sufficient to cover 100 percent of their peak day demand would affect the allocation of Granite costs among Northern's sales and transportation customer classes. Northern filed an analysis suggesting that if 100% of Maine and New Hampshire transportation load was reserved on Granite as firm transportation, sales service unit costs would decrease from \$.83 to \$.76, transportation service unit costs would increase from \$.21 to \$.23, and Bay State Gas' unit costs would decrease from \$.25 to \$.24. At the time of this writing, the Commission's investigation is ongoing.

NUCLEAR POWER AND WASTE MATTERS

Maine Yankee Oversight Meetings

Every three months a group of Maine state officials (including the Public Advocate, and representatives from the departments of Public Safety, Human Services, and Environmental Protection) meet with representatives from Maine Yankee to review developments and update attendees on issues regarding the former Maine Yankee site and the Independent Spent Fuel Storage Installation (ISFSI) located in Wiscasset. Meetings during this fiscal year covered such topics as recent security inspections at the ISFSI, environmental testing of the former Maine Yankee site, the results of the Maine Yankee law suit against the United States Department of Energy (USDOE) over damages (1998-2006) attributable to the Federal Government's failure to comply with its contract obligations to begin removing spent nuclear fuel from Maine Yankee beginning in 1998, and the work of the President's Blue Ribbon Commission on Nuclear Waste.

Maine Yankee Lawsuits Against the US Department of Energy

In May 2012, in the Phase 1 lawsuit filed by the owners of Maine Yankee, Federal Appeals Court Judge Merrow awarded Maine Yankee \$81.69 million in damages for DOE's failure (between 1998 and 2002) to honor its contractual obligation to move spent nuclear fuel from Maine Yankee's spent fuel pool in Wiscasset to a permanent disposal facility (most likely Yucca Mountain, Nevada).

In March 2012, in the Phase II lawsuit, Judge Merrow issued an order that established a schedule for post-trial briefing. In late April, the Judge issued an order denying the government's request to admit into evidence any of the 167 Maine Yankee privileged documents submitted for his "*in camera*" review. This closed the record, and all post-trial briefing has been completed. The case is now ready for a decision, which is expected before the end of 2013. All funds that are awarded as damages in these cases, or in any negotiated settlement, are to go back to the companies which own shares in Maine Yankee, and then used to reduce the amounts billed to the customers of those owner-companies for the costs of operating and maintaining the ISFSI, and carrying out the other obligations remaining with Maine Yankee.

The owners of Maine Yankee have announced that the Phase 3 lawsuit will be filed before the end of 2013, covering costs related to the ISFSI during the period between 2008 and 2012.

Quarterly Conference Calls

On a quarterly basis, representatives of the three Yankee Atomic companies (including Maine Yankee), and state regulators from Maine, Connecticut and Massachusetts, including the Maine Public Advocate, hold a conference call to review national, regional and state activities regarding nuclear waste disposal, lawsuits against the U.S. DOE, federal actions effecting nuclear power plants (open or closed), and the activities of the several national groups working on nuclear power and waste issues.

Maine Yankee Investment Overview

In March of each year, Maine Yankee's investment advisory firm briefs the PUC Chair and the Public Advocate on the performance of their Nuclear Decommissioning Trust investment portfolio during the preceding calendar year. Since under-earning in 2008, the portfolio's mix of stocks, bonds and cash has performed better than anticipated. The portfolio in 2012 achieved its goal of a 5.5% return over the most recent five year period, and the investment firm has modified their conservative investment strategies to slowly bring results back to the targets over a five year time horizon.

TELECOMMUNICATIONS

Public Utilities Commission Dockets

FairPoint Regulatory Obligation Regarding Broadband Deployment and related Litigation

After years of quarterly reports and meetings with FairPoint to track their compliance with the broadband regulatory obligation (negotiated as a condition of acquisition of Verizon-Maine and later modified by the bankruptcy regulatory settlement), the Office of the Public Advocate determined that FairPoint's claimed compliance was based on inappropriate calculations and definitions. We petitioned the Commission to enforce the obligation, leading to a substantial litigated proceeding and a Commission Order that largely agreed with the OPA position. FairPoint then appealed to the Law Court. After oral argument in November 2012, the Law Court rendered a decision in our favor in January of this year. The Commission subsequently issued an Order to Show Cause requiring FairPoint to show why it should not be found non-compliant and be required to revert to the original 90% requirement, as provided in the bankruptcy settlement as a default penalty. The Order to Show Cause also raised the issue of whether the new speed requirement (first introduced in the bankruptcy settlement -- 512 Kbps upload and 1.5 Mbps download) should apply to the Verizon legacy connections (ATM network) as well as to the more modern and incremental broadband network built by FairPoint (NGN Network). In August of 2013, the Commission approved a settlement negotiated between the Public Advocate and Fairpoint to resolve the issues raised in the Order to Show Cause, under which FairPoint agreed to invest millions of dollars to expand broadband service in Maine while maximizing federal contributions from the Connect America Fund.

Public Advocate Request for Investigation of FairPoint's Retention of Federal USF Credits

FairPoint has received forward-looking non-rural Universal Service Fund support of approximately \$1.1 million/year, the uses of which are subject to both federal and state regulation. In Maine, Verizon agreed that the support would be used to directly reduce the cost of phone service by converting the support to a direct credit on customer phone bills. Verizon would periodically true up the amount of support with the number of customers by increasing or decreasing the credit based on the customer count. However, the Office of the Public Advocate noticed that FairPoint, while losing customers at an unprecedented rate over the last few years, had failed to seek to have the credit adjusted upward to reflect the lower customer count. At the request of the OPA, the Commission opened an investigation. In August of 2013, the OPA and FairPoint reached a settlement to close this investigation, in exchange for FairPoint's agreement to undertake upgrades that would improve access broadband service in underserved areas. The agreement is currently pending before the Commission.

Rural Exemption Proceedings Involving Four Rural Telephone Companies and Time Warner Cable

The Office of the Public Advocate was a key party to heavily litigated proceedings (lasting about two years) with respect to Time Warner's petition to lift the federal rural exemption that protects small incumbent local telephone companies from obligations to support competitors within their

territories. Based substantially on the evidence that we produced, the Commission found that competition from Time Warner would render the five affected local phone companies economically non-viable (the companies were Oxford, Oxford West, Lincolnville, Tidewater, and Unitel). Time Warner then sought relief from the Commission's order at the FCC. The resulting FCC decision did not vacate the Maine Commission's decision but did determine that the Commission incorrectly interpreted certain aspects of the law regarding the rural exemption and interconnection obligations. Time Warner later amended its requested relief and sought a new round of litigation at the Commission. Four of the original five telephone companies appealed to the Law Court and those appeals are pending.

FairPoint Service Quality Rules and Potential Penalties

After the Legislature passed an Act to Reform Telecommunications, the Commission was charged with determining a new service quality program for FairPoint until a final approved rule takes effect. In that proceeding, the Office of the Public Advocate was successful in persuading the Commission that a program of service quality standards and potential penalties for failing to meet those standards, is still important to protect FairPoint's customers from degradations in service. As a result, the Commission approved the continuation of a service quality program with a maximum penalty of \$2 million. Penalties serve to lower bills of consumers when FairPoint fails to meet the minimum standards. The Office of the Public Advocate also actively participated in the Commission's rulemaking to determine service quality standards and potential penalties for all telephone companies in the State. Our Office generally supported the resulting provisional rule, but it was ultimately not approved by the legislative Committee on Energy, Utilities and Technology pending further discussions and proceedings. The Office of the Public Advocate will actively participate in the formulation of a new service quality rule with the goal of providing the best incentives for the maintenance of high-quality telephone service to be available to all people in Maine.

Public Advocate's Request for Investigation of FairPoint's Participation in Federal Connect America Fund (CAF) programs

The Office of the Public Advocate successfully petitioned the Commission to open a docket to monitor FairPoint's participation in CAF, in order to ensure that our dominant telecommunications carrier maximizes federal support to expand broadband services in Maine. While FairPoint and other large phone carriers declined to accept most of the available money in the initial phase of CAF, the Commission's new monitoring of Fairpoint's CAF participation has led to extensive discussions concerning the economics of FairPoint accepting new broadband obligations and a likely agreement between FairPoint and our Office. This will help leverage available federal dollars and therefore extend the broadband expansion and upgrades that FairPoint would accomplish absent that support. Maine law requires the Commission to maximize federal telecommunications support when the opportunity arises.

The Staff of the Office of the Public Advocate is regularly asked to speak to groups, ranging from community groups such as retirement communities and libraries, to professional groups such as the Maine Technology Consumers Group (MTUG), which includes large consumers such as LL Bean. On October 3, 2012, Senior Counsel Wayne Jortner gave a presentation to MTUG about the major regulatory issues in state and federal telecommunications, as well as a brief history of the industry.

Universal Service Administrative Company (USAC)

Senior Counsel Wayne Jortner is on the board of directors of the federal Universal Service Administrative Company (USAC), which administers the programs of the federal Universal Service Fund governed by the Federal Communications Commission (FCC). As the current treasurer and chairman of USAC's Rural Health Care Committee, Wayne represents all US consumers on this board. USAC collects and distributes almost \$9 billion annually to support four types of telecommunications programs – School and Library program (E-Rate), High Cost Program, Low Income program (Lifeline), and the Rural Health Care program (telemedicine networks and Internet connectivity for health care providers). Maine entities receive over \$50 million per year from these programs.

National Association of State Utility Consumer Advocates (NASUCA)

Wayne Jortner also serves as one of the steering committee members of the Telecom Committee of NASUCA, our national affiliate. Through that mechanism, the Public Advocate contributes to legal and policy advocacy at the FCC.

Ratewatcher Telecom Guide

After recent legislation providing the Public Advocate with a new duty – to provide information to consumers about unregulated services of utilities and competitors to regulated utilities -- the Office of the Public Advocate is currently producing the next edition of the popular Ratewatcher Telecom Guide which should be available by this fall.

WATER

Public Utilities Commission Dockets

Commission Investigation into Lease Agreement and Contract for Bulk Water Supplies between Fryeburg Water Company and Nestle Waters of North America

In August 2012, Fryeburg Water Company (FWC) filed with the Commission a proposed new agreement between FWC and Nestle Waters North America, Inc. (NWNNA), governing the sale of FWC spring water to NWNNA. The proposed Agreement was designed to modify the existing relationship between FWC and NWNNA, which is governed by an earlier Agreement between FWC and Pure Mountain Springs LLC, dated September 22, 1997, and which is still in effect. The new Agreement continued NWNNA's exclusive right to use untreated water from FWC's Well No. 1, but reduced FWC's powers during emergencies, placing NWNNA on equal footing with FWC's other non-residential customers. In addition, the 2012 Agreement also granted NWNNA a level of exclusivity it did not enjoy under the 1997 Agreement. The 1997 Agreement gave NWNNA the right to sell untreated water to others as long as it did not affect the amount or quality of water available to NWNNA. The new Agreement, however, granted NWNNA exclusivity. Furthermore, the term of the new Agreement is 25 years with possible extensions to 45 years.

In addition to the Office of the Public Advocate, three Fryeburg-based customers and Food & Water Watch (F&WW), a national water conservation group, intervened in the proceeding. After discovery and a technical conference, the parties filed comments on the proposed Agreement. Our comments stated that, on balance, the new Agreement provides benefits to both FWC and NWNNA as compared to the 1997 Agreement. FWC would receive a guaranteed level of revenues that is significantly higher than the minimum payment obligation under the 1997 Agreement. We also noted that the proposed Agreement would significantly reduce NWNNA's marginal cost of purchasing water from FWC, which could result in NWNNA increasing its purchases, and that a dramatic increase in water withdrawals from the aquifer could have adverse effects on the water source. Therefore, we recommended that the new Agreement be approved only if it is subject to a condition that permits FWC and/or its customers to petition the Commission for a modification or suspension of the 2012 Agreement in the event that NWNNA's increased purchases of water threaten the quality or sustainability of the aquifer.

In early March 2013, the Commission held a public witness hearing in Fryeburg at which approximately thirty people from in and around Fryeburg expressed concerns about the length of the new Agreement, and about possible threats to the sustainability of the aquifer and to the quality of the water in the aquifer. Thereafter, the parties held several negotiation meetings in an effort to resolve the case by settlement. After all parties but the Office of the Public Advocate dropped out of the negotiation, we reached an agreement with FWC under which Fryeburg agreed to shorten the term of the lease to twenty years and to provide certain other protections. The Fryeburg-based intervenors and F&WW objected to the stipulation, and in May 2013 a hearing was held on the stipulation. In an Order issued on July 1, 2013, the Commission declined to approve the stipulation, finding that the parties to the stipulation did not represent a sufficiently broad spectrum of interests to insure there is no appearance of disenfranchisement. At this writing, the case is ongoing.

East Vassalboro Water Company Proposed Increase in Revenues

On August 3, 2013, the East Vassalboro Water Company submitted a rate filing in which the Water Company proposed an increase in its revenues of \$24,831, or 116.4%. After an initial case conference and a round of written discovery on the Water Company's filing, the Commission held two technical conferences at which the rate filing was criticized for its lack of completeness. After several conference calls, in late November, the Company filed its updated rate case exhibits in response to the concerns that had been expressed by the Commission Staff that the proposed revenue increase was not sufficient to meet the Company's needs. Soon thereafter, the Office of the Public Advocate submitted a stipulation, later approved by the Commission, under which it was agreed that the Water Company should increase its rates by \$31,580 over its 2011 actual revenues.

Maine Water Company Requests for Rate Increases

In early April 2013, Maine Water Company proposed rate increases in three of its ten divisions: Greenville (\$26,985, or 6.7%), Hartland (\$14,326 or 4.8%), and Kezar Falls (\$52,251, or 15.7%). Each of those cases was primarily driven by a combination of higher operating costs and by each division's reduced revenues – revenue reductions resulting from fewer customers or reduced volumes of sales. Each of these cases was significant also because it represented the first opportunity to capture for ratepayers the promised savings resulting from the January 2012 acquisition of AquaMaine (MWC's predecessor) by Connecticut Water. After a round of data requests, the technical conference in those cases took place in the first week of June. Thereafter, the Office of the Public Advocate and Maine Water Company conducted a series of negotiations resulting in a stipulation in each of the three cases. By agreement, the revenues for Kezar Falls were increased by \$50,400 or 15.1%. For the Hartland division, it was agreed that revenues would increase by \$12,500 or 4.1%. For the Greenville, revenues were increased by \$25,200 or 6.2%. (Total savings -- \$5,456).

Pine Springs Roads & Water, LLC Request for Rate Increase

Pine Springs Roads & Water (PSR&W) is a small investor-owned water utility that serves approximately 80 customers in a subdivision located in a rural portion of Shapleigh, Maine. In January 2013, Pine Springs proposed to increase its rates to \$291 per quarter; and then, in an updated rate filing, proposed an even higher revenue requirement (\$109,024) – that would result in rates of \$328 per quarter, or a 64% overall increase. At least ten customers intervened in the rate proceeding, and, at the urging of the Commission's Hearing Examiner, those intervenors appointed two representatives to work closely with the Office of the Public Advocate. In order to keep the Company's rate costs low, the OPA and intervenors worked together to reduce the amount of discovery. After a truncated technical conference on the Pine Springs, the final phases of discovery were carried out in writing. By the beginning of August, we had filed three different sets of testimony that resulted overall in the recommendation that Pine Springs' revenues be reduced to \$59,465. At this writing, the case continues.

Winterport Water District Investigation into Proposed Rate Change

On August 31, 2012, the Winterport Water District submitted a rate filing to the Commission in which the Water District proposed an increase in its revenues of \$60,908.00, or 27.10%. After a round of discovery, a technical conference was held that focused on the completeness of the Water

District's filing and on certain issues concerning the Water District's expense adjustments. The Water District confirmed that the amount of the revenue increase that it had requested was less than size of the increase indicated by a its actual revenues and projected expenses. That is, the District's trustees had made an effort to limit the size of the proposed rate increase. Thereafter, the Office of the Public Advocate and the Water District filed a stipulation that focused in part on concerns raised by the Commission Staff about the adequacy of the District's rate filing. The stipulation, approved by the Commission on November 15, 2012, agreed to a revenue increase for the Water District of \$60,908 or 27.10% over the District's 2011 revenues.

MEETINGS AND CONFERENCES

Federal Energy Regulatory Commission - Settlement Meeting (Washington, DC) October 15, 2012, Eric Bryant

National Association of State Utility Advocates - Mid-Year Meeting (Baltimore, MD) Nov. 10, 2012, Patty Moody-D'Angelo

Independent System Operator – New England – Meeting (Boston, MA) December 6, 2012, Agnes Gormley

Federal Energy Regulatory Commission - Settlement Meeting (Washington, DC) January 1, 2013, Agnes Gormley

Universal Service Administrative Company (Washington, DC) April 21-24, 2013, Wayne Jortner

Federal Energy Regulatory Commission - Settlement Conference (Washington, DC) April 29-30, 2013, Agnes Gormley

Independent System Operator – New England – Liaison Meeting (Westborough, MA) June 6-12, 2013, Agnes Gormley

DIG SAFE

During the 2012 session of the Legislature, the legislature created a Dig Safe Work Group to consider and make recommendations on ways to improve the State's system for protecting the underground facilities used in connection with the storage or conveyance of water, sewage, electronic, telephonic or telegraphic communications, electric energy, oil, gas or other substances. Richard Davies, then Public Advocate, was designated to chair the 23 member group. Other members were appointed representing utilities which operate underground facilities, municipalities, contractors, the Dig Safe System, and the public.

During the summer and fall of 2012, in five half-day meetings, the Dig Safe Work Group considered the primary task of "examining ways to facilitate the creation of a centralized 'one-call' system to notify operators of underground facilities of pending excavations"; and considering costs of membership in Dig Safe, administrative penalties and insurance requirements for non-members, appropriate tolerance zones by type of facility, developing a process for the PUC to keep records of successful markings and excavations, and the need for an ongoing advisory board to provide input to the Legislature and the PUC on Dig Safe issues.

In November, at its final meeting, the Work Group considered six "recommendations", voted on five of the recommendations, and approved four of them by votes which exceeded the requirement that recommendations be approved by at least two-thirds of the entire membership. Recommendations approved included:

1. Development of a "decision tree" based on industry best practices, for addressing, through consultation, training or penalties, actions resulting in violations of the Dig Safe law;
2. Creation of a Dig Safe Advisory Board, with specific issues assigned, and authority to work on other issues with the potential of improving the protection of underground facilities;
3. Requiring all water and sewer utilities to become members of Dig Safe System, with all costs of membership (other than the \$1 per "location" charge) paid for by the Principal Members of Dig Safe (those with more than 100 miles of underground facilities); and
4. (In the event that Recommendation 3 was not approved by the Legislature) Requiring any owner/operator of underground facilities which is not a member of Dig Safe to register with, and provide certain information to the PUC's OKTODIG database.

These four recommendations were included in the "**Joint Report on Dig Safe Work Group Recommendations**" submitted by the Office of Public Advocate and the Public Utilities Commission on January 15, 2013 to the EUT Committee, and were ultimately included by way of an amendment to another Dig Safe bill. Because it was late in the legislative session and the legislative committee's schedule was already very full, the Dig Safe legislation (LD 965) and the Work Group's proposed amendment to add the first three recommendations to the bill were carried over to the 2014 session of the Legislature for action.

LEGISLATIVE ADVOCACY

The First Session of the 126th Legislature at the Energy, Utilities and Technology (EUT) Committee level, and before the full Legislature, was generally productive for utility ratepayers, with the Committee accepting the positions recommended by our Office on 88% of the bills on which the office testified. The Committee's top priorities were to reduce the cost of electricity, improve the competitiveness of our electric and gas utilities, increase investments in energy efficiency, complete the unfinished process for regulatory reform of telecommunications, reduce the growth of regional electricity transmission costs, and address community concerns with the impacts of expedited wind development.

The Committee's major achievement was the creation (over six weeks) of an omnibus energy bill, comprised of parts of more than a dozen bills considered by the committee during the session. This legislation (LD 1559) was enacted by sizable majorities in both the Senate and House, and was ultimately passed after the Legislature overrode the Governor's veto. Among other things, the legislation provides for a substantial increase in funds devoted to energy efficiency and additional requirements related to consideration of non-transmission alternatives in the context of transmission planning. The bill also establishes a process for the State of Maine to purchase natural gas pipeline capacity with the goal of reducing regional electricity prices. The Office of the Public Advocate will play a role in selecting the consultant to conduct the analysis required for such a contract, and in any subsequent proceeding before the Public Utilities Commission.

Other significant measures approved by the committee and the full Legislature included: authorizing water utilities to establish infrastructure surcharge and capital reserve accounts to facilitate replacement or upgrading of outdated infrastructure; planning to avert the risks to our electricity transmission system from electromagnetic pulses; authorizing a plan for reforming regulation of consumer-owned water utilities; creating a working group to study issues regarding the deployment of broadband infrastructure; and allowing municipalities options for controlling their municipal lighting and its costs.

Some significant decisions were held over until the 2014 session, including: a decision on funding for Provider of Last Resort" or "POLR" basic telephone service; the Governor's proposal to remove the 100 megawatt cap on renewable energy sources for eligibility under the Renewable Portfolio Standard; legislation to eliminate the opt-out charges for those not wanting a smart meter; implementing the recommendations of a "Dig Safe" work group for protecting underground facilities operated by utilities and others; and ensuring equitable support for long-term energy contracts.

LEGISLATIVE SCORECARD

OPA position adopted by committee: 22 (88%)
OPA position rejected by committee 3 (12%)

Bills OPA testified on: 25 (100%)

Abbreviations:

OTP – Ought to Pass

OTP-Am – Ought to Pass as amended

ONTP – Ought Not to Pass

NF/NA – Neither for nor against

LTW – Leave to Withdraw

IPP – Indefinitely Postponed

LD# Bill Title

0004 Resolve – PUC rule chapter 675

Sponsor: Hobbins

Description: Authorizes infrastructure surcharge and capital reserve accounts for water utilities.

The OPA amendments added to the bill authorized the PUC rule only if the PUC amends the rule to clarify some language regarding maximum amounts of the infrastructure surcharge, to use consistent terms regarding attributing funds, and to provide that the OPA and PUC advisory staff and the water utility are able to agree in advance of an surcharge filing on the current cost of debt and the return on equity and capital structure to be used

OPA position: Support both the original bill and the amendments

Committee action: OTP-Am

Result: **Resolve Ch. 4**

0114 An Act to Amend the Charter of the Portland Water District

Sponsor: Shaw

Description: Required PWD to charge Standish (a non-member) same rates as member towns

OPA position: Opposed

Committee action: **ONTP**

0131 An Act to Secure the Safety of Electrical Power Transmission Lines

Sponsor: Boland

Description: Requires protection of electric infrastructure from electromagnetic pulse and geomagnetic storm dangers. The amended version was a Resolve directing the PUC to examine measures to mitigate the effects of geomagnetic disturbances and electromagnetic pulses on the state's transmission system.

OPA position: Support both original bill, and the amended version

Committee action: OTP-Am

Result: **Resolve Ch. 45**

- 0179 An Act to Amend Anson and Madison Water District Charter**
 Sponsor: Dunphy
Description: Set standard annual meeting dates for the district. Amended version added an effective date.
 OPA position: Support the bill and the amendment
 Committee action: OTP-Am Result: **P&S Ch. 5**
- 0215 An Act to Protect Landlords When Tenants Fail to Pay Utility Bills**
 Sponsor: Malaby
Description: Allow landlords to be notified if tenant is about to have electricity disconnected. The amended version requires, upon request of a landlord, a transmission and distribution utility to enter into an agreement w/that landlord to transfer the service from the name of the tenant to that of the landlord if the service would otherwise be disconnected.
 OPA position: Support bill and amendment
 Committee action: OTP-Am Result: **P.L. Ch. 250**
- 0302 Resolve, Directing the PUC to Review Certain Electricity Distribution Charges Assessed on Businesses**
 Sponsor: Guerin
Description: PUC to study whether 25kw demand charge should be waived in a month where same month in prior year did not reach 25kw. Amended version defines the scope of the PUC study and sets reporting deadline at January 15, 2014.
 OPA position: Support bill and amendment
 Committee action: OTP-Am Result: **Resolve Ch. 20**
- 0303 An Act to Authorize the Public Advocate to Publish and Distribute Consumer Information**
 Sponsor: MacDonald
Description: OPA-drafted bill to give clear authorization to OPA for producing and making available consumer information. Amendment allows the information to be published in a variety of formats, and removes reference to offering advice, and deletes reference to municipal drinking water.
 OPA position: Proposed the bill and supports the amendment
 Committee action: Maj. report – OTP-Am Result: **P.L. Ch. 79**
 Min. report - ONTP
- 0441 Resolve, Directing the PUC to Develop a Plan to Reform Water Regulation**
 Sponsor: Haskell
Description: PUC to develop a plan to reform regulation of consumer-owned water utilities. Amendment has Resolve apply only to consumer-owned water utilities, and adds OPA requirement that rates charged by each consumer-owned water utility be “just and reasonable.”
 OPA position: Support bill and amendment
 Committee action: OTP-Am Result: **Resolve Ch. 47**

- 0697 An Act to Increase Maine’s Energy Competitiveness**
 Sponsor: Katz
Description: Allows T&D utilities and gas utilities to provide grants and loans, including loans with on-bill financing, for customers converting to alternative energy sources. Amended version authorizes the PUC to extend the length of, and the number of customers who may participate in the pilot program for efficient heat pumps; and clarifies the PUC authority to establish special rates with respect to customers in the pilot program, as long as the costs of the pilot program are recovered only from customers participating in the pilot program,
 OPA position: Support bill and amendment
 Committee action: OTP-Am Result: LD 697 **IPP**, but bill language included in LD 1559
- 0795 An Act to Amend the Net Energy Billing Program to Allow Participation by Certain Municipal Entities**
 Sponsor: Longstaff
Description: Muni or quasi muni can be net biller if it owns a 800kW or less renewable facility
 OPA position: NF/NA Committee action: **ONTP**
- 0876 Resolve, to Establish a Working Group to Study Issues Relating to Broadband Infrastructure Deployment**
 Sponsor: Johnson
Description: Establishes a working group to address issues related to deploying broadband conduit.
 Amended version adds representatives from the Public Advocate and State Chamber of Commerce to working group, and expands the scope of duties to include consideration of “dig once” policies to encourage broadband build-out in unserved areas of Maine.
 OPA position: Support bill and amendment
 Committee action: OTP-Am Result: **Resolve Ch. 28**
- 0885 An Act to Remove Obsolete Provisions of the Restructuring Act**
 Sponsor: Cleveland
Description: Repeals provisions of electric industry restructuring law that are no longer needed or relevant. Amendment retains provision for separate charges for electricity and transmission; and transfers remaining funds in PUC Consumer Education Fund to the Public Advocate, to be used for consumer education relating to the electricity industry.
 OPA position: Support bill and amendment
 Committee action: OTP-Am Result: **P.L. Ch. 116**
- 0894 An Act to Provide Customers with Itemized Bills**
 Sponsor: Monaghan-Derrig
Description: Provide customer with itemized bills
 OPA position: Oppose Committee action: **ONTP**
- 0964 An Act to Encourage Community-based Renewable Energy**
 Sponsor: Fredette
Description: Revises allocation of certain long-term contract costs
 OPA position: Oppose Committee action: **ONTP**

- 1187 An Act to Create the Maine Energy Cost Reduction Authority**
 Sponsor: Fredette
Description: Create entity to lower gas prices in New England and Maine
 OPA position: Oppose Committee action: **ONTP**
- 1251 An Act to Lower Costs to Municipalities and Reduce Energy Consumption through Increased Competition in the Municipal Street Light Market**
 Sponsor: Nelson
Description: Requires electric utilities to provide options to municipalities for providing street lighting. Amendment tightens the language of the bill.
 OPA position: Support the bill and the amendment
 Committee action: OTP-Am Result: LD 1251 **IPP**, but bill language incorporated into LD 1559
- 1262 An Act to Reduce Energy Costs**
 Sponsor: Fredette
Description: Reduce “basis differential” cost impact on natural gas coming to New England
 OPA position: Support Committee action: LD 1262 **IPP**, but bill language added to LD 1559
- 1336 An Act to Dissolve the Lisbon Water Department**
 Sponsor: Crafts
Description: Dissolve the independent water utility and make it a town department
 OPA position: Oppose Committee action: **ONTP**
- 1342 An Act to Ensure Just and Reasonable Sewer Utility Rates**
 Sponsor: Treat
Description: Provides alternative to court appeals for sewer rate disputes. Amendment replaces the bill, and authorizes the Public Advocate to mediate between a sewer district and its customers with respect to a proposed rate change if 15% of the customers, or 1000 customers, whichever is less, petition the Public Advocate to mediate.
 OPA position: Support bill and amendment
 Committee action: OTP-Am Result: Vetoed by Governor – **veto sustained**
- 1403 Resolve, Require PUC to amend Rules Regarding Net Energy Billing**
 Sponsor: Walsh
Description: Required significant changes to Net Energy Billing rule
 OPA position: Oppose Committee action: **ONTP**
- 1426 An Act to Improve Maine’s Economy & Lower Energy Costs Through Efficiency**
 Sponsor: Boyle
Description: Add new energy efficiency provisions
 OPA position: Oppose Committee action: **ONTP**

- 1442 An Act to Establish a Pilot Natural Gas District in Maine**
 Sponsor: Nadeau
Description: Create a pilot natural gas district in Waterville-Fairfield area. Amendment tightens the language of the bill, and specifies the activities which the district can undertake.
 OPA position: NF/NA on bill, support for amended version
 Committee action: OTP-Am Result: **P&S Ch. 17**
- 1456 An Act to Promote Local or Community-based Generation Projects**
 Sponsor: Boland
Description: Requires electric meters to be electromechanical
 OPA position: Oppose Committee action: **ONTP**
- 1501 An Act to Apply the Precautionary Principle to Decision Making in Certain State Agencies**
 Sponsor: Boland
Description: Require PUC, if it has reasonable grounds for concern, to place burden of proof on applicant to show that the proposed action presents no appreciable risk of harm to the environment; or to human, animal or plant health. Amendment limited application to an adjudicatory proceeding initiated after the effective date of the legislation and, if the PUC determines there are reasonable grounds for concern, it may require, as a condition of approval of the proposal that all cost-effective measures be taken to prevent that damage.
 OPA position: Support bill and amendment
 Committee action: Majority – ONTP Result: House and Senate accepted **ONTP**
 Minority – OTP-Am
- 1507 An Act to Include Useful Thermal Energy as a Renewable Energy Source**
 Sponsor: Jackson
Description: Allow useful thermal energy to qualify for Renewable Portfolio Standard
 OPA position: NF/NA Committee action: **ONTP**
- 1553 An Act to Maintain Competition among Electricity Suppliers Serving Northern Maine**
 Sponsor: Jackson
Description: Maintains the status quo on electricity marketing following the Bangor Hydro/Maine Public Service Company merger. The limitations on how much electricity an affiliated competitive provider may sell within the service territory of their affiliated distribution utility does not apply in the service territory of a distribution utility located in an area administered by the Northern Maine Independent System Administrator unless the PUC finds that the level of competitive electricity service and standard-offer service competition is substantially similar to the level in the area of Maine within ISO-New England.
 OPA position: Support Committee action: OTP **P.L. Ch. 346**

RATEPAYER SAVINGS

Ratepayer savings from June 30, 2012 to July 1, 2013 attributable to the Office of the Public Advocate:

CMP filed for approval to replace a transmission line running from Roxbury to Rangeley, claiming that the existing line was in serious disrepair. The upgrade would replace a 34.5kV line with a 69kV line at a projected cost of \$40.5 million. We retained an expert consulting firm and through discovery determined that the existing line was not in need of an upgrade, but did need maintenance and assorted new hardware items. Confronted with this information, CMP agreed to a dismissal of the CPCN petition.

\$ 40,500,000

FairPoint's acquisition of Verizon resulted in a rate reduction worth \$90 million over a five year period (FY 09 through FY 13) (5 yr. reduction – 5th year)

\$ 18,000,000

Bangor Hydro Electric and Maine Public Service filed a proposal for a corporate merger to bring the companies together as a single legal entity. The Public Advocate objected to the proposal that the companies “harmonize rates” which would have resulted in rate increases for customers of MPS.

\$ 164,000

In Public Advocate participation of the ISO New England's filing for a \$12.9 million increase to its administrative budget the OPA joined several state agencies in protesting the filing at FERC. ISO NE had proposed \$165 million for its 2013 administrative budget, a 10% annual increase bringing the increase over the last four years to 35%. We requested that the ISO New England budget process be subject to more scrutiny and review. The action was settled with a budget decrease of \$2.85 million as well as with an agreement to have more transparency and closer review of the budget process going forward.

\$ 228,000

Under the terms of the multi-party Stipulation that settled CMP's Maine Power Reliability Program (MPRP) case, the Commission determined that the reliability needs in the Mid-Coast area of Maine would be met through the implementation of a non-transmission alternative (NTA) pilot project. The pilot must reliably reduce load in the Boothbay sub region of the Mid-Coast by 2 MW. It is estimated that this alternative to a transmission line will save Maine ratepayers \$3 million annually.

\$ 3,000,000

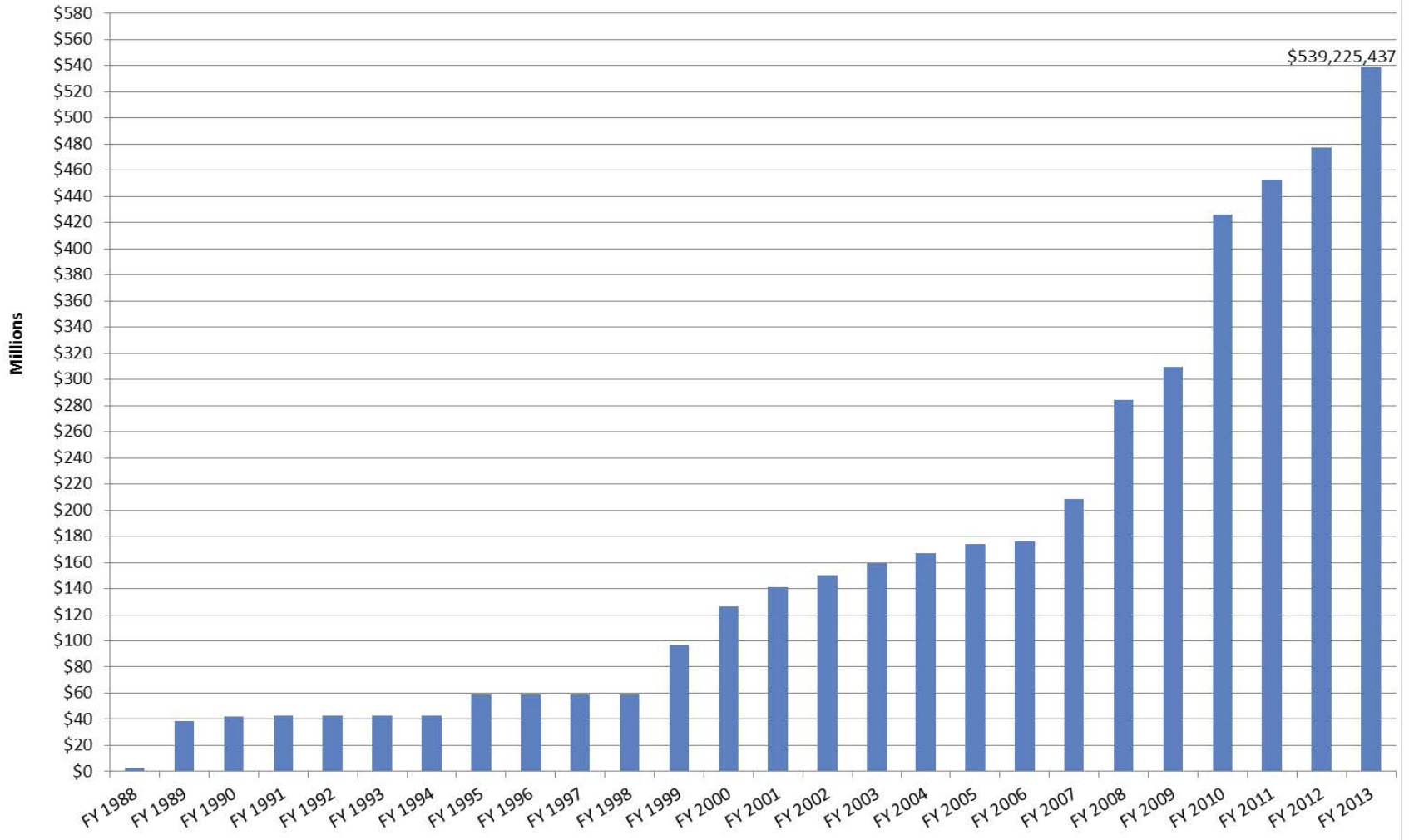
Maine Water Company proposed rate increases in three of its ten divisions: Greenville (\$26,985, or 6.7%), Hartland (\$14,326 or 4.8%), and Kezar Falls (\$52,251, or 15.7%). The Public Advocate and Maine Water Company conducted a series of negotiations resulting in a stipulation in each of the three cases. By agreement, the revenues for Kezar Falls were increased by \$50,400 or 15.1%. For the Hartland division, it was agreed that revenues would increase by \$12,500 or 4.1%. For the Greenville, revenues were increased by \$25,200 or 6.2%.

\$5,456

Total Savings FY 2013

\$61,897,456

Cummulative Savings in Rates 1988 to 2013



PUBLIC ADVOCATE STAFF TIME		
BY UTILITY CATEGORY & PROJECT: FY 13		
Electricity		47%
Federal	10%	
State	90%	
Ferry		0%
State		
Telephone		28%
Federal	15%	
State	85%	
Water		9%
Federal	0%	
State	100%	
Natural Gas		16%
Federal	2%	
State	98%	