

MAINE STATE LEGISLATURE

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Maine
Public Utilities Commission

LEGISLATIVE GUIDE

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INDEX

	<u>Page</u>
I. The Maine Public Utilities Commission	1
Purpose	1
Organization	1
Statutory Responsibilities	4
Resumes of Current Commissioners	6
II. Glossary of Terms	8
Electric and Natural Gas Regulation	8
Telecommunications Regulation	21
III. Proceedings	23
Formal Proceedings	23
Informal Proceedings	24
Separation of Staff	24
Typical Rate Case Schedule	24
Public Participation	25
Deliberations	26
Appeals	26
IV. Electric Rate Increases	27

I. The Maine Public Utilities Commission

PURPOSE

The Public Utilities Commission's purpose is to protect the public by ensuring that utilities operating in the State of Maine provide adequate and reliable service to the public at rates that are reasonable and just. The Commission is a quasi-judicial body which rules on cases involving rates, service, financing and other activities of the utilities it regulates. The Commission has jurisdiction over 152 water utilities, 13 electric utilities, 11 water carriers, 1 gas utility, 19 telephone utilities, 16 radio common carriers and resellers, 451 COCOTs, and 1 competitive interexchange carrier. These utilities had total revenues in 1991 of more than \$1.37 billion.

ORGANIZATION

The Public Utilities Commission was created by the Public Laws of 1913 and organized December 1, 1914. The Commission consists of three members appointed by the Governor, subject to review by the Legislative Committee having jurisdiction over utilities and to confirmation by the Legislature for staggered terms of six years. One member is designated by the Governor as Chairman. All three devote full time to their duties.

The Commission has 66 staff and an annual budget in FY 93 of approximately \$4.4 million. The agency is divided into five operating divisions as follows:

Administrative Division

The Administrative Division is responsible for fiscal, personnel, contract and docket management, as well as physical plant. The Division provides support services to the other divisions and assists the Commission in coordinating its activities. The Division has primary responsibility for public information and assists the General Counsel of the Legal Division in

providing information to the Legislature. Included within the Administrative Division are the Information Resource Center and Computer System Management section.

The Information Resource Center, staffed by a full-time Professional Librarian, provides resource and information services to all divisions of the Commission, the Legislature, and the public. The Center may be a valuable source of background information for the media.

Consumer
Assistance
Division

The Consumer Assistance Division (CAD) receives, analyzes and responds to complaints from Maine utility customers. The CAD assists individual customers in resolving their disputes with the utility and analyzes those complaints to determine what utility practices, if any, need to be corrected. The Division analyzes utility rate filings and prepares data requests and testimony on quality of service issues in major rate cases.

Finance Division

The Finance Division is responsible for conducting financial investigations and analysis of telephone, electric, gas and water utilities. The Division analyzes all applications of utilities to issue stocks, bonds or notes. The Division prepares testimony and other material concerning fuel clauses, cost of capital, rate base, revenues, expenses and depreciation for rate cases.

Legal Division

The Legal Division represents the Commission before federal and state appellate and trial courts and agencies. It provides examiners and legal advocates in cases before the Commission and assists in preparing and presenting Commission views on Legislative proposals.

Technical
Analysis
Division

The Technical Analysis Division provides expert advice to the Commission on questions of engineering, economics, science, mathematics, statistics, and other technical elements of policy analysis. Specific tasks include preparing and reviewing cost allocations and rate design proposals, analyzing and evaluating utility planning and operating decisions, and reviewing plans and specifications of major utility construction projects. The Division also advises the Commission on line extensions, inspects gas pipelines to ensure safe operation, investigates gas explosions, and investigates electrical accidents involving loss of human life.

STATUTORY RESPONSIBILITIES

<u>TERM</u>	<u>EXPLANATION</u>
Rates - General	The Commission reviews proposed changes in rates. General rate filings involve general increases in rates that significantly affect the utility's revenues. The Commission may suspend these filings for up to nine months. At the end of nine months, in the absence of action by the Commission, these rates become effective by operation of law.
Rates - Limited	Limited rate filings involve minor adjustments to individual tariffs and do not significantly affect overall utility revenues.
Terms and Conditions	Every public utility must file all terms and conditions that affect rates charged or to be charged for any service.
Rates - Municipal and Quasi-Municipal Water Utilities	Rate filings by municipal and quasi-municipal water utilities are effective by operation of law unless a valid customer petition is received.
Rates - Customer-Owned Electric Utilities	Rate filings by customer-owned electric utilities are effective by operation of law unless a valid customer petition is received.
Security Issuances	The Commission must approve the issuance of securities by utilities.
Sell Lease Mortgage of Property	Commission authorization is required before a utility can sell, lease, assign mortgage or otherwise dispose of property.
Commercial Transportation of Water	The Commissioner of the Department of Human Services consults with the Commission (among other agencies) as to whether proposals to transport water commercially from a site where it occurs naturally will constitute a threat to public health, safety or welfare, particularly in regard to its affect upon existing water utilities and their watersheds.

Agreements/ Contracts	The Commission must approve special contracts between utilities and customers.
Reorganization/ Affiliated Interests	The Commission must approve financial transactions between a utility and an affiliated interest as well as utility reorganizations.
Commission Rulemakings	The Commission is authorized to promulgate all necessary rules.
Commission Investigations	The Commission is authorized to investigate a utility whenever it believes any rate is unreasonable or that any service is inadequate or for any other appropriate reason.
Commission Delegations	The Commission may delegate to its staff certain duties in order to more efficiently accomplish the purposes of the Commission.
Advisory Rulings	Any interested person may petition the Commission for an advisory ruling with respect to the applicability of any statute or rule administered by the Commission.
Ten-Person Complaints	The Commission must investigate written complaints signed by ten or more persons made against any public utility.
Cost of Fuel Adjustments	An electric utility must seek Commission approval at least annually to adjust its charges to customers to reflect increases or decreases in the cost of fuel or purchased power used in the generation and supply of electricity.
Cost of Gas Adjustments	A gas utility must seek Commission approval in order to adjust its gas charges to its customers to reflect increases or decreases in the cost of gas.
Construction of Generating Facilities and Transmission Lines	Construction of generating facilities and transmission lines generally require Commission approval.
Authority to Serve Casco Bay	Provision of water carrier service in Casco Bay requires Commission approval.

Elizabeth Paine, Commissioner
Maine Public Utilities Commission

Elizabeth Paine has been a Commissioner of the Maine Public Utilities Commission since June of 1989. For eight years prior to her appointment she was the Director of the Maine Public Utilities Commission's Finance Division.

Commissioner Paine is a member of the National Association of Regulatory Utility Commissioners - Electricity Committee and Chair of Subcommittee on Environment and Efficiency and a former member of the NARUC's Staff Subcommittee on Accounting.

Commissioner Paine is a member of the Board of Directors of the Burnham Corporation, the Maine Energy Education Program, and the Wendell Gilley Museum, and on the Corporation of the Jackson Laboratory. She is Chair of Maine's Governor's Council on Physical Fitness and Sports and Treasurer of the Seal Harbor Yacht Club. Commissioner Paine is both the 1992 New England and Eastern Senior Adult figure skating Champion.

Before joining the Maine Commission, Commissioner Paine held positions with the New England Investment Group in Camden, Maine; American Broadcasting Companies, Inc.; Arthur D. Little; Union Oil Company; and Citibank. She received her Bachelor of Arts degree in Economics from Simmons College, and a MBA from Harvard Business School.

William M. Nugent, Commissioner
Maine Public Utilities Commission

William M. Nugent has been a Commissioner of the Maine Public Utilities Commission since October 1991. For 5 years prior to his appointment as Commissioner, Nugent was the President and Chief Executive Officer of the Chamber of Commerce of the Greater Portland Region.

Prior to joining the Chamber he was Executive Vice President and first Chief Operating Officer of Envirollogic Data, Inc., formerly of Portland (now of Norwell, Massachusetts), Commissioner of the \$550 million-a-year Michigan Lottery, and Deputy Director of Management and Budget for the State of Michigan.

A Phi Beta Kappa graduate of Fordham University, Nugent attended the U. S. Military Academy at West Point, and studied international affairs and public administration as a Heinz Fellow at the University of Pittsburgh.

Married, the father of two, Bill and his wife Rita live in Yarmouth, Maine.

II. Glossary of Terms

ELECTRIC AND NATURAL GAS REGULATION

Above the Line - The components of a utility's statement of income that appear above the operating income line. These are revenues and expenses that are attributable to the furnishing of utility service and are, in most instances, taken into account in fixing rates. (See Below the Line, page 9).

Accelerated Depreciation - (See Liberalized Depreciation, page 16).

Acquisition Adjustment - The difference between the price that a utility pays for facilities that are purchased from another utility and the depreciated original cost (book value) of those facilities on the books of the original utility owner.

Adjustment Clause - A provision in a rate schedule or utility tariff that provides for an adjustment to the customer's bill for changes in a specified component of cost-of-service, such as a fuel adjustment clause or a purchased gas adjustment clause.

AFUDC - (See Allowance for Funds Used During Construction below).

Allowance for Funds Used During Construction - Under generally accepted accounting for utilities, an allowance for the return on the capital costs of construction financing. Instead of recovering that return from customers as it is incurred, the utility accrues it in an account for construction work in progress (CWIP). That return is added to the direct costs of construction for purposes of determining the rate base upon which the utility will be allowed a return and recovery of depreciation when the facilities go into commercial operation. AFUDC includes a debt component and an equity component. Some regulatory agencies allow the return on CWIP to be collected from ratepayers as it is incurred, in which case AFUDC is not accrued.

Availability Factor - In the case of generating facilities, the percentage of time the facility is available for service, whether operated or not.

Average Rate Base - Rate base determined on the basis of the average investment during the test year rather than the investment at year end.

Avoided Cost - A measure of the price a utility may be required to pay to qualifying facilities under PURPA for power purchased from those facilities. It is the cost that the utility would have to pay to provide the power from the most economical new source (including other wholesale purchases) if it did not make the purchase from the qualifying facilities, and it is akin to marginal cost.

Base Load - The portion of a utility's load that is constant; the minimum demand on the utility's system.

Base Load Capacity - The generating capacity that serves the base load. Base load capacity will usually consist of a utility's largest and most efficient generating facilities with the lowest operating costs, such as nuclear and large coal-fired facilities.

Base Rate - The portion of a utility rate that excludes special rate components such as a fuel factor, fuel adjustment clause or purchased gas adjustment clause.

Below the Line - The components of a utility's statement of income that appear below the operating income line. These are revenues and expenses that usually are not attributable to the furnishing of utility service and therefore usually are not taken into account in fixing rates. (See Above the Line, page 8).

Capability - The maximum load that a utility facility can supply under specified conditions for a given time interval without exceeding approved limits of temperature and stress.

Capacity - (See Capability above).

Capacity Costs - The fixed costs related to the facilities that the utility must have available to serve the demand imposed by the customer.

Capacity Factor - The ratio of a generating facility's actual output to its maximum theoretical output, determined by dividing its output (in KWH or MWH) in the period for which capacity factor is being measured by the product of its capacity (in KW or MW) and the number of hours in that period. It is a measure of the efficiency of utilization of the facility and, for base load capacity, a measure of operating performance.

Capital Structure - The relative proportions of the various components - debt, preferred stock, common equity - of a utility's total capitalization measured at a given point in time.

Cash Working Capital - A component of rate base intended to reflect net funds used to pay operating expenses until such time as the expenses are recovered through revenues for utility service.

Certificate of Public Convenience and Necessity - A permit or license granted to the utility by a regulatory commission authorizing the utility either to build a particular facility or to provide service of a particular type or in a particular territory.

Class Cost Allocation - The process by which the various components of cost of service are divided among the several classes of customers, e.g. residential, commercial, industrial, etc.

Cogeneration - A process by which both electric energy and useful thermal energy (heat, steam) are generated. Under PURPA the thermal energy output must be no less than five percent of the total energy output to constitute cogeneration.

Coincident Peak - The demand on a gas or electric system imposed by a particular class of customers at a time of peak demand for the entire system.

Combined Cycle - A type of generating facility that combines a combustion turbine with a heat recovery boiler and steam turbine to increase output and improve efficiency.

Combustion Turbine - A generating facility in which a turbine is rotated by the action of expanding hot gases produced by the combustion of oil or gas. Combustion turbines can be installed relatively quickly at relatively low capital cost, but their operating expenses may be high.

Commercial Operations - The operational state for a generating facility that begins when the facility is brought into service on the utility's system after completion of construction and operational testing. At that time, in most jurisdictions, the investment in that facility is transferred from construction work in progress to plant in service on the utility's books, the accrual of allowance for funds used during construction is discontinued and depreciation is commenced.

Commodity Charge or Commodity Rate - The term refers to the charge for each unit of service actually received, e.g., units purchased in sales transactions or units shipped in transportation transactions.

Comparable Earnings Analysis - A method of aiding in the determination of a reasonable rate of return on common equity of a utility by analyzing the experienced or expected rates of return on common equity of other companies having comparable risks and uncertainties.

Connected Load - The aggregate demand that the electricity-using devices connected to a utility's system would impose if all of them were fully energized at the same time. The connected load of a particular customer or group of customers is the aggregate demand that a customer or group would impose if all of its electricity-using devices were fully energized at the same time.

Construction Work in Progress - A utility's investment in facilities under construction, which have not yet been placed in commercial operation.

Contributions in Aid of Construction - Funds advanced to a utility by a customer to pay for construction of facilities.

Cost Allocation - In ratemaking, the process by which the common costs of furnishing utility service - those which are not susceptible to direct assignment - are divided among jurisdictions (jurisdictional allocation) and among classes of customers (class allocation) in a cost of service study.

Cost Classification - The assignment of cost of service to the demand and commodity charges for the purpose of cost allocation. Variable costs are generally assigned to the commodity (or energy) charge. Fixed costs, such as transmission and storage costs, are assigned between demand and commodity (or energy) charges to varying degrees according to the type of cost classification that is employed.

Cost Functionalization - The division of the cost of service among the major distinct operations or funds of a regulated company or utility, such as production, gathering, transmission and storage.

Cost of Capital - The weighted average of the cost of various sources of capital, e.g., rate of return required to pay mortgage debt, preferred stock, and common equity. The cost of debt and the cost of preferred stock are usually determined, respectively, by the interest rate on the debt and the dividend rate on the preferred stock. The cost of common equity is a judgment determination based on economic and financial analyses, including comparable earnings analysis, discounted cash flow analysis, and risk premium analysis. The overall cost of capital is the weighted average of the costs of all of the components of the capital structure.

Cost-of-Service - The total measure of operating expenses, depreciation expenses, taxes, and return on rate base of a utility. In establishing rates, determination of the cost-of-service is a major focus of inquiry since that is the amount of money that is allocated among the various categories of customers and service.

Cost-of-Service Study - An analysis of cost-of-service in which the proper apportionment of costs among jurisdictions and/or among classes of customers is determined.

Customer Charge - A component of electric rates designed to cover those costs (such as metering and billing costs) that are related to the existence of the customer rather than to either the size and extent of the facilities needed to serve him or the quantity of electricity that he uses.

CWIP - (See Construction Work in Progress, page 10).

DCF - (See Discounted Cash Flow Analysis, page 12).

Declining Block Rate - A rate in which the unit charges decline as usage increases.

Demand - The requirements for electricity, measured in watts, kilowatts or megawatts, imposed by any customer or customers, or of any piece or pieces of electrical equipment, on a utility at any point in time. It is usually measured as an average over a period of time such as 15, 30 or 60 minutes.

Demand Charge or Demand Rate - The terms generally apply to the charge for the right to receive gas or electricity sales service or transportation or transmission service; that charge is determined principally by capacity costs or fixed costs. For the latter service, the demand charge is sometimes called a "reservation fee." The charge must be paid whether or not the service is taken. (See also Energy Charge, page 13).

Demand Side Management (DSM) - Management of the demand side of electric usage rather than the supply side, including conservation and interruptible load programs.

Differential Revenue Requirement - A method of calculating a utility's avoided cost for purposes of determining payments to be made to a qualifying facility under PURPA. It involves (a) calculating the utility's revenue requirement both with and without the costs that would be incurred if the utility were to obtain the power in question from some source other than the qualifying facility and (b) determining the difference between the two.

Direct Assignment - The process by which revenue and cost components that are readily identifiable with a particular jurisdiction or class of customers are assigned to that jurisdiction or class in a cost-of-service study. For example, revenues received from a particular class of customers are identifiable and may be directly assigned, while the power production costs attributable to serving that class are not readily identifiable and must be determined by class allocation.

Discounted Cash Flow Analysis - A method of estimating the cost of capital for common equity. It is based on the theory that the cost of common equity capital is the rate of return on common equity that investors require to invest in that equity without dilution of existing shares, and is equal to the dividend on that equity divided by market price (the dividend/price ratio or dividend yield) plus the rate of growth that investors anticipate in the investment.

Distribution - The component of a utility's electric system that delivers electricity from a substation, at which electricity from the transmission system is reduced to a voltage appropriate for distribution, to the utility's ultimate customers. Also, the process of distributing electricity.

Diversity - A characteristic of load that results from the fact that not all electricity-using devices are energized at the same time, thereby permitting a utility to furnish service to a group of customers having an aggregate connected load that is substantially greater than the total capacity of the utility's electric system.

Economic Dispatch - The process by which a generating system consisting of multiple generating facilities is operated to maximize the efficiency of the system and minimize its operating costs. It involves using the system's most efficient (having the lowest operating costs) generating unit that is not already in full use when additional capacity is needed and backing down or taking off line the least efficient (highest operating cost) operating unit when the need for capacity is decreasing.

Economic Energy - Electric energy from a source of one utility's system and made available to a second utility to displace more costly energy that could have been produced on the second utility's system.

Electric Lifeline Program (ELP) - A program directed by the legislature through which low-income electric customers receive assistance with their electric bills.

Electric Rate Adjustment Mechanism (ERAM) - A trial program designed to remove the disincentive to the utility to promote energy efficiency at the expense of revenues. It also removes the revenue impact of uncontrollable events such as weather and recessions.

EMF - Electric and magnetic field effects.

Energy Charge - A charge for the amount of energy actually received. (See also Commodity Charge, page 10).

Energy Costs - The variable costs (principally fuel costs) of producing the energy delivered to the customer, as distinguished from the costs of the facilities used to produce and deliver that energy.

Environmental Externalities - The economic analysis of environmental impacts of alternative energy sources.

Equivalent Availability Factor - A measure of the ability of a generating facility to provide its maximum output on a full time basis. The maximum theoretical equivalent availability is 100 percent. Any outage from service or reduction in the unit's ability to provide its maximum output while in service will reduce equivalent availability below 100 percent.

ERAM - (See Electric Rate Adjustment Mechanism above).

Excess Capacity - Capacity in excess of anticipated peak demand plus reasonable reserves.

Extra High Voltage - A transmission voltage of 345 KV or more.

Facilities Charge - An amount to be paid by the customer as reimbursement for or carrying charges on the investment in facilities furnished for the benefit of that customer.

Fair Rate of Return - The rate of return that a utility is entitled to have an opportunity to earn on its rate base or the rate of return on common equity that it is entitled to have the opportunity to earn on the common equity component of its capital structure. It should be commensurate with returns on investments on other enterprises having corresponding risks, and it should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and attract capital.

Fair Value - A measure of the number of dollars allowed in some jurisdictions to be included in rate base attributable to the utility's plant in service, as distinguished from net original cost. Presumably intended to approximate conventional fair market value, it is frequently determined by estimating reproduction cost less depreciation or by trending net original cost.

FERC - Federal Energy Regulatory Commission. FERC regulates wholesale and interstate electric and natural gas activity.

Final Rates - Rates that have been approved by the appropriate commission and are placed in effect without being subject to refund, as distinguished from interim rates.

Firm Sales - Sales of gas or electricity that are not subject to interruption by the utility in the absence of some casualty or other circumstance beyond the utility's control that necessitates such interruption.

Firm Transportation or Wheeling - Transportation of gas or transmission of electricity (wheeling) for another party that is not subject to interruption by the utility providing the service in the absence of some casualty or other circumstance beyond the utility's control that necessitates such interruption.

Fixed Costs - Costs associated with investment in system capacity and operating costs that do not vary or fluctuate materially with changes in operation or utilization of facilities. (See also Capacity Costs, page 9).

Fuel Adjustment Clause - A provision of a tariff or rate schedule that provides for automatic adjustment of electric rates to reflect changes in the cost of fuel and, in some jurisdictions, some or all of the cost of purchased power.

Fuel Factor - A component of electric rates in some jurisdictions that is designed to recover fuel costs. In those jurisdictions it differs from a fuel adjustment clause in that it does not change automatically but rather requires prior commission approval.

G&T or Generation and Transmission - The term is frequently used to identify an entity that provides generation and transmission service, as distinguished from distribution service, such as "G & T subsidiary" or "G & T cooperative."

Generation - The process of generating electricity. Also, the component of a utility's electric system that produces the electricity to be transmitted and distributed to customers.

Independent Power Producer - An entity, other than an electric utility that furnishes service to the public or a qualifying facility, that produces power for sale at wholesale to an electric utility.

Interconnection - An electrical connection between the electrical facilities of two electric systems permitting a flow of energy between the systems.

Interest Coverage - The ratio of a utility's income before interest charges (usually pre-tax) to total interest costs. It is a measure of the quality of the utility's debt securities and of the overall financial strength of the utility.

Interim Rates - Rates that have been permitted to go into effect, subject to refund pending final approval by the appropriate commission.

Interruptible Rates - A program under which an industrial customer receives power at a lower rate and in exchange agrees to pull the plug on request of the utility during peak periods.

Interruptible Sales - Sales of gas or electricity that are subject to interruption by the utility, either at its discretion or as otherwise prescribed by contract, generally in periods of high demand or short supply or during system emergencies.

Joint Use - The use by more than one utility of the property or facilities of one of them, as in the case of the telephone utility using the easements and poles of an electric utility for its telephone lines.

Kilovolt - One thousand volts. A measure of electromotive force.

Kilowatt - One thousand watts. A measure of both the utility's capacity and the customers' demand or load. A one-kilowatt generator or appliance has the capacity to produce or consume one kilowatt-hour of energy in one hour. Often confused with kilowatt hour.

Kilowatt Hour - A unit of electrical energy equal to 3,600,000 watt-seconds. Equivalent to 3,413 BTU or 860 Calories.

Lead/Lag Study - A method of determining the appropriate allowance for cash working capital to be studied in rate base by analysis of the time differences between the furnishing of service and the receipt of payment for that service on the one hand and between the incurrence of obligations and the payment of those obligations on the other.

Liberalized Depreciation - Certain methods of depreciation, approved for income tax purposes, that provide for relatively larger depreciation charges during the early years of the life of a property than would result from straight-line depreciation, and relatively smaller charges during the later years, with the result that the tax deduction for depreciation is greater in the early years and smaller in the later years. The internal revenue code has required over the years that regulatory commissions "normalize," or treat for rate-making purposes, the utility's depreciation expense as if computed on a straight-line basis. Otherwise the utility would not be entitled to utilize the tax benefits of liberalized depreciation. (See Tax Normalization, page 19).

Line Losses - The electricity lost between the utility's generating facilities and the customers' premises or any two intermediate points in the course of transmission and distribution.

Load - The demand imposed on a utility by the requirements of its customers.

Load Factor - The ratio of actual use to maximum use. For example, an industrial plant running three shifts at full capacity would have a high load factor.

Marginal Cost - The cost of producing/supplying one additional unit. Electric utility rates have generally been based on embedded cost rather than marginal cost, although marginal cost pricing concepts are sometimes applied, as in the use of avoided cost under PURPA.

Megawatt - One million watts or one thousand kilowatts. A measure of both the utility's capacity and the customers' demand or load.

Megawatt Hour - A unit of energy equal to one thousand kilowatt hours.

Minimum Bill - A bill for electric service charging a fixed amount for all usage below a specified level. Its purpose is to recover the customer charge from customers with very low usage.

Net Original Cost - Original cost of utility property less accumulated depreciation.

Non-Coincident Peak - The peak demand imposed on a gas or electric system by a particular class of customers or a particular jurisdiction without regard to whether it coincides with the peak demand for the system.

Non-Firm Sales - (See Interruptible Sales, page 15).

Non-Firm Wheeling - (See Wheeling, page 20).

Original Cost Depreciated - (See Net Original Cost, page 16).

Peak Demand - The maximum demand imposed on a gas or electric system in any period of time.

Peaking Capacity - Generating capacity that, by reason of its cost and/or operating characteristics, is used principally to serve peak loads. Facilities with high operating costs, such as combustion turbines, or limitations as to the length of time they are able to provide power, such as some hydroelectric facilities, will generally be used as peaking capacity.

Power Pool - Two or more electric systems that are interconnected and operated on a coordinated basis to achieve economics in supplying their combined loads.

Pro Forma Adjustments - Adjustments to test year operating results, for ratemaking purposes, to reflect known changes and to eliminate abnormalities, so that the adjusted results are a reasonable proxy for the expected results of normal operations in the rate year.

Prudently Incurred - A requirement with respect to the recovery of costs from customers; only investments and expenses that were prudent at the time they were made will be included in rate base and cost of service for ratemaking purposes.

PURPA - Public Utility Regulatory Policies Act of 1978, Pub. L. 95-617 (Nov. 9, 1978), 92 Stat. 3117.

Qualifying Facility - A cogeneration or small power production facility that meets the requirements of PURPA and therefore is entitled to the special treatment prescribed by PURPA.

Ratchet - A provision in a rate schedule that provides for billings to be based on the maximum present or past demand of the customer rather than the actual lower demands that may exist during the billing period.

Rate Base - In ratemaking, the investment on which the utility is given an opportunity to earn the rate of return approved by a regulatory commission. It normally will consist of the net original cost of the utility's plant in service plus an allowance for working capital, although some state commissions allow the fair value of plant in service or permit the inclusion of other components.

Rate Design - A cost-of-service is assigned to customers through a process of rate design. The first step, cost functionalization, divides the cost-of-service by major functions, such as production or generation, gathering, transmission or storage. This step is also referred to as a cost-of-service study. The second step categorizes the functionalized costs as fixed costs or variable costs. The third step, cost classification, assigns costs to the demand and energy or commodity charges. The fourth step, cost allocation, distributes the cost among jurisdictional and non-jurisdictional services and among customers or service zones. The fifth step is to set, or "design" the rate to recover the allocated cost of service.

Rate of Return - The percentage measure of a utility's overall earnings before the payment of interest and dividends. It is the ratio of the utility's operating income to its rate base, and is usually a composite of the average interest rate on preferred stock and the rate on common equity. (See also Fair Rate of Return, page 14).

Rate of Return on Common Equity - The percentage measure of a utility's earnings on its common stock. It is the ratio of the utility's balance available for common stock to its common stockholder's equity. Also referred to as "rate of return on equity" or "return on equity."

Rate Stability Adjustment - An adjustment made to minimize the rate impact of a decision in cases where the strict application of a principal would result in an acceptable rate increase.

Rate Schedule - A document containing the rates and certain terms and conditions of service for a specific class of customers.

Rate structure - The end result of the rate design process.

Reserves - Generating capacity in excess of what is needed to meet anticipated peak demand, providing a margin in the event of unscheduled outages of generating facilities, unusually severe weather, or forecasting errors.

Revenue Requirement - The revenues a utility requires to recover its costs and to give it an opportunity to earn the rate of return or the rate of return on common equity approved by the appropriate commission.

Risk Premium Analysis - A method of analysis sometimes used to aid in determination of the cost of capital for common equity. It involves the selection of a low risk security with an ascertainable cost (such as treasury bonds) and adding to that cost a premium to compensate for the higher risk associated with the utility's common equity. The size of the premium is usually based on the historic relationship between the costs of the two types of securities.

Small Power Production - A class of generating facilities designated for special regulatory treatment by PURPA and consisting of facilities that produce electricity using biomass, waste, renewable resources (including hydroelectric, geothermal and wind power), or some combination thereof as their principal energy source and whose capacity does not exceed 80 MW.

Spinning Reserves - Reserves that are on line and not connected to a load that can supply power to meet demand on very short notice in the event of an emergency.

Stacking - In economic dispatch, the process of selecting generating units to bring on line and take off line in order of their operating costs.

Standby Service - A class of service provided to customers with their own generating facilities in which the utility does not provide electricity continuously but rather stands ready to do so when called upon by the customer.

Steam Generator - A heat exchanger in the nuclear steam supply system of a pressurized water reactor through which the heated coolant from the reactor passes and gives up its heat to generate the steam that powers the turbine generator.

Stipulation - An agreement reached among some or all of the parties to a case which is then presented to the commission.

Substation - The component of an electric system that performs transformation and switching functions.

Switching - The process by which two or more electric circuits or a utility or utilities are connected to and disconnected from each other.

Tariff - A document filed with the appropriate commission, prescribing a utility's rates and terms and conditions of service. A rate schedule is a form of a tariff.

Tax Normalization - An accounting method under which the full tax effect that results from taking advantage of certain provisions of the tax law - most significantly those allowing the use of liberalized depreciation and the investment tax credit - is not flowed through to income in the year that the tax effect is experienced, but rather is amortized over the life of the property giving rise to it.

Test Year - In ratemaking, a 12-month period (which may, depending upon the jurisdiction, be either historic or partly or wholly forecasted) for which the utility's operating results are used, subject to pro forma adjustments, to determine the appropriate revenue requirement.

Transmission - The component of a utility's electric system that delivers electricity at high voltage from points of supply (generating facilities and interconnections with other utilities) to substations from which the electricity is distributed to customers by the distribution system. Also, the process of transmitting electricity.

Turbine Generator - A machine, consisting of a turbine, which is powered by steam or other hot gases or by water, and an electric generator, which is powered by the turbine, that converts thermal or hydraulic energy into electric energy.

Used and Useful - A requirement that must be met in some jurisdictions before an investment in a utility plant will be included in rate base. The plant in question must be in service (used) and needed to furnish service to the public (useful). This concept is often relied upon to exclude from electric utility rate bases generating capacity that exceeds the utility's requirements to serve its load and provide reasonable reserves, expenses for generating transportation facilities that have been abandoned before completion, and construction work in progress.

Variable Cost - Costs that vary or fluctuate with changes in operation or utilization of facilities. Energy costs or purchased gas costs are examples.

Wheeling - Movement of electricity on the transmission system of a utility for some party other than that utility; a transmission service for others.

Working Capital - A component of rate base, consisting principally of cash (see Cash Working Capital, page 9), materials and supplies, reflecting the non-plant assets that a utility must have to provide service and meet the current costs of operations until it is reimbursed by customers.

Year End Rate Base - Rate base determined on the basis of the investment at the end of the test year.

TELECOMMUNICATIONS REGULATION

Access Charges - A group of charges levied by Local Exchange Carriers ("LECs") on Interexchange Carriers ("ICs"). The charges are meant to compensate local exchange carriers for use of the local network to complete interexchange calls.

Bypass - A general term concerned with the use of communications facilities or services (video, voice or data) which go around the local telephone exchanges of the Public Switched Network ("PSN") to initiate and terminate messages. Any facility can be used for bypass, but facilities such as cellular radio, two-way cable and direct satellite-to-roof-top antennas are examples of technological developments which have the capability to circumvent the local telephone network.

"Caller ID" - This feature provides the originating telephone number, date and time of an incoming call, to be displayed on a device attached to the customer's telephone.

Carrier Access Code - A set of digits dialed by an end-user to access the particular Interexchange Carrier to be used for a call.

Central Office - The building where switching equipment is located. A local central office is the switching office into which individual subscribers' access lines feed.

COCOTS - Customer Owned Coin Operated Telephones.

Customer-Premises Equipment - All equipment located on customer premises, except inside wiring and other equipment that is provided by common carriers.

Equal Access - The obligation imposed by the MFJ (see Modified Final Judgment, page 22) upon the Bell Operating Companies i.e. NYNEX, which requires them to provide exchange access to all interLATA carriers that is equal in type, quality, and price to that provided to ATT.

Extended Area Telephone Service (EAS) - A feature which allows a telephone customer toll free calling outside that customer's local exchange.

FCC - Federal Communications Commission. The FCC regulates interstate telecommunications activities.

Interexchange Carrier - Entities carrying interexchange traffic. Examples: Intra-state interexchange carrier - New England Telephone Company; Inter-state interexchange carriers - AT&T, Sprint, MCI.

Interexchange Communications - Communications between a point located in one exchange area and a point located in another exchange area, which do not have local calling to one another.

LATA - Area covered by one area code, i.e. 207.

Local Exchange - Area served by a local telephone company where all toll distances are calculated from the same point. In many cases, local exchanges are served by a single central office switch and have one 3 digit exchange code, i.e. 549 (North Whitefield).

Local Exchange Carrier - Examples: New England Telephone, Pine Tree Telephone, Saco River Telephone, etc.

Modified Final Judgment - The August 24, 1982 consent decree which sets forth the terms of the settlement of the 1974 antitrust action filed by the Department of Justice against the former Bell System.

Non-Traffic Sensitive (NTS) Plant - Facilities used in providing interstate and intrastate service whose cost characteristics do not change with variations in traffic levels.

Open Network Architecture - A traffic design that permits all users of the network to obtain most of the available network services on a nondiscriminatory basis.

III. Proceedings

Formal Proceedings

Formal Proceedings are generally those proceedings which appear on the Commission's monthly docket sheet and result in formal documents being filed with and issued by the Commission. Formal proceedings are usually concluded by a Commission vote and decision. They arise out of the Commission's specific statutory responsibilities to respond to petitions or applications filed by utilities, conduct investigations, and adopt rules.

1. Adjudicatory. Adjudicatory proceedings are those proceedings in which specific rights or obligations are at issue and are often dependent upon specific facts. In an adjudicatory proceeding the Commission acts in a capacity similar to that of a court, *i.e.*, in a quasi-judicial capacity. Parties to adjudicatory proceedings have a right to a hearing and to present evidence and argument before a decision is made. Examples of adjudicatory proceedings include rate cases, investigations of alleged unreasonable utility actions, petitions for approval of reorganizations, and review of requests for approval of energy sources by an electric utility.

2. Non-Adjudicatory. Non-adjudicatory proceedings involve cases in which applications by utilities may be processed without a statutory or constitutional right to a hearing. Although the law is not precise as to the distinction between adjudicatory and non-adjudicatory proceedings, generally speaking petitions for approval of issuance of securities and routine tariff filings are treated on a non-adjudicatory basis. In such cases the Staff has the flexibility of recommending a disposition of the case without the formalities of notice, opportunity to intervene, and hearings.

3. Rulemaking. Rulemaking proceedings involve the adoption by the Commission of rules or standards of general applicability and do not involve the resolution of individual facts or disputes. The adoption of rules is similar to the adoption of statutes by the Legislature and in such cases the Commission acts in a quasi-legislative capacity. Thus, rulemaking proceedings do not involve evidentiary hearings in which evidence is presented subject to the rules of evidence, oath, and the right of cross-examination. However, rulemaking proceedings include procedural protection such as notice and opportunity to comment and to speak at a hearing before the rule is adopted. Rulemaking proceedings often provide a good opportunity to resolve matters in a generic manner rather than on an individual case-by-case basis in an adjudicatory proceeding.

Informal Proceedings

Informal proceedings involve matters which generally do not appear on the Commission's docket. Informal proceedings include summary investigations pursuant to 35 M.R.S.A. § 296, which are conducted prior to the Commission deciding to commence a formal investigation. Informal proceedings also include the dispute resolution activities of the Consumer Assistance Division and safety enforcement activities of the Technical Analysis Division.

Separation of Staff

The Administrative Procedures Act requires the separation of staff advocacy and advisory functions in adjudicatory proceedings. If the Staff participates as a party or "Advocate Staff" in an adjudicatory proceeding, the Administrative Procedures Act prohibits ex parte communications between members of the Advocacy Staff and the Commissioners just as for any other party.

By assigning an Advocate Staff to cases the Commission is able to assure there is a party in the proceeding who represents the public interest with the necessary resources to assure the record is properly developed, i.e., discovery through data requests, cross-examination of testimony of other parties, and a presentation of evidence. Furthermore, the Advocate Staff is able to participate in negotiations with other parties in order to produce settlement of issues.

The Hearing Examiner, who is an attorney and member of the advisory team, functions something like an Administrative Law Judge in other jurisdictions. He/she conducts the hearings, rules on procedural motions, etc., and writes, with the assistance of other advisory staff, the examiner's report. The examiner's report is the advisory staff's recommendation to the Commission. It is usually written in the form of a draft order.

Typical Rate Case Schedule

Pursuant to statute, the Commission must decide rate cases within nine months. A major rate case will nearly always take the full nine months to process. A typical schedule for a rate case is as follows:

March 30	-	Notice of intent to file by utility
May 29	-	Rate case filed by utility
June 26	-	Prehearing conference
July 6	-	Data requests due
July 27	-	Data responses due

August 7-10 August 14-17	-	Hearings on utility's direct case
September 14	-	Staff and intervenors prefile direct cases
September 28	-	Data requests on staff and intervenors' testimony due
October 12	-	Data responses due
October 23-26 Oct. 30-Nov. 2	-	Hearings on staff and intervenors' direct cases
November 16	-	Rebuttal testimony prefiled
November 21	-	Data requests due on rebuttal testimony
November 28	-	Data responses due on rebuttal testimony
December 4	-	Surrebuttal testimony prefiled
December 7	-	Data requests due on surrebuttal testimony
December 14	-	Data responses due on surrebuttal testimony
December 18-21	-	Hearings on rebuttal/surrebuttal
January 15	-	Briefs due
January 22	-	Reply briefs due
February 8	-	Examiner's Report
February 15	-	Exceptions to Examiner's Report
February 28	-	Decision deadline

Public Participation

The public may participate in Commission proceedings in several ways as follows:

Intervenor - Any customer of a public utility may request to intervene in a proceeding involving that utility. The intervenor may be required to attend the prehearing conference and has the opportunity to participate in hearings, present evidence, cross-examine witnesses, write briefs and conduct oral arguments.

Interested Person - "Interested Persons" receive notice of hearings, including public witness hearings, notices of Commission deliberations and a copy of all Commission decisions and orders.

Public Witness Hearings - The Commission often conducts Public Witness Hearings in pending cases. These hearings are usually conducted in the utility's service area. At these hearings, any member of the public may address the Commission directly on any matter relating to the operations of the utility or the pending case.

Letters - Any member of the public may write to the Commission at any time on any subject. When these letters relate to a pending case, they are circulated to the Commissioners and staff and placed in the case file.

Deliberations

The Commission normally meets every Monday at 2:30 p.m. to deliberate pending cases. Agendas for these meetings are mailed to parties and interested persons the prior Tuesday or Wednesday. If you wish to receive Commission agendas, please contact the Assistant Administrative Director. Deliberations on major cases may be scheduled on other days of the week and often require more than one day to complete. Written decisions in major cases are typically issued several days after the case is deliberated. Deliberations are open to the public but only the Commissioners and advisory staff may participate.

Appeals

Final decisions of the PUC may be appealed directly to the Maine Supreme Court sitting as the Law Court.

IV. Electric Rate Increases

Customers' electric bills go up for one or more of three reasons:

1. Increased consumption. If the rate a customer is charged stays the same but he or she uses more electricity, the total bill will, obviously, go up.

2. Increased rates. Rates have two components -- Base rates and fuel cost adjustment rates. Base rates include, among other things, operating expenses, interest on the electric utility's debt, and a reasonable rate of return. Base rates may be increased only with the approval of the Public Utilities Commission after a proceeding that normally lasts nine months. Fuel cost adjustment rates cover the cost of fuel used to generate electricity and power purchased from so called "qualifying facilities" or independent power producers. In the most recent calendar year, approximately 49% of CMP's total revenues were provided by fuel cost adjustment rates. Fuel costs, including purchased power, are passed directly through to the utility's customers. The utility earns no profit from fuel cost adjustment rates, but unlike non-fuel expenses, the utility recovers completely and exactly the amount of fuel and purchased power expenses.

3. Changes in rate design. The Commission periodically reviews each electric utility's rate structure to assure that each customer class is paying as nearly as possible the cost of serving that class. Stated another way, the Commission tries to assure that, pursuant to state and federal law, one customer class does not subsidize another. Relating electric rates more closely to the cost of providing electric service and establishing rates that reflect the cost of service at different voltages, times of day, and seasons of the year is a goal of federal and state law. (See 35-A M.R.S.A. § 3152-3153A). Changes in rate design may result in increases for some customer classes and decreases for others depending on the particular cost studies that are conducted in a given rate design case. Rate redesign is revenue neutral for the electric utility involved. While the relative levels of contributions by the various customer classes may go up or down in a rate redesign, the total revenues for the utility remain unchanged.