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STATE OF MAINE PUBLIC UTILITIES COMMISSION

ANNUAL REPORT



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INTRODUCTION

COMMENTS FROM THE CHAIRMAN

There is often the temptation, among those of us who are assigned a modest role in formulating and implementing public policy, to believe that our current or recent activities represent a "sea change," or that we are at the central point in the history of the particular agency of which we are a part. This temptation should be resisted not only on grounds of modesty; good government should recognize and preserve what is best about what our predecessors have done, and should be equally careful to preserve the flexibility our successors will need to remedy our own inevitable failures.

With that caution in mind, it is with some trepidation that I say that the past year at the Public Utilities Commission has seen some important, and I hope positive, developments in the substance and process of utility regulation in Maine. I believe that we have made significant progress in coming to terms with the changing markets -- and thus the changing role of government with respect to those markets -- for both electric and telephone service. I hope we can build upon this foundation in the years ahead to ensure that the Public Utilities Commission carries out the role assigned to us by the Legislature in the most effective, efficient, and comprehensible way possible.

We do more than regulate electric and telephone service, of course; this past year we have continued to struggle with finding the most fair way to apportion the enormous costs of compliance with the federal drinking water laws, and our involvement in natural gas issues has grown to match the expansion of the availability of that fuel in the state. There is little doubt, however, that the changes in the telephone and electric markets are the most dramatic, and have the most impact on our citizens, and it is there that we have devoted the major share of our resources.

For more than half a century, electricity was produced and delivered by public utilities who owned both the generating plants and the wires that carried electricity to customers. While utility companies often connected their systems to other utility's systems, and bought and sold electricity from them, for the most part electric utility companies owned and operated all the facilities used to provide service to their customers.

Electric utilities were given a franchise -- the exclusive right to provide electricity in a specified geographic area -- in exchange for their agreement to provide electricity to anyone who wanted it and to have rates and profits regulated by the Public

Utilities Commission. This system worked reasonably well when customers within the franchise area had no ability to go elsewhere for their electric needs. Utilities could make long-term planning decisions, such as to build a major generating facility, with the confidence that customers would be there to pay the cost.

In recent years, this franchise model of regulation has come under pressure. In Maine there are two principle sources of this pressure: efforts by Congress, the Legislature and the Commission to encourage competition, and dramatic increases in rates over the past several years. The growth of competition in particular means that one of the fundamental assumptions of the system of franchise and price regulation -- that the customers will always "be there" -- is less certain.

As a result of these changes, the Commission has taken a close look at how we regulate electric utilities. For the last 80 years, the Commission regulated electric utilities by examining their expenses and determining how much they need to earn to attract capital -- traditional rate of return/rate base regulation.

As a result of our decision in the recently concluded case involving Central Maine Power, however, the Commission has adopted a new approach, one that focuses on keeping prices stable and predictable and seeks to replicate, much more closely, the link between efficient management and

profitability that exists for companies operating in fully competitive markets.

The new form of regulation provides, under a very broad set of assumptions, a high degree of stability and predictability in electric rates for CMP customers. In light of the substantial and often unpredictable rate increases of recent years, these benefits are worth achieving.

Further, I believe that as a Commission we have an obligation to mirror the effects of genuine competition to the extent consistent with our broader commitment to serve the public interest. The new form of regulation fulfills this obligation in at least two ways. First, Central Maine Power is given a significant degree of pricing flexibility, thus leveling the playing field between CMP and its competitors in the retail energy market, while recognizing that the degree of competition, and consumer information and expectations, have not yet reached the point where all pricing constraints can safely be removed. Second, the price cap provisions of the plan, by limiting price increases for the next five years to a level below the rate of inflation, together with the virtual elimination of the fuel clause, give incentives and create risks for CMP's management much closer to those found in less regulated companies.

We have not, by adopting the plan, abandoned our central regulatory task of ensuring that customers receive adequate service at just and reasonable rates. The plan explicitly preserves the

full panoply of traditional regulatory tools that will permit our intervention if it appears that the new form of regulation is operating against this central objective, and in fact creates new tools to help ensure that service quality and demand side management objectives are met.

There is another reason why I consider our adoption of the plan to be an important event for regulation in Maine. There are many occasions when government in general, and the Commission in particular, must choose between or among irreconcilable positions. At one level, that is the Commission's job description: to determine what party's proposal best effectuates the Legislature's objectives. In the case in which we adopted the new form of regulation for CMP, however, virtually all the parties in the case actively supported a stipulation that proposed a resolution to all the issues before us. Where parties before the Commission have reached an overall solution to a complex and difficult set of problems, the Commission should give great weight to that resolution.

We must, of course, decide whether the proposed resolution is contrary to legislative mandate, and we also must assess whether the parties supporting the proposal represent a sufficiently broad spectrum of interests to avoid both the appearance and the reality of disenfranchisement. Both conditions were fully met in the stipulation that we approved in this case. I was personally gratified that widely diverse interests found common

ground for resolving the difficult but immensely important question of how we should tailor our regulatory process to the changing needs of CMP and its customers.

Our efforts to come to grips with the changing needs of the telephone subscribers and companies have also been exhaustive (and exhausting!). The telecommunications industry has changed in little more than a decade from an apparently sleepy monopoly into an extraordinarily diverse and often intensely competitive business. Faced with this irreversible change, the Public Utilities Commission is seeking ways to protect the public -- where the public needs protection -- without distorting or disrupting the advance of the telecommunications revolution in Maine.

For several decades, regulation of telephone service has remained pretty much the same. In part to promote the early extension of telephone service throughout Maine, local telephone companies were given franchises to serve particular areas and had the obligation to serve anyone within the franchise territory who wanted service. Prices were set to be sure that virtually everyone could afford service, and to minimize the difference in rates between people who lived in rural areas (who are more expensive to serve) and people in cities (who are less expensive to serve). The role of the Commission has been to make sure prices are fair, service quality is good, and the telephone companies have the opportunity to earn a fair profit.

The traditional approach to providing telephone service, and the traditional approach to regulation, have worked well for Maine. Maine today has an excellent telecommunications network providing state-of-the art features for businesses and residents, and more than 95% of Maine's households subscribe to service. It is time, however, for Maine as a whole and the Public Utilities Commission in particular to take a close look at whether our current practices will permit Maine to preserve and enhance its reputation for telecommunications excellence.

Let me stress that the Commission's obligation to ensure that every Maine resident can obtain affordable telephone service will not change. Maine's future as a healthy and vibrant community depends upon the ability of all its citizens to remain "connected" to the growing telecommunications network.

But, in my view, the fact that a system has worked well in the past does not guarantee that it will serve our needs in the present, let alone the future. The needs and appetites of customers for information and communications services and technologies have expanded dramatically in the past few years, as has the number of companies able and willing to serve them. The distinctions among telephones, computers and televisions, and among the technologies used to serve each of them, are fast disappearing. The Public Utilities Commission has to decide, soon, how

we can accommodate these changes without sacrificing our fundamental purpose of protecting the public interest.

To respond to these changes, the Commission has begun two formal proceedings, both of which we plan to conclude in 1995, to determine how we can reshape telecommunications regulation to address our new environment. In one, we will be looking at how the many participants in the expanding telecommunications market -- local telephone companies, long distance companies, cable TV companies, cellular telephone companies, computer companies, even electric companies -- can participate in providing telephone service. Competition among these companies is already here; the Commission will be trying to find the best way to bring the benefits of competition to all of Maine's residents and businesses.

In the other proceeding, we will be deciding whether we should change the way we regulate Maine's largest local telephone company, New England Telephone Company. Legislation signed into law in 1994 substantially enhanced our ability to find the best form of regulation by providing both the tools and the standards for our efforts. Consistent with the new law, we are exploring whether we can ensure long-term price stability and high quality service for customers who may not have competitive alternatives for service, and at the same time remove some of the restrictions now imposed on NET to ensure that NET has the

incentive to be a full participant in the development of Maine's telecommunications infrastructure.

I confess that the real excitement for me does not lie in the modest role the Commission will play in shaping Maine's telecommunications future. The real excitement lies in the prospect that new opportunities will help unlock Maine's full potential. Our role is really to make sure, to the extent we can, that the right conditions exist for Maine to benefit from the enormous power of the emerging global information network.

Maine's geography and history have been both a blessing and a curse: A blessing for the beauty and richness of its natural resources, and the vigor and enthusiasm of its people; a curse because the distances between

communities and low population density can reduce the opportunities for educational, commercial and cultural connections. Telecommunications may be able to help maintain the blessings and lift the curse by bringing the richest educational resources, the most sophisticated business tools, and the most exciting cultural events to all of our communities.

In our last annual report, I tried to articulate the set of issues that we were just beginning to address with respect to the form of regulation appropriate for Maine's utilities. We have now taken the first significant steps toward finding solutions to those issues. We will need to remain vigilant, and flexible, as we continue along the path to more effective government, a path with few sign-posts but much promise.

YEAR IN REVIEW

ALTERNATIVE RATE PLAN FOR CMP APPROVED

In its December 1993 decision in the CMP rate case, the Commission initiated a follow-up proceeding to implement an alternative rate plan. On October 14, 1994, most of the parties to that proceeding filed a stipulated agreement setting forth the way in which CMP's rates would be determined for the next five years. The Commission approved the stipulation in January 1995.

The alternative rate plan caps CMP's rates below the inflation rate for the next five years. Assuming a 3% inflation rate during this period, rates would increase no more than approximately 2.5% in July of 1995, with increases declining to approximately 1.4% in 1999. The plan also provides CMP with pricing flexibility that moves toward "leveling the playing field" between CMP and its competitors in the retail energy market. The Commission stated that "the Stipulation provides a high degree of stability and predictability in electric rates for CMP consumers. In light of the substantial and often unpredictable rate increases of recent years, these benefits are worth achieving."

The Commission went on to say, "As a Commission, we have an

obligation to mirror the effects of genuine competition to the extent consistent with our broader commitment to serve the public interest. . . . The price cap provisions of the Stipulation, together with the virtual elimination of the fuel clause, give incentives and create risks for CMP's management much closer to those found in less regulated companies. We view this as a positive step away from the imperfect surrogate to market pressures provided by more traditional regulation, to a more direct link between performance and profit."

Finally, the Commission emphasized in its Order that its approval of the Stipulation should not be interpreted as an abandonment of its central regulatory task of ensuring that CMP's customers receive adequate service at just and reasonable rates. The Stipulation explicitly preserves all of the traditional regulatory tools that would permit Commission intervention if it appears the plan is operating against the best interests of the customers, and creates new tools to ensure that service quality and demand-side management objectives are met.

RULEMAKING ON "STRANDED INVESTMENT" INITIATED

In May of 1994, the Commission initiated an inquiry to "solicit comments from interested persons on the factual, legal, theoretical, and policy implications and issues that relate to the general question of the recovery of stranded costs when customers leave the electric utility system and to the establishment of stranded cost charges and standby rates." The Commission separated its inquiry into two broad categories of issues: 1) the treatment of stranded costs; and 2) the basis for and design of standby rates.

With regard to the treatment of stranded costs, the Commission posed the following principal question: "Stranded costs may exist when customers leave the utility system or substantially reduce purchases. Stranded costs may be due to excess capacity or to the fact that the utilities' rates exceed the market price of alternatives. While there may be issues of economic efficiency involved, the major issue is one of determining the responsibility for cost recovery. That is, who should bear the burden of stranded cost? Should it be the departing customers, the remaining

ratepayers, utility shareholders, taxpayers, some other entity, or some combination of these groups?"

The term "standby rates" includes charges for back-up, maintenance, supplementary and generator station service. The Commission posed a series of questions relating to current practice, the use of standby rates to shift the recovery of fixed costs to customers that leave the system, and federal pre-emption.

The Commission requested interested parties to file comments on these and related issues by July 15, 1994. In September of 1994, the Commission asked interested parties to comment further and to respond to each other's initial comments. In requesting additional comments, the Commission cited the scope and complexity of the inquiry and the diversity of the initial comments.

The Commission has received comments from the parties and now expects to issue a proposed rule for public comment early in 1995.

CMP FILES RATE DESIGN PLAN

In the fall of 1994, Central Maine Power Company filed proposed changes to its rate structure. CMP proposed that residential time-of-use customers would be able to select one of two rate choices. The first choice is similar to the current time-of-use rate but has no seasonal differential. The second choice has a higher (fixed) customer charge each month with a lower

average per kilowatt-hour price and no seasonal differential. CMP also proposed changes to its commercial and industrial rates which generally would increase the fixed customer charges and decrease the energy cost. CMP also proposed eliminating the demand ratchet for commercial customers. Other parties may propose additional changes.

COMMISSION APPROVES CMP BUYOUT OF FAIRFIELD ENERGY VENTURE

In June of 1994, Central Maine Power Company (CMP) filed a petition seeking approval of its proposed purchase of Fairfield Energy Venture, a private power producer in Fort Fairfield, and termination of its power purchase contract with that facility. CMP proposed the buyout under the terms of the Electric Rate Stabilization Act, which provides public financing for buyouts or buydowns of purchase power agreements provided the proposed buyouts or buydowns meet certain requirements set forth in the statute. In early August of 1994, several parties to the proceeding proposed a stipulation under which

CMP would terminate its power purchase contract with Fairfield Energy Venture, acquire the Fairfield Energy Venture generating facility and continue to operate it for three years under certain conditions, and decrease rates by \$4 million effective December 1, 1994.

In an order issued on August 18, 1994, the Commission approved the Stipulation after finding that the terms of the stipulation satisfied the requirements for an electric rate stabilization project set forth in the statute. The Commission further found that the Stipulation adequately

addressed the issue of adverse impact on the Town of Fort Fairfield, was consistent with the Commission's other statutory mandates, and was in the public interest.

The Industrial Energy Consumer Group (IECG), which had opposed the Stipulation, appealed the Commission's decision to the Law Court, arguing that the Commission failed to comply with the Electric Rate Stabilization Act by failure to pass on to ratepayers the full benefits of the Fairfield Energy Venture

buyout. Subsequently, the IECG, Central Maine Power Company, and several other parties entered into a stipulation designed to resolve IECG's appeal. The stipulation, among other things, increased the rate decrease effective December 1, 1994 from \$4 million to \$5.6 million. The Commission approved the stipulation on October 5, 1994. Subsequently, CMP arranged financing of the buyout through the Finance Authority of Maine pursuant to the Electric Rate Stabilization Act.

COURT APPEALS RESOLVED IN CMP CASE

During the last several months of 1993, the Commission issued two comprehensive orders significantly affecting CMP's rates and operations. The first order, issued on October 28, 1993, reduced CMP's rates by 50 basis points of equity return (approximately \$4 million) due to CMP's imprudent management of QF contracts, following an in-depth Commission investigation of CMP's QF contract practices. The Commission decided to implement the 50 basis point adjustment in the then pending CMP rate case proceeding. The Commission's rate case order, issued November 30, 1993, allowed CMP to increase its rates approximately \$26 million, reducing CMP's request by more than two-thirds. The \$26 million amount reflected the adjustment ordered by the Commission in the QF

investigation, as well as a \$25 million adjustment for the failure of CMP to operate as efficiently as possible.

CMP appealed both orders to the Law Court, seeking and obtaining a stay of the implementation of the QF basis point adjustment.

During the first several months of 1994, parties to the Commission proceedings attempted to negotiate a settlement to both appeals. On March 22, 1994, parties filed a stipulation with the Commission that resolved both appeals. The stipulation required a one-time write-off of \$5 million in CMP's fuel costs, an agreement by CMP not to seek recovery of approximately \$5.5 million in costs of pursuing termination and

buyout of a large QF contract, and a limitation of the scope and consequences of the then continuing investigation of QF contract practices. The Commission accepted the stipulation in orders issued April 6 and

May 5, 1994. On July 21, 1994, the Commission approved an additional stipulation that resolved all remaining issues of the Commission QF investigation.

BANGOR HYDRO-ELECTRIC COMPANY (BHE) ALTERNATIVE MARKETING PLAN

Pursuant to 35-A M.R.S.A. subsection 3195(6), the Commission issued its Notice of Investigation on April 27, 1994 in Docket No. 94-125. The purpose of this proceeding is to consider the adoption of general standards and procedures governing pricing flexibility for BHE. A Commission decision in this proceeding is expected on or before January 31, 1995.

The Commission is currently considering (in Docket No. 94-125) BHE's proposed Alternative Marketing Plan. BHE's plan would (1) grant BHE substantial marketing flexibility, including the right to selectively lower its rates to customers; (2) eliminate the fuel clause adjustment and freeze rates at current levels; (3) make a "good faith" commitment to maintain rates at current levels for a period of 5 years; (4) eliminate seasonal differential in its rates; and 5) allow BHE to amortize the cost of additional NUG buyouts over a period not to exceed 10 years.

The Commission's Advocacy Staff, the Public Advocate and the CCUC, a group of commercial customers, have participated in this proceeding. Both Staff and OPA have proposed a set of price flexibility principles and guidelines that would provide safeguards to assure that Maine's energy policy, as set by the Legislature, is complied with and to assure that other important policy goals are met. All parties agree that the fuel adjustment clause should be eliminated, but there are differences of opinion regarding the appropriate fuel clause rate level.

On January 17, 1995, the Hearing Examiner issued an Examiner's Report. The Hearing Examiner recommended that the Commission implement a pricing flexibility program that is similar in degree, timing and scope to those advocated by the Advocacy Staff, OPA and CCUC. The Hearing Examiner (1) rejected the Staff's risk sharing mechanism, but

accepted the revenue delta cap as proposed by Staff; (2) waived the requirement for a fuel cost adjustment, but did not require a change in rates as part of the elimination of the FCA; (3) took no immediate action with respect to DSM and least cost planning but described how any issues may be resolved, if necessary, in the future; and (4) permitted BHE to create a

"regulatory asset" for the costs of any buyout/buydown of an IPP and to begin the amortization of those costs over the remaining life of the contract.

It is expected that the Commission will consider this Report at its Deliberative Session on January 30, 1995.

TOWN OF JAY VOTES TO ESTABLISH MUNICIPAL ELECTRIC DISTRICT

In December 1994, the Commission received a petition from the Town of Jay to establish a municipal electric district. This is a case of first impression and raises several issues including whether CMP should be reimbursed for its "stranded investment" (the capital investment it has made to serve the Town of Jay).

Because the "stranded investment" issue is likely to arise in other situations where competition alters the traditional relationship between the incumbent electric utility and its customers, the Commission has initiated a rulemaking to deal with this issue. It is anticipated the proposed rule will be published early in 1995.

COMMISSION REVIEWS IMPLEMENTATION AND RENEWS ELECTRIC LOW INCOME PROGRAMS

The Commission reviewed and approved the on-going electric low income bill payment assistance programs at all three large investor-owned utilities (Central Maine Power

Company, Bangor Hydro-Electric Company and Maine Public Service Company) in the fall of 1994. A fourth program was also authorized for Eastern Maine Electric Cooperative.

CMP's Electric Lifeline Program enrolled almost 14,000 customers during the 1993-94 program year and provided an average annual benefit of \$440. The ELP is designed to reduce a customer's payment obligation to CMP to a fixed percentage of the entire household income. The total benefit costs in 1993-94 were \$4.6 million, but CMP reported that if no program changes were made, benefit costs would exceed \$5.5 million in 1994-95. The Commission agreed in 1994 to consider program changes to keep benefit costs at about \$5 million per year and so directed the parties to propose ways to reduce costs. After hearing several alternatives, the Commission decided to increase the percentage of income required of ELP participants by 1% and increase the minimum benefit amount from \$50 to \$60. This action will increase customer payments to CMP, and decrease the amount of the resulting benefit. These changes were estimated to bring program costs closer to the authorized expenditure limit of \$5 million.

Bangor Hydro's Low Income Rate Program provided rate discounts ranging from 10%-33% on usage above 100 kwh to almost 7,000 customers for a total cost of \$720,000 in 1994. Customers are qualified for this program if they are eligible for Fuel

Assistance (Home Energy Assistance Program or HEAP). This program was re-authorized by the Commission for the 1994-95.

Maine Public Service Company's PowerPACT provided targeted benefits to about 2,500 customers for a total cost of \$270,000 during the 1993-94 program year. Benefits are awarded to qualified low income customers who make their payments on time for the November-March winter period. The Company has documented improved payment behavior as a result of this program.

Eastern Maine Electric Cooperative operated a \$20,000 low income program in 1993-94 that supplemented HEAP benefits for customers who could not keep the terms of their payment arrangements during the winter months. The Coop suggested and the Commission approved a different approach for the coming year that would target benefits to customers based on the amount of their HEAP benefit, thus granting larger benefits to those with lower incomes and higher usage. The Commission also approved the Coop's request to attempt to fund their program with voluntary donations instead of ratepayer funding included in rates.

NEW BASIC SERVICE CALLING AREA RULE IMPLEMENTED

In May 1994, the Commission adopted a new rule concerning basic-service calling areas, after hearing from over 1,000 interested persons, many residential and business customer groups, the Office of the Public Advocate, PUC Staff, and telephone companies that serve Maine customers. The Commission conducted a long and thorough investigation and believes that the Rule takes an important step towards bringing fairness to Maine's basic calling areas. The Rule has three main features:

1. Expanded Local Calling Area -- Residential and business customers in an exchange, where more than 50% of the residential customers make four or more toll calls per month to a second exchange, may add the other exchange to their basic calling area. This addition is two-way in nature. That is, the "called" exchange may also call the "calling" exchange as part of their basic monthly service. This option is called the Premium calling area plan. This feature of the Rule affects about 50 exchanges and about one-third of Maine's telephone customers. Customers selecting the Premium service will not pay any separate charge for calls made to the other exchange. At least for the first year, the monthly rate for Premium service will be about the same as customers in Maine's larger towns now

pay. For exchanges that add other exchanges under the Premium service, customers may select a smaller calling area, called Economy service, instead of the Premium service.

Companies will expand these calling areas in two phases -- exchanges that generally make the largest number of calls per month will be added in March 1995. Exchanges that make at least four calls will be added in late 1996. After that, the Rule requires telephone companies to update calling areas every several years. If customers live in exchanges that do not meet calling thresholds to add exchanges to their Premium calling area at this time, it is possible that their exchange will meet the calling threshold at the next update.

2. Optional Calling Plan -- Beginning in March 1995, all residential customers may enroll in an optional calling plan that allows them to purchase at least ninety minutes of calling time per month for calls outside

their basic calling area to bordering and to other exchanges within 30 miles. Discounted toll rates also apply to calls after the first ninety minutes. All calls to exchanges within 30 miles, regardless of the time of day they are placed, qualify under this plan. This is the first time that Maine residential customers may subscribe to an optional calling plan that does not have rates based on the time of day and does not restrict when a customer can place a call.

Within the 30-mile band, most exchanges will be able to call at least 15 other exchanges. The Commission expects this plan will substantially reduce the concern about the high cost of calling nearby communities, even where those communities do not qualify under the Rule to expand their Premium calling area.

3. Basic Pay Telephone Rates -- Beginning in March 1995, the Rule also establishes a flat rate for pay telephone calls made to all exchanges within 20 miles of that exchange. The purpose of the basic coin rate structure is to establish a rate for calls to customers' homes that is comparable to the rate for optional calling plans for calls from their homes. This is the first time that all Maine customers will have a basic pay telephone rate that extends at least 20 miles from their home exchange. The Commission believes that this will resolve many complaints about students paying toll charges to call home from school, as well as other concerns about high short-distance toll rates from pay telephones.

COMMISSION INVESTIGATES REGULATION AND EARNINGS OF NYNEX

Concerned about growing competition in the telecommunications arena and that current ways of setting rates may no longer be serving Maine's needs, the Legislature passed "An Act to Establish an Alternative Form of Telecommunications Regulation in the State," P.L. 1993 Chapter 638, signed by Governor McKernan in April 1994.

Following up on its decision to reject NYNEX's rate design proposal,

the Commission began an investigation into alternative methods of regulating NYNEX's rates. The Commission's goal in this investigation is "to determine whether changes should be made in the way NYNEX is regulated that will continue to protect consumers while recognizing and accommodating the many significant changes going on in the telecommunications markets." Another focus of this investigation is "whether a different regulatory

approach will provide better incentives for NYNEX to operate more efficiently and if so, how those efficiency gains should be shared with customers."

In response to a complaint from some of NYNEX's customers alleging that its rates and earnings are excessive, the Commission opened an earnings investigation for NYNEX in August 1994. That complaint also asked the Commission to investigate whether the costs of some or all of NYNEX's investments in fiber optic facilities, capable of providing future broadband service, should be included

in current rates. The Commission determined that the earnings investigation would be necessary to develop a "fair starting point" for any form of alternative regulation, and consolidated the two proceedings.

In December 1994, the Commission held public witness hearings on these issues in Portland, Lewiston, Bangor, Augusta, and Presque Isle. Expert witness hearings are scheduled for February 1995. A decision on both cases is due by late May 1995.

REVIEW OF COMPETITIVE TELECOMMUNICATIONS SERVICES RULE INITIATED

In April of 1994, the Commission initiated an inquiry of Chapter 280 of its Rules relating to the provision of competitive telecommunication services. The Commission sought comments on how Chapter 280 should be modified to, among other things, ensure that access charges paid by competitive telecommunications providers are reasonable, remove barriers to the full operation of the competitive market, encourage the development, deployment, and offering of new telecommunications services, further the dual policy goals of universal

service and economic development, and create conditions under which all telecommunications firms are encouraged to invest in and provide new infrastructure based on competitive market forces rather than regulatory policies.

The current Chapter 280 provides a system of access charges that must be paid by competitive interexchange carriers to local exchange carriers. Competitive carriers have argued before the Commission that the current Chapter 280 serves as a barrier

to competition and that the current access charge arrangement is not sustainable in the long term.

In reviewing Chapter 280, the Commission is attempting to encourage

competition in the telecommunications market and establish a framework that would open the door to competition at the local exchange level.

COMMISSION REJECTS NYNEX RATE DESIGN REQUEST

In 1992, New England Telephone and Telegraph Company ("NYNEX") proposed to reduce Maine intrastate toll rates by 8.5% and fund the reduction by increasing residential local exchange rates by 25%, or \$2.96 per month.

The Commission rejected NYNEX's proposed rate restructuring plan in April 1994, after extensive expert witness hearings and four public witness hearings throughout the state. In denying NYNEX's request, the Commission found that the evidence in the record did not support a residential

rate increase and characterized NYNEX's request as "a short-sighted response to growing competition in the telecommunications industry."

Rather than continue to review complex cost studies as the basis to redesign rates, the Commission decided to investigate implementing an alternative form of regulation for NYNEX that could allow "flexibility in an increasingly competitive environment while maintaining stability in the rates of the Company's 'core' or 'captive' customers."

WHY DO WE HAVE TO DIAL "207"?

In 1994 the Commission approved a change in the way customers will dial calls within Maine. Under the approved plan for NYNEX,

customers currently must use 1 plus 207 to dial all toll calls within the State of Maine.

However, in 1995, NYNEX customers will be given the option of dialing all calls (local and toll) within the state by dialing only seven digits. Customers who chose this option will not be provided with any indication of whether or not the call being dialed is a toll call. Some independent telephone companies implemented this option in 1994.

The change from the old way of dialing is required because nationally telephone companies have run out of area codes that do not look like the first three digits of a telephone number. Until recently, all area codes used only

0 or 1 for the middle digit. They now must use other numbers for the middle digit. Some of the resulting new area codes are the same as the first three digits of telephone numbers that are in use throughout the country. Because of this situation, the first digit "1" is required to "tell" the telephone switching equipment the following three digits are an area code rather than a regular telephone number. That is why, in Maine, if 1 is dialed, 207 must also be dialed. If the 207 were not used, the equipment would "think" the first part of the number was an area code and would not complete the call because it would be waiting for the remaining digits.

GTE TELEPHONE EXCHANGES SOLD

In February 1994, a group of independent telephone companies filed a petition asking the Public Utilities Commission to approve its purchase of the GTE telephone exchanges in Maine. The Public Advocate, the Commission's advocacy staff and GTE subsequently filed a stipulated agreement with the Commission that would allow the purchase. After public hearings across the state using the University of Maine's interactive television network, the Commission approved the stipulation. The agreement resulted in the following changes:

- Lincolnville Telephone Company is now operating the former GTE exchanges in the Damariscotta area;
- China and Standish Telephone Companies are now operating the former GTE exchanges in the Sydney and Poland areas;
- Oxford Telephone Company is now operating the former GTE exchanges in the Bethel and Hebron areas;

- S.T. Enterprises, a Kansas corporation that operates a telephone utility in Kansas, is now operating the former GTE exchanges in the Fryeburg, Liberty, Fort Kent, and Sherman Mills areas; and

- West Enfield Communications, Inc., a newly formed company, is now operating the former GTE exchanges in the West Enfield area.

WATER CASES

In March 1994, the Commission approved a merger plan whereby Maine and Wanakah Water Companies were merged into Camden and Rockland Water Company which is now known as Consumers Maine Water Company. The Commission also approved a rate increase for Consumers Maine Water Company of approximately \$1.3 million or 24.5%, less than half what the company had requested. Most of the rate increase was driven by the federal Safe Drinking Water Act. The rate design phase of this case is continuing and is scheduled to be resolved in 1995.

In February 1994, the Commission issued its final order in the Portland Water District rate case. The central issue in this case was not the increase in rates, driven principally by the federal Safe Drinking Water Act, but rather the city/town rate differential. In its February Order, the Commission concluded that the District must reduce the existing city/town rate

differential so that after October 31, 1997, the rates for the towns shall not exceed the city's rates by more than 15%. The Commission also indicated that the District should understand that the next time it proposes to increase the size of its system, the Commission will consider very carefully whether all cost effective conservation measures have been taken. The cities of Portland and South Portland have appealed the Commission's decision to the Law Court on the city/town rate differential issue.

In May 1994, the Commission approved a stipulation in the Bath Water District rate case allowing a Step I rate increase of 90% of the agreed upon total increase of approximately \$700,000. A Step II increase representing the remaining 10% of the agreed upon increase went into effect on January 1, 1995. The citizen intervenors in this case have argued for the creation of a uniform, flat rate for water that eliminates rate

steps and differential rates for various meter sizes. They have argued further that this is part of a nationwide trend and that several states have "inverted"

water rates that charge more per cubic foot to large water users as a means of forcing water and sewer conservation.

COMMISSION WINS GOVERNOR'S WASTE REDUCTION AWARD

The Governor's Waste Reduction Award is a public service award program sponsored by the Maine Waste Management Agency (MWMA). In 1994 the Governor's Waste Reduction Award for State Agencies was awarded to the Public Utilities Commission during Employee Appreciation Week in September of 1994.

As the MWMA recognized, "waste reduction is reducing the amount of waste generated. Waste reduction precedes recycling. Waste reduction is looking for opportunities to reduce waste before it needs to be recycled or handled. . . . Looking for opportunities to create less waste requires fundamental changes in how we value and use our resources, and more directly, changes in our "habits or attitudes." Because of this, a strong commitment to practice waste reduction is needed. The award program is designed to recognize those agencies that have made this commitment."

The PUC Waste Reduction/Recycling Team was established in the spring of 1993. Since then, the Team has actively developed and implemented a program to reduce waste at the Commission.

The Team's first effort was to conduct an intensive recycling education program for all staff. The Team then focused on how to reduce paper at its source. By reducing the distribution list of Commission documents, encouraging the use of electronic mail, using electronic transfers to communicate with Commission consultants, and other activities, the Commission has reduced its use of paper by more than 200,000 copies per year.

In addition, the Commission has established guidelines for types of binders and paper filed at the Commission by utilities and parties to its proceedings. These guidelines will further reduce the amount of

non-recyclable waste produced and increase the recyclability of documents received.

The Commission has made significant progress in waste reduction

and recycling effort, but recognizes that much remains to be done. The Waste Reduction/Recycling Team is therefore continuing its efforts.

COMMISSION CONTINUES QUALITY MANAGEMENT EFFORT

During 1994, the Commission continued to implement the principles of Total Quality Management and made substantial progress in this regard. In January and February of 1994, all of the Commission staff received training conducted in-house that introduced the staff to the basic principles of Quality Management.

Early in 1994, the Commission created a Quality Management Council consisting of the Commissioners, Division Heads, and a cross-section of the staff. The Council's first task was to develop a mission and vision statement. This statement was completed in July of 1994 and is included elsewhere in this report.

In the summer and fall of 1994, the Council chartered three Process Action Teams. These teams were charged with 1) developing a comprehensive plan to improve the Commission's public information function, 2) improving the process by which the Commission schedules,

hearings, meetings, and deliberations, and 3) ensuring that confidential material and conversations are secure and that the building is a secure place for staff to work. The Council also received a report from the "Workload Team," which was established prior to the Council and charged with improving the processing of documents throughout the Commission. The Workload Team's recommendations are now being implemented.

Also in 1994, all members of the Commission staff received training in how to participate more effectively in teams both as a member and as a team leader.

Finally, as 1994 came to a close, the Commission's Quality Council was reviewing its role and purpose to determine if any changes need to be made in the structure of the Council.

Although the Commission has made progress in implementing the principles of Quality Management,

much remains to be done. It is generally accepted that a quality program takes five or six years to fully implement. After only one year, the

Commission has every reason to be both proud of its accomplishments and encouraged about the future.

COMMISSION CONTINUES OUTREACH EFFORTS

In 1994, the Commission continued to expand its efforts to reach out to the public and explain in an understandable way the issues before the Commission and the reasoning behind its decisions. In 1994, the Commission conducted 17 public witness hearings in all areas of the state in seven different proceedings. Approximately 138 private citizens spoke at these hearings. In addition, Commissioners made 6 visits to editorial boards, granted numerous press interviews and spoke to 16 groups on matters relating to the Commission's business. The

Commission also issued two Consumer Alerts through the Consumer Assistance Division relating to 900 calls and Alternate Operator Services used in many public pay phones and hotels. Finally, the Commission published several op-ed pieces in Maine newspapers on matters pending before the Commission and on issues of consumer concern.

The Commission intends to continue its outreach efforts in 1995 and expand them in the context of its quality management effort.

**CONSUMER ASSISTANCE DIVISION
YEAR IN REVIEW**

CONSUMER ASSISTANCE DIVISION 1994 IN REVIEW

The Consumer Assistance Division (CAD) is charged with ensuring that consumers and utilities receive fair and equitable service through CAD educational and complaint resolution programs. As part of this mission, CAD is responsible for responding to information requests, resolving complaints, negotiating payment arrangements, assessing utility compliance with applicable statutes and PUC rules, and screening requests from utilities seeking to disconnect gas or electric service in the winter.

This section presents information on CAD activities in 1994, and the reasons for changes in activity levels. It also summarizes actions taken during the year to address specific complaints and resolve underlying problems.

CAD handled 5,346 consumer contacts in 1994, which is up 2% from 5,230 in 1993. These contacts included 4,157 information requests, up 5% from 3,957 in 1993, and 1,189 complaints, down 7% from 1,273 in 1993. In addition, the Division received nine requests for exemption from PUC consumer-assistance rules during 1994, and handled 733 requests for permission to disconnect gas and electric customers in the winter of 1993-94 under the Commission's winter disconnection rule.

The 5% increase in information requests appears to be part of a trend that has been evident for several years, as seen in Figure I. This trend may continue as consumers encounter the changes associated with increasing competition for Maine's utility business. Some of the increase in informational contacts in 1994 is also attributable to questions and concerns surrounding the introduction of estimated billing by CMP and Bangor Hydro-Electric Co., and to changes in the composition of local calling areas in many communities.

Much of the 7% decrease in complaints against utilities appears to be due to continued efforts by CAD to provide consumers with the information they need to resolve problems directly with their utilities. Only after the consumer has tried to resolve their complaint with utility staff will CAD accept a complaint and become involved.

As seen in Figure II, the vast majority of complaints (90%) continued to be against electric and phone utilities. Almost half of all complaints, as shown in Figure III, were related to actual or threatened disconnection, and a third were related to billing problems.

As a result of complaint investigations completed in 1994, the

Division issued 73 decisions ordering over \$22,000 in abatements to consumers. In addition, an abatement of \$4,400 was made by Central Maine Power Co. (CMP) for incorrect charges associated with its A-LM rate, as part of a 1993 decision, making the total abated in 1994 over \$26,000.

Consumers appealed 36 CAD decisions to the Commission in 1994, up from 27 in 1993. No appeals were filed by utilities. When combined with the five appeals pending from 1993, there were 41 appeals under review.

CAD launched 58 investigations into possible violations of PUC consumer protection rules in 1994, but issued only 11 citations. This is a major decrease from the 60 issued in 1993. The decrease is attributable to CAD and utility efforts to prevent problems from occurring in the first place. Some investigations begun in 1994 are still open, pending outcome of these cooperative approaches.

Several potentially widespread problems were identified as a result of complaints submitted by consumers during 1994. One such problem led the Commission to launch a formal Investigation of NYNEX for the possible improper disconnection of customers with unpaid and in some cases disputed charges for audiotext (1-900) calls.

Other potentially widespread problems that came under informal investigation in 1994 included possibly inadequate outage identification and power restoration services by CMP during winter storms, and the over-

billing of some CMP customers under CMP's new estimated billing system.

CAD received nine requests from utilities in 1994 seeking exemption in individual cases from PUC consumer protection rules. Of these requests, four were granted and five were denied.

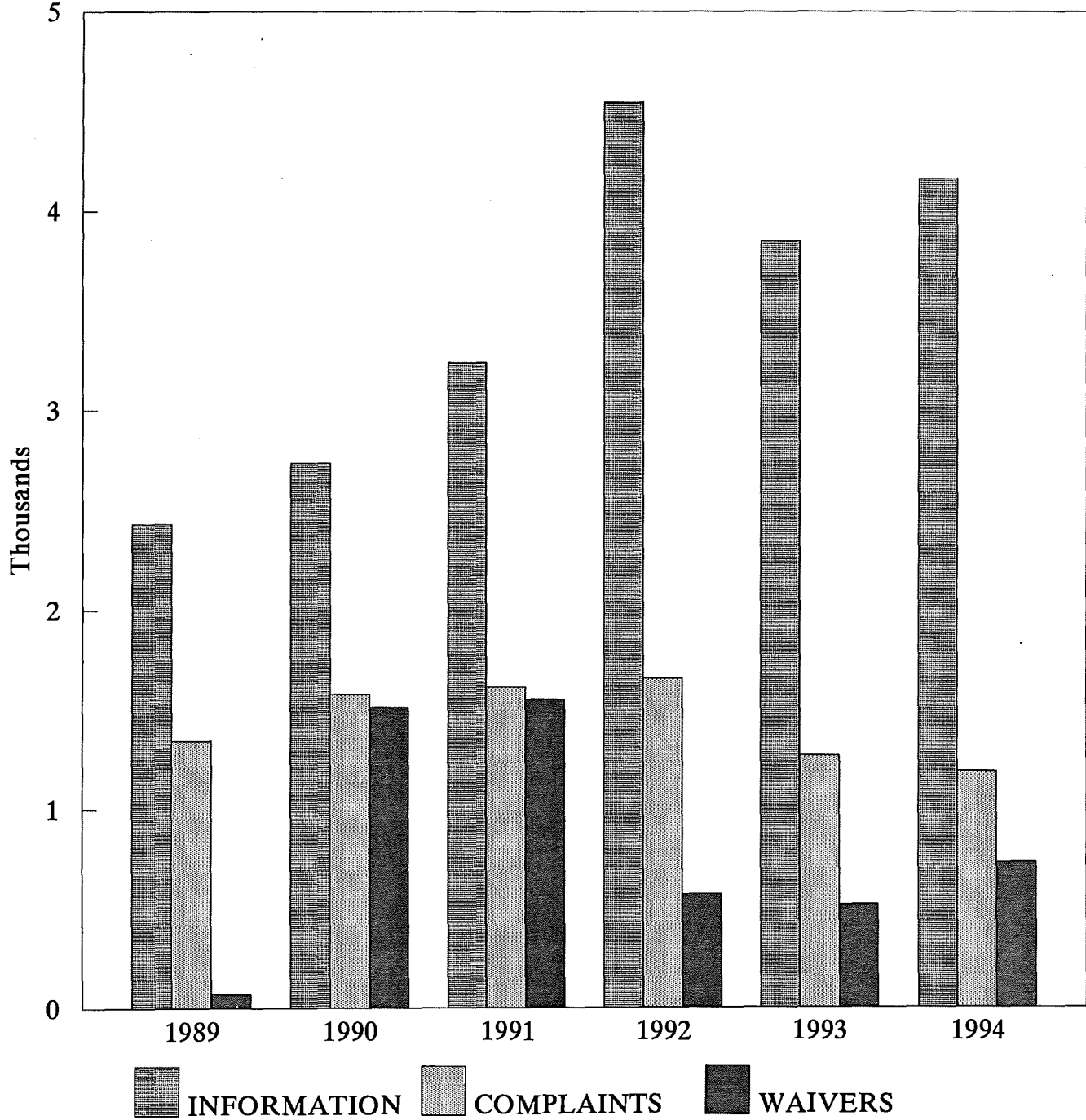
CAD received 733 requests from utilities to disconnect customers from electric or gas service during the winter of 1993-94. This is a 41% increase in requests over the previous winter. An increase in requests by CMP drove the jump, as it submitted 58% more requests, for a total of 680 in 1994. Of winter 1993-94 requests, 37% were granted and 63% were denied.

During 1994, CAD continued efforts to prevent problems from occurring in the first place, thereby minimizing consumer complaints. CAD established cooperative teams with CMP and NYNEX to identify sources of potential problems, and address them, before they manifested themselves as complaints. These communications are ongoing and further progress is expected.

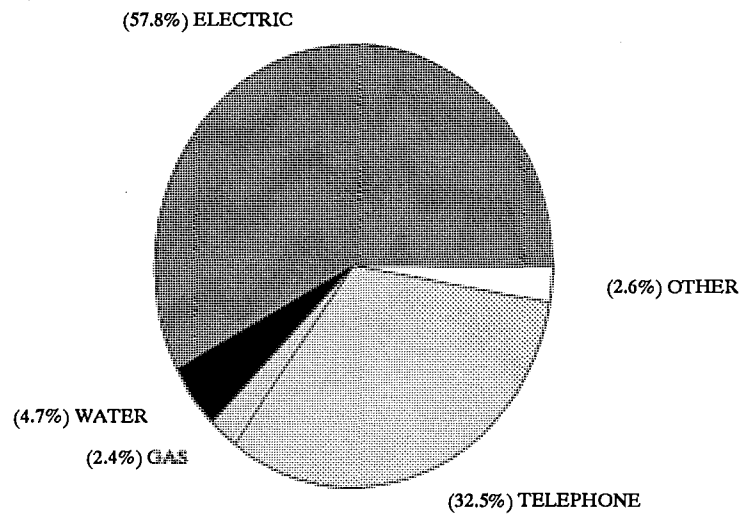
CAD enthusiastically embarked on a Total Quality Management program in 1994 to ensure that it continues to improve its operations. As part of this initiative, CAD began efforts to answer "live" more calls to its consumer service line. This goal led to the creation of a team to redesign the complaint handling process and computer system, and also led to the acquisition of a phone system capable of simultaneously handling more calls.

CAD CONTACTS

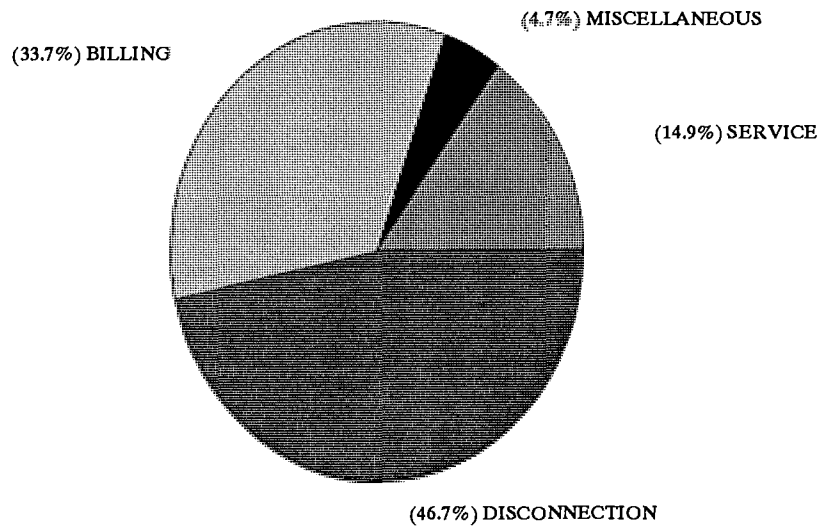
1989-1994



CLOSED COMPLAINTS – 1994 UTILITY TYPE



CLOSED COMPLAINTS – 1994 COMPLAINT CATEGORIES



APPENDICES

APPENDIX A: FISCAL INFORMATION

The Public Utilities Commission is required by 35-A M.R.S.A. § 120 to report annually to the Joint Standing Committee on Utilities on its planned expenditures for the year and on its use of funds in the previous year. This section of the report fulfills this statutory requirement and provides additional information regarding the Commission's budget.

The Commission had one source of funding in FY94, a Regulatory Fund of \$4,918,000. The Regulatory Fund is raised through an assessment on utilities pursuant to 35-A M.R.S.A. § 116. The assessment process is described in Section 4 of this section.

All references in this section are to fiscal years - July 1 to June 30. Consulting Services are broken out from All Other because it represents a large portion of the Commission's budget.

The Commission was authorized 69 full-time positions in FY94.

1. Fiscal Year 94

In FY 94, the Commission expended approximately \$4.3 million regulating more than 200 utilities with gross revenues exceeding \$1.57 billion. Exhibit A summarizes Regulatory Fund

activity and activity in other funds administered by the Commission. Exhibit B details FY94 expenditures by line category.

Regulatory Fund

The authorized Regulatory Fund assessment for FY94 was \$4,918,000.¹ The actual amount billed to utilities was reduced by \$317,543 using the balance brought forward from FY92. In addition to the assessment, an unencumbered balance of \$943,708 and encumbrances of \$345,597 were brought forward from FY93. \$4,330,740 was expended. Expenditure details are presented in Exhibit B. An encumbered balance of \$188,207 and an unencumbered balance of \$1,028,116 were brought forward to FY95. The encumbered balances generally represent ongoing contracts for consulting services.

Filing Fees

In FY94, the Commission received a filing fee of \$5,899.60 from Central Maine Power Company in connection with the company's petition for a

certificate of public convenience and necessity to build a transmission line in York County. This amount was expended during FY94. A filing fee was waived as requested by the Town of Madison Department of Public Works in Docket No. 93-207.

Miscellaneous Reimbursements

M i s c e l l a n e o u s reimbursements consist of funds received for copies of documents such as monthly dockets, agenda and decisions and for other miscellaneous items. \$330 was brought forward from FY93. An additional \$11,447 was received during FY94. \$11,032 was expended and an unencumbered balance of \$745 was brought forward to be expended during FY95. In FY94, no fines were collected by the Commission.

2. Fiscal Year 95

Exhibit C details the Commission's FY95 Regulatory Fund budget. Encumbered and unencumbered balances brought forward from FY94 are included. The right hand column represents the total funds available to the Commission in FY95 by account and line category.

3. The Budget in Perspective

Exhibit B details the Commission's Regulatory Fund budget for a four-year period. The left hand column includes amounts actually expended in FY94. Column 2 contains FY95's expenditure plan. Column three contains the FY96 Budget. Column four contains the FY97 Budget.

4. The Regulatory Fund Assessment in Perspective

Exhibit D details the Regulatory Fund assessment since FY80. Annual Reports filed by the utilities with the Commission include revenues for the previous year ending December 31. Calculations are made to determine what percentage of the total reported revenues will provide the amount authorized by statute. The factor derived that will raise the authorized amount is applied against the reported revenues of each utility. Pursuant to 35-A M.R.S.A. § 116, on May 1 of each year an assessment is mailed to each utility regulated by the Commission. The assessments are due on July 1. Funds derived from this assessment are for use during the fiscal year beginning on the same date.

5. Management Audits

35-A M.R.S.A. § 113 provides that the Commission may require the performance of a management audit of the operations of any public utility in order to determine:

- (1) The degree of which a utility's construction program evidences planning adequate to identify realistic needs of its customers;
- (2) The degree to which a utility's operations are conducted in an effective, prudent and efficient manner;
- (3) The degree to which a utility minimizes or avoids inefficiencies which

otherwise would increase cost to customers; and

- (4) Any other consideration which the Commission finds relevant to rate setting under Chapter 3, sections 301 and 303.

Section 113 also provides that the Commission may select an independent auditor to perform the audit, require a utility to pay for the cost of the audit and require the utility to execute a contract with the independent auditor. Finally, Section 113 provides the full cost of the audit shall be recovered from the ratepayers, and that the Commission shall consider the impact of the cost of the audit upon the ratepayers.

In FY94 no management audits were ordered by the Commission pursuant to Section 113.

1. Pursuant to 35-A M.R.S.A. § 116(5), balances up to 5% of the Regulatory Fund may be brought forward to the next fiscal year. If those balances are to be moved from one line category to another, the approval of the Governor is required. Any amount over 5% must be reallocated by the Legislature or used to reduce the utility assessment in the following year.

EXHIBIT A

PUC FUND ACTIVITY BY ACCOUNT FOR FY 1994

ACCOUNT NAME	AMOUNT

REGULATORY FUND	

UNENCUMBERED BALANCE BROUGHT FORWARD FROM PREVIOUS	943,708
ENCUMBERED BALANCE BROUGHT FORWARD FROM PREVIOUS	345,597
FUNDS RECEIVED DURING FY 94	4,257,758
LESS EXPENDED	4,330,740
ENCUMBERED BALANCE BROUGHT FORWARD TO FY 95	188,207
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 95	1,028,116
REIMBURSEMENT FUND	

FILING FEES	
UNENCUMBERED BALANCE BROUGHT FORWARD FROM PREVIOUS	5,900
ENCUMBERANCES BROUGHT FORWARD FROM PREVIOUS YEAR	0
FUNDS RECEIVED DURING FY 94	0
LESS EXPENDED	5,900
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 95	0
MISC. REIMBURSEMENTS	
UNENCUMBERED BALANCE BROUGHT FORWARD FROM PREVIOUS	330
FUNDS RECEIVED DURING FY 94	11,447
LESS EXPENDED	11,032
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 95	745

EXHIBIT B

PUC BUDGET IN PERSPECTIVE

		FY94 EXPENDED	FY95 WORKPLAN	FY96 BUDGET	FY97 BUDGET
<hr/>					
REGULATORY FUND					
<hr/>					
	POSITIONS	(69)	(69)	(69)	(69)
PERSONAL SERVICES		3,204,628	3,713,456	4,104,501	4,177,212
CONSULTANTS		518,066	505,384 *1	252,000	252,000
ALL OTHER		570,394	1,407,565 *2	642,494	654,542
CAPITAL		37,652	180,026 *3	13,110	6,300
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	TOTAL	4,330,740	5,806,431	5,012,105	5,090,054
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REIMBURSEMENT FUND					
	FILING FEES	5,900	0	0	0
	MISC. REIMBURSEMENT	11,032	745 *4	0	0
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	TOTAL ALL RESOURCES	4,347,672	5,807,176	5,012,105	5,090,054
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*1 ENCUMBERED BALANCE OF \$153,384 WAS BROUGHT FORWARD TO FY 1995.
ALSO INCLUDED IS AN AUTHORIZED UNENCUMBERED BALANCE FORWARD OF
\$100,000 PURSUANT TO 35-A M.R.S.A. SECTION 116.

*2 ALL OTHER WAS INCREASED BY AN UNENCUMBERED BALANCE FORWARD OF \$582,216
AND BY AN ENCUMBERED BALANCE BROUGHT FORWARD OF \$22,714.

ALL OTHER WAS ALSO INCREASED BY \$50,000 FOR COMPUTER UPGRADING
AND BY AN AUTHORIZED UNENCUMBERED BALANCE FORWARD OF \$145,900
PURSUANT TO 35-A M.R.S.A. SECTION 116.

*3 CAPITAL WAS INCREASED BY AN ENCUMBERED BALANCE BROUGHT FORWARD
OF \$12,109 AND BY \$150,000 FOR COMPUTER UPGRADING.

*4 BALANCE BROUGHT FORWARD FROM FY 94.

EXHIBIT C

FY 95 BUDGET & ADJUSTMENTS

	BUDGET	ADJUSTMT	ADJUSTED BUDGET
REGULATORY FUND			
POSITIONS	(69)	(0)	(69)
PERSONAL SERVICES	3,713,456	0	3,713,456
CONSULTING	252,000	253,384 *1	505,384
ALL OTHER	606,735	800,830 *2	1,407,565
CAPITAL	17,917	162,109 *3	180,026
	<hr/>		
TOTAL	4,590,108	1,216,323	5,806,431
CAPITAL	0	0	0
REIMBURSEMENT FUND			
FILING FEES	0	0	0
MISC. REIMBURSEMENT	0	745 *4	745
	<hr/>		
GRAND TOTAL	4,590,108	1,217,068	5,807,176

*1 ENCUMBERED BALANCE OF \$153,384 WAS BROUGHT FORWARD TO FY 95 FOR CONSULTING PURPOSES.

ALSO INCLUDED IS AN AUTHORIZED UNENCUMBERED BALANCE FORWARD OF \$100,000 FOR CONSULTING PURPOSES PURSUANT TO SECTION 116.

*2 ALL OTHER WAS INCREASED BY AN UNENCUMBERED BALANCE FORWARD OF \$582,216 AND BY AN ENCUMBERED BALANCE FORWARD OF \$22,714.
ALL OTHER WAS ALSO INCREASED BY \$50,000, FOR COMPUTER UPGRADING AND BY AN AUTHORIZED UNENCUMBERED BALANCE FORWARD OF \$145,900 PURSUANT TO SECTION 116.

*3 CAPITAL WAS INCREASED BY AN ENCUMBERED BALANCE FORWARD OF \$12,109 AND BY \$150,000 FOR COMPUTER UPGRADING.

*4 BALANCE BROUGHT FORWARD FROM FY 94.

Assessment Detail

For Use in FY	Mailing Date/ Due Date	\$ Annual Revenues Electric	\$ Telecom.	\$ Water	\$ Gas	\$ Water Carriers	\$ Total Revenues (Utilities)	\$ Assessment Factor	\$ Net Amount Assessed by PUC	\$ Gross Assessment
FY 1980	11/79-01/01/80	186,278,293	139,683,694	24,086,603	6,749,736		356,798,326	.00021	74,816 (Nearest \$10)	75,000
FY 1981	05/80-07/01/80	206,762,413	153,652,974	25,465,331	7,374,962		393,255,630	.000381	149,830 (Nearest \$10)	150,000
FY 1982	05/81-07/01/81	216,243,682	165,108,544	28,421,070	8,932,172		418,705,468	.00035824	149,796 (Nearest \$10)	150,000
FY 1982	06/81-08/01/81	216,243,682	165,103,544	28,421,070	8,932,172		418,705,468	.0007165	299,983 (Nearest \$5)	300,000
FY 1983	05/82-07/01/82	462,967,673	182,850,133	32,220,884	14,428,444	803,933	692,471,067	.00187733	1,299,996 (Nearest \$1)	1,300,000
FY 1984	05/83-07/01/83	508,838,895	194,922,674	36,803,237	19,309,123	959,425	760,329,404	.00170366	1,299,999 (Nearest \$1)	1,300,000
FY 1984	06/83-08/01/83	508,838,895	194,922,674	36,939,287	19,308,123	959,425	760,829,404	.0002103	159,984 (Nearest \$1)	160,000
FY 1985	05/84-07/01/84	546,977,166	210,502,523	40,372,798	21,206,118	984,106	820,042,711	.001943801	1,593,904 (Nearest \$1)	1,594,000
FY 1986	05/85-07/01/85	630,565,108	210,877,202	42,290,155	20,517,627	1,080,600	905,330,692	.002092053	1,893,914 (Nearest \$1)	1,894,000
FY 1986	05/85-07/01/85	630,565,108	210,877,202	42,290,155	20,517,627	1,080,600	905,330,692	.0002762359	249,999 (Nearest \$1)	250,000
FY 1987	05/86-07/01/86	670,908,924	238,902,099	43,400,274	19,213,032	1,211,241	973,635,570	.0019916011	1,938,997 (Nearest \$1)	1,939,000
FY 1987	05/86-07/01/86	670,908,924	238,902,099	43,400,274	19,213,032	1,211,241	973,635,570	.0002568575	249,993 (Nearest \$1)	250,000
FY 1987	11/86-12/01/86	670,908,924	238,902,099	43,400,274	19,213,032	1,211,241	973,635,570	.00014388701	139,999 (Nearest \$1)	140,000
FY 1988	05/87-07/01/87	645,757,051	275,047,659	45,215,835	17,911,730	936,922	984,869,197	.002253091	2,219,000 (Nearest \$1)	2,219,000
FY 1989	05/88-07/01/88	721,684,049	286,419,434	48,176,192	17,744,522	1,035,357	1,075,059,544	.002148	2,309,000 (Nearest \$1)	2,309,000
FY 1989	09/19/88-11/21/88	721,684,049	286,419,434	48,176,192	17,744,522	1,035,357	1,075,059,554	.0000716949	77,000 (Nearest \$1)	77,000
FY 1990	05/01/89-07/01/89	783,537,776	312,154,685	50,659,705	18,555,805	1,214,007	1,166,121,978 ¹	.002266354	2,642,845 (Nearest \$1) ²	2,696,000
FY 1990	05/26/89-07/01/89		312,154,685				312,154,685 ¹	.000144158	45,000 (Nearest \$1)	45,000
FY 1991	05/01/90-07/01/90	837,377,145	349,185,418	52,855,076	21,928,319	1,536,596	1,262,883,554 ¹	.00219111	2,767,117 (Nearest \$1) ³	2,910,000
FY 1991	03/13/91-04/22/91	837,377,145	349,185,418	52,855,076	21,928,319	1,536,596	1,262,883,554 ¹	.00037058	468,000 (Nearest \$1)	468,000
FY 1992	05/01/91-07/01/91	927,601,155	358,682,900	58,784,656	26,182,164	1,537,296	1,372,788,171 ¹	.002445819	3,352,662 (Nearest \$1) ⁴	3,378,000
FY 1992	10/01/91-11/29/91	927,601,155	358,682,900	58,784,656	26,182,164	1,537,296	1,372,788,171 ¹	.00066091172	907,323 (Nearest \$1) ⁵	1,095,000
FY 1993	05/01/92-07/01/92	1,052,609,125	343,341,527	64,223,522	24,997,942	1,569,023	1,486,741,139 ¹	.002847710	4,233,807 (Nearest \$1) ⁶	4,918,000
FY 1994	05/01/93-07/01/93	1,064,245,073	354,876,542	68,315,387	28,108,038	1,919,595	1,517,464,635 ¹	.00280583672	4,257,758 (Nearest \$1) ⁷	4,918,000
FY 1995	05/01/94-07/01/94	1,097,614,456	371,037,052	74,793,749	30,505,910	1,284,905	1,575,236,072	.002913975	4,590,108 (Nearest \$1)	4,918,000

1 Does not include utilities with revenues less than \$50,000 per year.

2 Assessment was reduced by \$53,155 which was available from the balance remaining in FY88.

3 Assessment was reduced by \$142,883 which was available from the balance remaining in FY89.

4 Assessment was reduced by \$25,338. \$5,045 for communications utilities, \$1,101 for Facilities Fund, and \$19,192 from Regulatory Fund balance forward from FY90.

5 Assessment was reduced by \$187,677 which was available due to furlough days offsetting projected 7% increase in Personal Services.

6 Assessment was reduced by \$373,517 available from the balance remaining in FY 91 and 310,676 which was available due to furlough days offsetting projected 7% cost of living increase and to 4% cost of living increase budgeted but not granted.

7 Assessment was reduced by \$317,543 which was available from the balance remaining in FY92.

APPENDIX B: CASE STATISTICS AND OTHER ACTIVITIES

1. Caseload

At the end of calendar year 1993, 213 cases were pending on the Public Utilities Commission Docket. During 1994, 478 new cases were docketed. 132 of the 213 pre-1994 cases and 312 of the 478 new cases were closed during 1994. At the end of 1994, 247 cases remained on the Commission's docket. Thus, in 1994, the Commission closed 444 cases. (See Exhibit A)

Exhibit B breaks down Commission activity in 1994 by type of utility and type of Commission initiated action, e.g., investigations and rulemakings, and further details the types of cases that were docketed during 1994.

The following explanations will assist the reader in interpreting these Exhibits:

Note: All references in this section are to calendar year(s) unless otherwise noted.

<u>TERM</u>	<u>EXPLANATION</u>
Rates - General	Pursuant to filing requirements of Chapter 120 and Sections 307 and 310, ¹ 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	Pursuant to Sections 307 and 310, limited rate filings involve minor adjustments to individual tariffs and do not significantly impact on overall utility revenues.
Rates - Municipal and Quasi-Municipal Water Utilities	Under Section 6104, rate filings by municipal and quasi-municipal water utilities are effective by operation of law unless a valid petition is received.
Rates - Customer-Owned Electric Utilities	Under Section 3502 rate filings by customer-owned electric utilities are effective by operation of law unless a valid petition is received.
Security Issuances	Pursuant to Section 902, the Commission must approve the issuance of securities by utilities.
Sell Lease Mortgage of Property	Sections 1101, <u>et seq.</u> require Commission authorization before a utility can sell, lease, assign mortgage or otherwise dispose of property.
Commercial Transportation of Water	Pursuant to 22 M.R.S.A. Section 2660, 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.

¹ Unless otherwise noted, all references in these explanations are to sections of 35-A M.R.S.A.

Agreements/ Contracts	Pursuant to Section 703, the Commission must approve special contracts between utilities and customers.
Reorganization/ Affiliated Interests	Under Sections 707 and 708, the Commission must approve financial transactions between a utility and an affiliated interest as well as utility reorganizations.
Commission Rulemakings	Section 111 authorizes the Commission to promulgate all necessary rules.
Commission Investigations	Section 1303 authorizes the Commission 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	Pursuant to Section 107, the Commission may delegate to its staff certain duties in order to more efficiently accomplish the purposes of the Commission.
Advisory Rulings	Chapter 110, Part 6 of the Commission Rules provides that 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	Section 1302 provides for Commission investigation of written complaints signed by ten or more persons made against any public utility.
Utility Complaint	Section 1302(3) provides for Commission investigation of complaints from one utility about another utility.
System Development Charge	Pursuant to Section 6107 the Commission shall investigate this charge.
Public Convenience and Necessity	Pursuant to Sections 2102, <u>et seq.</u> , a utility must seek Commission approval in order to provide service to a city or town in which another utility is already providing or is authorized to provide service.
Exemptions/Waivers	Pursuant to Chapters 110 and 120 of the Commission Rules, the Commission may grant exemptions or waivers from certain of the Commission's rules.

Cost of Fuel Adjustments	Section 3101 and Chapters 34 and 36 of the Commission's Rules requires an electric utility to seek Commission approval at least annually in order to adjust its charges to customers to reflect increases or decreases in the cost of fuel used in the generation and supply of electricity. A fuel adjustment filing triggers a Section 1303 investigation. Concurrent with the filing of cost of fuel adjustments, the electric utility must file short-term avoided costs (for periods less than one year).
Limited Service Agreements	Chapter 620 of the Commission's Rules requires Commission approval of written agreements under which a water company agrees to provide and a customer agrees to accept a substandard level of service.
Cost of Gas Adjustments	Pursuant to Section 4703, 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.
Conservation	Pursuant to Section 3154, utilities may file to recover reasonable costs associated with the implementation of conservation programs; and, pursuant to Chapter 380 of the Commission's Rules, utilities are authorized to undertake certain demand-side energy management programs not specifically ordered by the Commission providing the programs meet the cost effectiveness standard.
Extension of Service	Pursuant to Section 2110 Approval is required for a utility to extend service in or through another utility's territory.
Construct Transmission Line	Pursuant to Section 3132, construction of generating facilities and transmission lines are prohibited without Commission approval.
Purchase & Sale of Power	Pursuant to Section 3133 & 3133A Commission approval is required for purchases, conversions and agreements to sell and purchase power.
Authority to Serve Casco Bay	Pursuant to Section 5101, <u>et seq.</u> provision of water carrier service in Casco Bay requires Commission approval.
Accounting Order	Pursuant to Chapters 210, 310, 410 and 610 the Commission may waive requirements of the uniform system of accounts.

EXHIBIT A
(Page 1 of 2)

	<u>Electric</u>	<u>Communications</u>	<u>Gas</u>	<u>Water</u>	<u>Water Carrier</u>	<u>Rulemakings</u>	<u>Investigations</u>	<u>Delegations</u>	<u>Misc.</u>	<u>Total</u>
1987 CASE SUMMARY										
Cases Docketed in 1987	80	94	12	81	5	18	10	2	13	315
Cases Decided in 1987	81	105	16	76	6	15	28	2	13	342
Cases Pending 12/31/87	25	33	3	21	0	11	6	0	0	99
1988 CASE SUMMARY										
Cases Docketed in 1988	76	121	5	104	3	15	10	5	9	348
Cases Decided in 1988	61	108	5	92	2	20	5	5	2	300
Cases Pending 12/31/88	40	46	3	33	1	6	11	0	7	147
1989 CASE SUMMARY										
Cases Docketed in 1989	87	173	6	137	14	4	8	3	8	440
Cases Decided in 1989	99	152	4	145	12	6	3	3	15	439
Cases Pending 12/31/89	28	67	5	25	3	4	16	0	0	148
1990 CASE SUMMARY										
Cases Docketed in 1990	83	117	8	107	8	3	7	1	7	341
Cases Decided in 1990	79	118	8	105	9	4	4	1	7	335
Cases Pending 12/31/90	32	66	5	27	2	3	19	0	0	154

	<u>Electric</u>	<u>Communications</u>	<u>Gas</u>	<u>Water</u>	<u>Water Carrier</u>	<u>Rulemakings</u>	<u>Investigations</u>	<u>Delegations</u>	<u>Misc.</u>	<u>Total</u>
1991 CASE SUMMARY										
Cases Docketed in 1991	79	163	6	90	11	3	6	3	0	361
Cases Decided in 1991	75	161	7	83	7	4	6	3	0	346
Cases Pending 12/31/91	36	68	4	34	6	2	19	0	0	169
1992 CASE SUMMARY										
Cases Docketed in 1992	100	136	3	93	7	2	12	2	1	356
Cases Decided in 1992	89	131	4	82	10	3	5	2	1	327
Cases Pending 12/31/92	47	73	3	45	3	1	26	0	0	198
1993 CASE SUMMARY										
Cases Docketed in 1993	78	168	4	86	5	6	12	2	2	363
Cases Decided in 1993	69	153	5	102	5	6	5	2	1	348
Cases Pending 12/31/93	56	88	2	29	3	1	33	0	1	213
1994 CASE SUMMARY										
Cases Docketed in 1994	104	238	3	105	3	2	15	3	5	478
Cases Decided in 1994	109	185	4	100	5	2	30	3	6	444
Cases Pending in 1994	51	141	1	34	1	1	18	0	0	247

EXHIBIT B

1993 Cases Docketed

Filings

Type	Electric	Gas	Communications	Water	Water Carrier	Others	Comm. Initiated	Totals
Rates - General				4				4
Rates - Limited	20		158	16	1			195
Rates - Water District (§ 6104)				24				24
Rates - Customer-owned Electric (§ 3502)	3							3
Securities Issues (§ 902)	7		4	26				37
Sell, Lease or Mortgage of Property (§ 1101 et seq.)	3			6				9
Transport Water, Commercially (22 M.R.S.A. § 2660)						2		2
Agreement/Contracts (§ 703)	39	1	9	3				52
Reorganizations/Affiliated Interests (§§ 707 & 708)	4		21	2				27
Commission Rulemakings (§ 111)	2		1			1		4
Commission Investigations (§ 1303)	11		5			1		17
Commission Delegations (§ 107)			1		1	1		3
Advisory Rulings (Chapter 110, Part 6)				2				2
Ten-Person Complaints (§ 1302)	4		4	4	1			13
Utility Complaints (§ 1302(3))	1							1
System Development Charge (§ 6107)				3				3
Public Convenience and Necessity (§ 2102 et seq.)	1		33	1				35
Exemptions/Waivers - Rules/Statutes (Chapters 110 and 120)	5		5	8				18
Cost of Fuel Adjustments (§ 3101)	2							2
Limited Service Agreement (Chapter 620)				1				1
Cost of Gas Adjustments (§ 4703)		2						2
Conservation (§ 3154)	2							2
Extension of Service (§ 2110)	1			1				2
Construction Transmission Line (§ 3132)	2							2
Purchase and Sale of Power (§ 3133 & 3133A)	5							5
Accounting Orders (Chapters 310 & 610)	2			3				5
Others	1		2		1	4		8
Totals	115	3	243	104	4	9	0	478

2. Rate Case
Decisions

During Calendar year 1994 one electric utility general rate case and three Section 3502 customer-owned electric utility cases were processed (Exhibit C). In addition, twenty-nine Section 6104 customer-owned water utility rate cases (Exhibit D) were filed (five of these cases were processed as regular rate cases because petitions were received) (Exhibit E) and two general water utility rate cases were processed (Exhibit F).

A large portion of the Commission's work is generally devoted to a small number of cases, usually involving the larger utilities. Exhibit G demonstrates this fact. of 98 days of hearings held by the Commission in 1994, 34 of these were devoted to two cases.

ELECTRIC UTILITY GENERAL RATE CASES
 FILED PURSUANT TO §§ 307, 310
 EFFECTIVE IN 1994

<u>Docket No.</u>	<u>Utility</u>	<u>Amount Proposed</u>	<u>Amount Allowed</u>	<u>% Increase Allowed</u>
93-062	Bangor Hydro-Electric Company	\$22,800,000	\$11,047,361	7.87

ELECTRIC UTILITY GENERAL RATE CASES
 FILED PURSUANT TO § 3502
 EFFECTIVE IN 1994

<u>Docket No.</u>	<u>Utility</u>	<u>Amount Proposed</u>	<u>Amount Allowed</u>	<u>% Increase or Decrease Allowed</u>
94-081	Swans Island Electric Cooperative	\$37,003	\$37,003	100
94-193	Madison Electric Works	(\$668,764)	(\$668,764)	100
93-319	Fox Island Electric Cooperative	\$25,600	\$25,600	100

MUNICIPAL & QUASI-MUNICIPAL WATER UTILITIES
 RATE CASES PURSUANT TO §6104
 COMPLETED IN 1994

Docket No.	Utility	Proposed Revenue	Increase over Prior Year	% Increase	Effective
93-293	VINALHAVEN WATER DISTRICT	\$134,895	\$18,881	16.27%	1/15/94
93-294	OXFORD WATER DISTRICT	\$151,323	\$52,693	53.42%	4/1/94
93-305	DEXTER UTILITY DISTRICT	\$300,000	\$137,544	84.67%	1/18/94
93-312	DANFORTH WATER DISTRICT	\$75,940	\$39,012	105.64%	2/1/94
93-329	NORTH HAVEN WATER DEPARTMENT	\$105,493	\$28,598	37.19%	3/1/94
93-347	MORRILL VILLAGE WATER DISTRICT	\$20,632	N/A	N/A	3/21/94
94-009	QUANTABACOOK WATER DISTRICT	\$60,000	\$50,099	506.00%	3/21/94
94-019	BROWNVILLE WATER DEPARTMENT	\$86,268	\$26,734	44.91%	4/1/94
94-038	HALLOWELL WATER DISTRICT	\$304,968	\$57,470	23.22%	7/1/94
94-044	BANGOR WATER DISTRICT	\$3,459,719	\$244,930	7.62%	6/1/94
94-102	BERWICK WATER DEPARTMENT	\$537,538	\$140,783	35.48%	7/1/94
94-118	WEST PARIS WATER DISTRICT	\$73,920	\$28,437	62.52%	7/1/94
94-139	GUILFORD & SANGERVILLE WATER DISTRICT	\$237,084	\$38,730	19.53%	7/2/94
94-146	MADAWASKA WATER DISTRICT	\$379,462	\$63,807	20.21%	7/14/94
94-188	FRANKLIN WATER DEPARTMENT	\$47,788	\$14,122	41.95%	10/1/94
94-243	WISCASSET WATER DISTRICT	\$231,091	\$34,450	17.52%	10/1/94
94-253	DOVER & FOXCROFT WATER DISTRICT	\$459,331	\$93,798	25.66%	10/1/94
94-257	BOWDOINHAM WATER DISTRICT	\$63,123	\$13,763	27.88%	10/1/94
94-267	ANSON WATER DISTRICT	\$270,018	\$81,790	43.45%	10/6/94
94-268	MADISON WATER DISTRICT	\$440,320	\$137,075	45.20%	10/6/94
94-326	NEW SHARON WATER DISTRICT	\$41,010	\$8,979	28.03%	1/1/95
94-328	FARMINGTON VILLAGE CORPORATION	\$633,000	\$100,768	18.93%	1/1/95
94-353	ISLAND FALLS WATER DEPARTMENT	\$126,619	\$69,226	120.62%	1/1/95
94-355	CLINTON WATER DISTRICT	\$145,900	\$27,277	22.99%	1/1/95

MUNICIPAL & QUASI-MUNICIPAL WATER UTILITIES
 RATE CASES FILED PURSUANT TO §6104 THAT WERE SUSPENDED AS A RESULT OF CUSTOMER PETITIONS
 COMPLETED IN 1994

Docket No.	Utility	Date Filed	Proposed Revenue	Allowed Revenues	Allowed Increase	% Increase	Effective Date
93-143	ANDOVER WATER DISTRICT	7/26/93	\$69,000	\$63,600	\$36,264	132.66%	4/26/94 & 10/1/94
94-016	KINGFIELD WATER DISTRICT	2/28/94	\$169,311	\$156,213	\$92,174	143.93%	7/1/94
94-034	BATH WATER DISTRICT	3/11/94	\$1,948,000	\$1,891,595	\$705,573	59.49%	6/1/94 & 1/1/95
94-008	MARS HILL UTILITY DISTRICT	2/18/94	\$353,410	\$318,763	\$131,570	70.29%	9/12/94
94-182	BOOTHBAY HARBOR WATER SYSTEM	7/1/94	\$1,146,081	\$1,103,858	\$403,467	57.61%	12/9/94

INVESTOR OWNED WATER UTILITIES AND WATER DISTRICT
 RATE CASES PURSUANT TO §307
 COMPLETED IN 1994
 8/4/94

Docket No.	Utility	Date Filed	Proposed Revenue	Allowed Revenues	Allowed Increase	% Increase	Effective Date	Test Year Return	Requested Return	Allowed Return
93-326	BIDDEFORD & SACO WATER COMPANY	12/15/93	\$3,243,633	\$3,127,033	\$237,324	8.30%	5/10/94	8.52%	9.77%	9.460%
93-145	CONSUMERS MAINE WATER COMPANY									
	CAMDEN & ROCKLAND DIVISION	9/21/94	\$3,934,875	\$3,143,056	\$599,109	23.55%	6/21/94	N/A	9.94%	9.370%
	DAMRISCOTTA DIVISION	9/21/94	\$321,073	\$273,385	\$38,000	16.39%	6/21/94	N/A	9.94%	9.370%
	FREEPORT DIVISION	9/21/94	\$609,047	\$459,369	(\$14,800)	-3.12%	6/21/94	N/A	9.94%	9.370%
	GREENVILLE DIVISION	9/21/94	\$367,107	\$358,367	\$175,132	95.58%	6/21/94	N/A	9.94%	9.370%
	KEZAR FALLS DIVISION	9/21/94	\$180,233	\$141,564	\$3,965	2.88%	6/21/94	N/A	9.94%	9.370%
	MILLINOCKET DIVISION	9/21/94	\$1,356,410	\$1,206,576	\$516,331	74.80%	6/21/94	N/A	9.94%	9.370%
	OAKLAND DIVISION	9/21/94	\$630,145	\$244,348	(\$11,413)	-4.46%	6/21/94	N/A	9.94%	9.370%
	SKOWHEGAN DIVISION	9/21/94	\$821,234	\$687,858	(\$23,933)	-3.36%	6/21/94	N/A	9.94%	9.370%
	TOTAL ALL DIVISIONS	9/21/94	\$8,220,114	\$6,514,523	\$1,282,391	24.51%	6/21/94	N/A	9.94%	9.370%

EXHIBIT G

Days of Hearings held in 1994

Central Maine Power company, Proposed Increase in Rates Docket No. 92-345	14
Consumers Maine Water Company (Camden & Rockland <u>et al</u>) Proposed Increase in Rates and Rate Design Docket No. 93-145	20
Other than major cases	<u>64</u>
TOTAL	98

MAINE
DOCS