

# MAINE STATE LEGISLATURE

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# STATE OF MAINE PUBLIC UTILITIES COMMISSION



## 2005 Annual Report

February 1, 2006

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Efficiency Maine: <http://www.energymaine.com/>  
Consumer Hot Line: 1-800-452-4699  
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State of Maine Public Utilities Commission

February 1, 2006

Commissioners

Kurt Adams  
Chairman

Stephen L. Diamond  
Commissioner

Sharon M. Reishus  
Commissioner

Division Directors

Faith Huntington  
Technical Analysis

Marjorie McLaughlin  
Finance

Dennis Keschl  
Administration  
(Acting)

Joanne Steneck  
Legal

Derek Davidson  
Consumer Assistance

Denis Bergeron  
Energy Programs

Albert Gervenack  
E-911

High fossil fuel prices, caused by increased worldwide demand and by hurricane damage to domestic energy facilities along the Gulf Coast, drove much of the Commission's agenda during the past year. To assist Mainers to cope with the resulting higher electricity prices, the Commission intensified its efforts, through its *Efficiency Maine* program, to enhance ratepayer participation in its conservation programs. The programs that have been implemented to date will provide lifetime benefits of almost \$20 million at a cost of \$7 million.

The Commission continued its practice of obtaining standard offer power for residential and small commercial customers in separate procurements over a period of time, in order to mitigate the impact of wholesale electricity price spikes on these customers. With respect to natural gas costs, the Commission implemented two new measures. The first caps the increase in natural gas prices this winter for low-income customers at six percent, and the second authorizes Northern Utilities to provide rebates for energy efficient heating and processing equipment.

The Commission took steps to ensure the reliability and safety of the infrastructure of certain Maine utilities. It ordered studies to determine the condition of CMP's and BHE's distribution systems and the adequacy of the practices used to maintain them. It also required Northern Utilities to replace all cast iron gas mains in Lewiston and Auburn with plastic pipe by the end of 2008.

Through the issuance of several orders, the Commission continued its efforts to promote competition in telecommunications services and to enhance the availability of broadband by requiring Verizon to lease parts of its network to other carriers. Two significant court decisions, one by the Law Court and the other by the U.S. District Court in Portland, affirmed the Commission's authority to act in this area. On the rate front, progress was made on a major case to establish a new incentive rate plan for Verizon.

Looking ahead, major challenges loom on the horizon. With respect to telecommunications, the emergence of new technologies, such as cable telephony, VOIP, and wireless, calls into question the old regulatory paradigm. In electricity, the decision to restructure has meant that prices paid by Maine consumers are increasingly determined by regulatory decisions at the regional and national levels, requiring the Commission to assume more of an advocacy role and raising potentially serious market issues for Maine.

Kurt Adams  
Chairman

Stephen L. Diamond  
Commissioner

Sharon M. Reishus  
Commissioner

## **COMMISSIONERS' BIOGRAPHIES**

**Kurt Adams** was appointed Chairman of the Maine Public Utilities Commission in June 2006. Chairman Adams served as Chief Legal Counsel to Governor John E. Baldacci from 2003 until his appointment. He was an attorney in the law firm of Bernstein, Shur, Sawyer & Nelson from 1997 to 2003. Chairman Adams received his Juris Doctor from the University of Maine School of Law in 1997. He also received an M.A. in International Affairs from The George Washington University in 1990 and a B.A. in Government from Skidmore College in 1988. He has extensive experience working in the energy sector with a particular emphasis on energy markets. Current term expires in March 2011.

**Stephen L. Diamond** began his service as a Commissioner on the Maine Public Utilities Commission in October 1998 and was reappointed to serve a full six-year term in March 2001. He previously served as Legislative Director and Legislative Counsel for United States Senator Susan Collins, Administrator of the Maine Securities Division, an Assistant United States Attorney, and a Deputy Attorney General in the Maine Department of the Attorney General. Mr. Diamond is a graduate of Stanford University and the University of Chicago Law School. Current term expires in March 2007.

**Sharon M. Reishus** was appointed to serve as a Commissioner on the Maine Public Utilities Commission in July 2003. From 1998 until her appointment, Ms. Reishus worked at the Cambridge Energy Research Associates (CERA) as Director, North American Power. She worked as a staff analyst at the Maine Public Utilities Commission from 1991 to 1998. Prior to 1991, Commissioner Reishus worked at Central Maine Power Company and for the CIA in Washington, D.C. Ms. Reishus received an M.B.A. in Strategic Planning from the Wharton School in 1990 and a B.S. in Applied Earth Sciences from Stanford University in 1984. Current term expires in March 2009.

## **THE MAINE COMMISSION**

### Mission Statement:

*The Maine Public Utilities Commission regulates utilities to ensure that safe, adequate and reliable utility services are available to Maine customers at rates that are just and reasonable for both customers and public utilities.*

The Maine Legislature created the Public Utilities Commission in 1913 and the Commission began operation on December 1, 1914. The Commission has broad powers to regulate more than 645 utility companies and districts that generate more than \$1.2 billion per year in electric, telephone, water, and gas utility revenues. The Commission also responds to customer questions and complaints, grants utility operating authority regulates utility service standards and monitors utility operations for safety and reliability.

Like a court, the Commission may take testimony, subpoena witnesses and records, issue decisions or orders hold public and evidentiary hearings, and encourage participation by all affected parties, including utility customers. The Commission also initiates investigations and rulemakings, resolves procedural matters, investigates allegations of illegal utility activity and responds to legislative requirements.

The three full-time Commissioners are nominated by the Governor, reviewed by the Legislature's Joint Standing Committee on Utilities and Energy and confirmed by the full Senate, for staggered terms of six years. The Governor designates one Commissioner as Chairman. The Commissioners make all final Commission decisions.

The Commission's staff includes accountants, engineers, lawyers, financial analysts, consumer specialists, and administrative and support staff. The Commission is divided into six operating divisions. The Emergency Services Communication Bureau is part of the Administrative Division.

**The Administrative Division** handles the day-to-day operational management of the Commission, with responsibilities for including fiscal and personnel matters, contract and docket management, the physical plant, computer operations and the Information Resource Center. This division also provides support services to the other divisions and assists the Commission in coordinating its activities. The Emergency Services Communication Bureau (ESCB) manages the E-911 program development and implementation and is currently located within the Administrative Division. The ESCB also provides a separate annual report which is available on the Commission's website.

**The Consumer Assistance Division (CAD)** is responsible for providing information and assistance to utility customers to help them resolve disputes with utilities. The CAD processes complaints and in response to those complaints determines what utility practices, if any, should be corrected. The CAD is also responsible for educating the public and utilities about consumer rights and responsibilities and other utility-related consumer issues, and for evaluating utility compliance with State statutes and Commission rules. CAD also produces an Annual

Report of its activities. This report is available on our website at:  
[http://www.state.me.us/mpuc/CAD/cad\\_annual\\_reports.htm](http://www.state.me.us/mpuc/CAD/cad_annual_reports.htm)

**The Finance Division** is responsible for conducting financial investigations and analyses of telephone, electric, gas and water utilities operations. This division analyzes all applications by utilities to issue securities. Finance staff advises the Commission on such matters as rate base, revenues, expenses, depreciation, and cost-of-capital issues.

**The Legal Division** is responsible for providing hearing officers in cases before the Commission and assists in preparing and presenting Commission views on legislative proposals. This division also represents the Commission before federal and state appellate and trial courts.

**The Technical Analysis Division (TA)** is responsible for advising the Commission on questions of engineering, rate design, energy science, statistics and other technical elements of policy analysis for all utility areas.

**The Energy Program** is responsible for the development and implementation of a statewide electric energy conservation program and for the management of the federal government's energy conservation efforts in Maine.



During the past year the Commission processed the following caseload:

<b>Cases Closed in 2005</b>	
CAD Appeals	13
Communications	432
Conservation	1
Damage Prevention	0
E-9-1-1	0
Electric	118
Gas	9
Multi-Utility	0
Rulemakings	6
Water	72
Water Common Carrier	3
<b>Total</b>	<b>654</b>

<b>Cases Opened in 2005</b>	
CAD Appeals	15
Communications	476
Conservation	2
Damage Prevention	2
Electric	160
Gas	16
Rulemakings	11
Water	96
Water Common Carrier	3
<b>Total</b>	<b>784</b>

<b>Utilities Active in 2005</b>	
Communications	706
Electric	27
Gas	9
Water	178
<b>Total</b>	<b>920</b>

## **REPORTS TO THE LEGISLATURE**

<b>Report</b>	<b>Date Issued</b>
Public Utilities Commission Annual Report for 2004	Feb. 1, 2005
Appliance Standards Report	Jan. 20, 2005
Report on the Viability of Wind Power Development in Maine	Jan. 27, 2005
Strategic Plan for Fiscal Years 2006 and 2007	Feb. 4, 2005
Review of Emerging Technologies	Feb. 10, 2005
Assessment Analysis	Jan. 5, 2005
Review of Water Ownership	June 2005
Inquiry into the Status of the Reliability and Security of the Electric Grid	March 28, 2005
Efficiency Maine Annual Report 2005	Jan. 3, 2006

## **PUBLIC ACCESS TO THE COMMISSION**

The Commission remains committed to providing the public with the information it needs to participate in our processes. Competition and the ongoing evolution from a highly regulated approach for providing utility services to a more "free market" approach require an informed and educated public. The Commission's vision – to make the Commission and its processes more open and accessible to citizens throughout Maine – requires both a personal commitment by the Commissioners and staff, and the expanded the use of technology to reach every corner of the state.

### **Internet Access**

According to a recent Omnibus Poll, over 74% of Maine households have internet access through a home computer – up from less than 25% seven years ago – and the "Maine School and Library Network" makes the web accessible to anyone in Maine with access to a public library. The internet is a crucial tool for achieving the Commission's vision of openness and accessibility and the Maine School and Library Network is a key component in ensuring citizen access to the Commission, its documents, and processes and procedures. In addition, interested parties, researchers, and other regulatory bodies from around the world are able to use our website for access to Commission information.

Broadband availability in Maine has increased dramatically since the PUC began tracking it in mid-2002. Both the number of towns where broadband is available and the number of providers and varieties of service have increased. While it is estimated that 86% of Maine's population has access to some type of broadband, the Governor's "Connect Maine" initiative emphasizes increasing access in the more rural areas of the state. The significance of wider broadband access is that the quantity and size of many of the Commission's website documents continue to increase. A scanned document filing can be many megabits in size. Accessing those files with a slow dial-up connection may mean that they are inaccessible.

While in 2002 the broadband market was dominated by either the local incumbent telephone company (Verizon or one of several independent telephone companies) providing DSL service or cable TV companies providing cable broadband service in a few areas, currently many areas are served by a combination of DSL, cable, fixed wireless and WiFi broadband service. Satellite service is also available to anyone with an unobstructed view to the southern sky, but that service is typically more expensive and currently provides somewhat lower quality and bandwidth than other broadband services. Latency is also a real issue with satellite service.

There are at least a dozen fixed wireless providers in Maine and many of them serve some of the more rural areas (e.g. Matinicus Island). WiFi hotspots are also becoming more prevalent in Maine. Many are for use by customers of hotels and restaurants, but many are open to the public and some have free access. There are hotspots in coffee shops, computer stores, bookstores, and public libraries. The Walk-In Wireless project of the Maine State Library provides free WiFi access to library patrons in over sixty libraries around the state.

We now have an online, interactive GIS map showing broadband availability, listing providers by municipality. We regularly receive feedback from providers and citizens through that web page, at <http://megisims.state.me.us/website/BroadBand2/viewer.htm>.

Our website contains information on deliberative session agendas, news releases and other time-sensitive matters. Our Virtual Case File system provides up to date access to any case in our system. Recent orders as well as all non-confidential documents for any case are available. Our site also contains lists of regulated utilities and their tariffs (using our virtual tariff system), staff contact information, Commission rules, State statutes, and live audio from the Commission's deliberative sessions and hearings.

### **Live Audio on the Web**

The live audio (using RealAudio™) feature is particularly valuable for public access. Anyone with a computer connected to the internet is able to listen to Commission decisions being made. All of the Commission's deliberative sessions, as well as many other hearings conducted in our hearing room, are broadcast over the internet and archived for access after the session is completed. Written transcripts are also available on the website. We have used the internet since 1997 for live and archived recordings of deliberative sessions and hearings – the first and only Maine state agency to do so. The feature continues to be well used by both the public and the utility industry.

### **Electronic Documents via the Web**

The ongoing restructuring of our electric utility industry is addressed by making available an extensive amount of information for competitive electric providers and consumers. Our website features an electronic application for competitive energy providers, lists of those providers, and links to their websites. Requests for bids for the electric "Standard Offer" provider are posted periodically on the website. The complete packages for the most recent bids are available for each service territory at [http://www.maine.gov/mpuc/industries/electricity/standard\\_offer/closed\\_so\\_solicitations.html](http://www.maine.gov/mpuc/industries/electricity/standard_offer/closed_so_solicitations.html).

There are separate pages on the website for telecommunications, energy, natural gas, water utilities, electric industry restructuring, and legislative issues. All Commission Orders back to 1993 are accessible and, beginning in 1997, orders have been converted to Adobe™ "PDF" format for ease of use. These orders are also available on a compact disc (CD) by request. This is useful for those who need to have many of these documents available quickly without waiting to access each of the documents via the internet. It provides them with a mini-database of this information that is available "offline."

In the "Virtual Case File" (<http://mpuc.informe.org/>), all documents for currently active and recently closed cases are available "on-line." Documents either are provided electronically or are scanned in PDF format. Any document in the case file (excluding those with confidential information), including those that are hand-written or have

signatures, is available. As a result, anyone anywhere in Maine (and the world) can follow any case and print case documents from their home or office, at any time.

Supporting the virtual case file is the ability to file documents electronically. Any company, party, or commenter is able to make secure electronic filings of complete utility cases, including pre-filed testimony, appendices, and exhibits. These filings do not include confidential material. Companies file rate cases, tariff change requests, or official documents on a secure FTP site that is password protected. Our Case Management Unit receives automatic electronic notice of new filings, recording the electronic date stamp as the official filing time. These electronic documents are then put directly in the virtual case file without the need for scanning or conversion to PDF format. Commission staff members are able to access relevant parts of any case and print only necessary sections on high-speed printers. Previously, utilities filed multiple paper copies of documents. While not yet mandatory, all utility companies, interveners, and other interested parties are encouraged to file official documents and comments electronically, saving time and money. Last year we added the ability to access a service quality "report card" for local telecommunications carriers that presents and compares five service quality measurements that show how these companies provide service. The measures are numbers of outages, network trouble report rate, percent of troubles not cleared in 24 hours, percent of installation appointments not met, and the average number of delay days for missed appointments.

In 2005, we added utility annual financial reports that allow companies to access the blank report forms and then submit the completed forms electronically. We will eventually have the completed forms available online.

Our "Virtual Tariff System" enables users to search and view tariffs for all of our regulated utilities. In the deregulated market place, the virtual tariff system allows consumers to make informed choices about whom they want to provide their competitive utility service.

Our web presence allows the public, utility companies, interveners, researchers, and other interested persons worldwide to have access to the Commission whenever they want. In this period of increasingly competitive utility services, public information and education are crucial for the successful operation of emerging markets. We believe that a competitive market cannot exist without an informed consumer. The Commission's website has been the primary instrument in providing crucial and timely information, thus helping us achieve the Commission's vision. The Consumer Assistance Division section contains consumer bulletins, consumer tips, contact information, and a "fill-in-the-blanks" electronic utility complaint form.

Our aggressive use of this new technology has produced savings in time and travel costs, has reduced pollution related to travel to the Commission's offices, and has saved reams of paper, not only for our agency, but for all of those who interact regularly with the Commission.

## GIS Capabilities

GIS comprises a set of computer-based analysis tools that integrate common database operations (query, statistical analysis) with geographic (or spatial) analysis, and visualization. GIS can relate and enable analysis of data from different data models and formats, to capture, manage, analyze, and output data with spatial characteristics. In addition to producing detailed, accurate and informative maps, it is a powerful tool for analysis. Utilities are increasingly using GIS for infrastructure management, service tracking, and outage management. Federal, State, and County emergency managers looked to the Commission for spatial analysis on utility issues during the ice storm and during the State's Y2k preparations, and renewed that interest in the immediate aftermath of the terrorist attacks of September 2001. Consumers are increasingly seeking specific information on services that are available to them in their own local area, information that can readily be provided using GIS technology and the internet.

In October 2001, we adopted a rule that requires all major utilities to provide service area and infrastructure maps and data to the Commission in GIS form, phased in over a period of several years to allow smaller utilities to develop GIS capabilities or make other appropriate arrangements. In adopting that rule, we established a long-term goal to enable us to "maintain all records and utility information in electronic form, to streamline our regulatory process and to improve the efficiency of our oversight of public utilities in Maine" and pointed to GIS as a "very useful device" for that process. Our stated purposes in adopting the rule were "to enhance the ability of utilities to satisfy [the statutory requirement to provide safe, reasonable and adequate facility and service] and of the Commission to review the safety, reasonableness, and adequacy of utility facilities and service, to respond to the most frequent requests for service area information received by the Commission, and to facilitate our support of emergency management planning activities."<sup>1</sup>

We have developed basic GIS capabilities through training a small core of staff members to use GIS software, collaborating closely with the Maine Office of GIS to assist our evolution of GIS at the Commission. We have also provided familiarization training to all staff so that they may better take advantage of the Commission's expanding GIS resources. We plan to expand staff GIS capabilities through additional training, and to further standardize the information we collect from the State's utilities to enable us to develop comparisons between utility performance and service levels. We are exploring and have started implementing innovative ways of delivering enhanced information to consumers about the services and features available to them. We are also continuing to integrate GIS-enabled spatial analysis into the Commission's basic work and web page—improving not only our product but also our efficiency. Because much of the GIS data that we must access is confidential, i.e., protected from public disclosure, we are currently exploring, with the Office of Information Technology, data security techniques that are new to the State of Maine. We hope that this process, once in place, will serve as a model for other agencies that have similar security and confidentiality needs.

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<sup>1</sup> *Public Utilities Commission, Utility Service Area and Infrastructure Maps (Chapter 140)*, Docket No. 2001-284, Order Adopting Rule and Statement of Factual and Policy Basis (Oct. 19, 2001), at 4-5.

This past year GIS was used in a number of different ways by the Commission. GIS analysis informed decisions on important cases, including our approval of the Verizon and MCI merger. GIS has also been an essential part of the support that the Commission provided to the Governor's Connect Maine Task Force.

## **UTILITY INFRASTRUCTURE SECURITY**

Significant sectors of the “critical infrastructures” identified nationally for special protection fall within the Commission’s intrastate jurisdiction: electric power, natural gas, telecommunications, and drinking water. While public utilities have the primary responsibility to secure their own infrastructure, the Commission provides support and encouragement to utilities, and collaborates on security issues with utilities, industry organizations, federal agencies, other state agencies such as the Maine Emergency Management Agency (MEMA) in the Department of Defense, Veterans & Emergency Management, and county and local emergency management officials. Commissioners and staff members have participated in a number of emergency planning and improvement exercises related to potential challenges to utility infrastructure and services.

Commission staff developed and maintains a statewide e-mail list of Energy Emergency Information Coordinators to facilitate the dissemination and exchange of timely energy emergency information throughout different agencies of State government. The Commission facilitated the participation of four individuals to represent Maine in a secure emergency notification system established by the Office of Energy Assurance in the U.S. Department of Energy; those individuals include the Governor’s Director of Energy Independence and Security as well as key Commission staff members.

The Commission has taken an active support role in utility critical infrastructure security. The Commission has designated staff members to serve on the State’s Emergency Response Team (ERT) to advise the Governor and MEMA on utility-related issues, and is developing an advanced capability to use detailed GIS maps and data about key utility infrastructure to support the Governor, MEMA, and the ERT during events that involve utility systems. During 2005, the Commission staff conducted a comprehensive statewide assessment of critical utility facilities for state homeland security personnel.

Certain information provided by utilities about their key infrastructure could pose security concerns if not protected. The Commission is keenly aware of the need to balance public access to utility information with the need to secure information that could be used to compromise the integrity of utility systems. Thus, in limited circumstances the Commission invoked the authority given to it by the Legislature in P.L. 2001, Ch. 135 to secure highly confidential utility infrastructure information pursuant to 35-A M.R.S.A. § 1311-B. A Commission staff member has been cleared for access to classified national security information, to facilitate the Commission’s role in warning and assessment support on utility issues if necessary. We have asked the Office of Information Technology to provide the Commission with mechanisms to ensure that electronic files containing sensitive utility infrastructure information, diagrams, and maps to which the Commission has access remains secure, whether at the Commission’s offices or the State Emergency Operations Center.



On a national level, the Commission staff actively participates on a committee chartered by national utility regulators<sup>2</sup> to identify best practices and roles for utility regulatory commissions to protect critical infrastructure nationally. That committee<sup>3</sup> works to improve communications between federal and state agencies and utilities on utility-related critical infrastructure issues, and represents the interests of Maine and similarly-situated states in the evolution of utility-related homeland security practices by federal agencies. The Commission staff liaisons with an electric industry organization that focuses on security issues.<sup>4</sup>

The Commission continues to address utility infrastructure security issues, including various factors that make utility infrastructure security particularly challenging:

- Utility infrastructure is usually highly visible and thus not a hidden target.
- Utilities increasingly use modern technology, including the Internet, to monitor and control their facilities, and the Internet is far from secure and is accessible globally.
- High-tech approaches are increasing the interdependence among utility services.
- To minimize inadvertent or unnecessary release of sensitive information about critical infrastructure, some Federal agencies and utilities restrict information flow to States, complicating State and local roles as the levels of government that would provide initial response to an incident that affects local infrastructure.

The Commission's goal remains that, even in times of extreme or unanticipated emergencies, utility facilities and services will continue to be safe, reasonable, and adequate to meet Maine's needs.

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<sup>2</sup> The National Association of Regulatory Utility Commissioners (NARUC)

<sup>3</sup> NARUC Ad Hoc Committee on Critical Infrastructure

<sup>4</sup> The Northeast Power Coordinating Council Task Force on Infrastructure Security and Technology

## CONSUMER ASSISTANCE

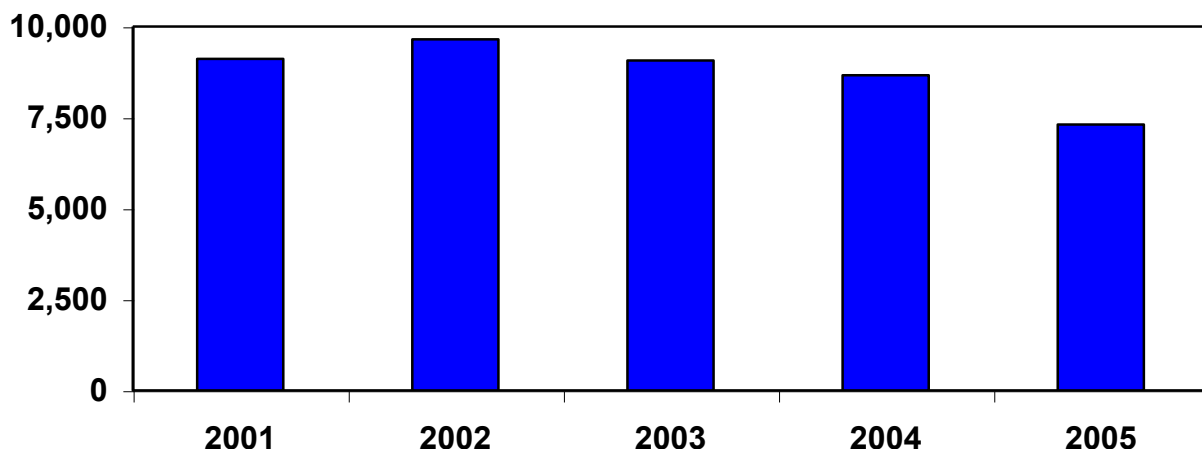
- The CAD obtained close to \$380,000 in utility abatements for Maine consumers in 2005.
- The Commission imposed an administrative penalty of \$15,000 on Spectrotel, Inc. for violations of Maine's slamming law and rule.
- Slamming complaints decreased by over 70% from 2004 levels.

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

### CAD Contacts

The CAD tracks its contacts with both consumers and utilities, whether the contact is to provide information and assistance, investigate a consumer complaint (a complaint is when a consumer has a dispute with a utility that the parties have been unable to resolve), or process a request by an electric or gas utility to disconnect a customer during the winter period (November 15 to April 15). The CAD recorded 7,304 contacts in 2005. As shown in the following chart, the number of contacts has declined each of the past three years. This decrease is due to the decrease in complaints against competitive telecommunications providers, particularly complaints about slamming (changing a customer's local or long-distance carrier without their consent).

**CAD Contacts 2001-2005**

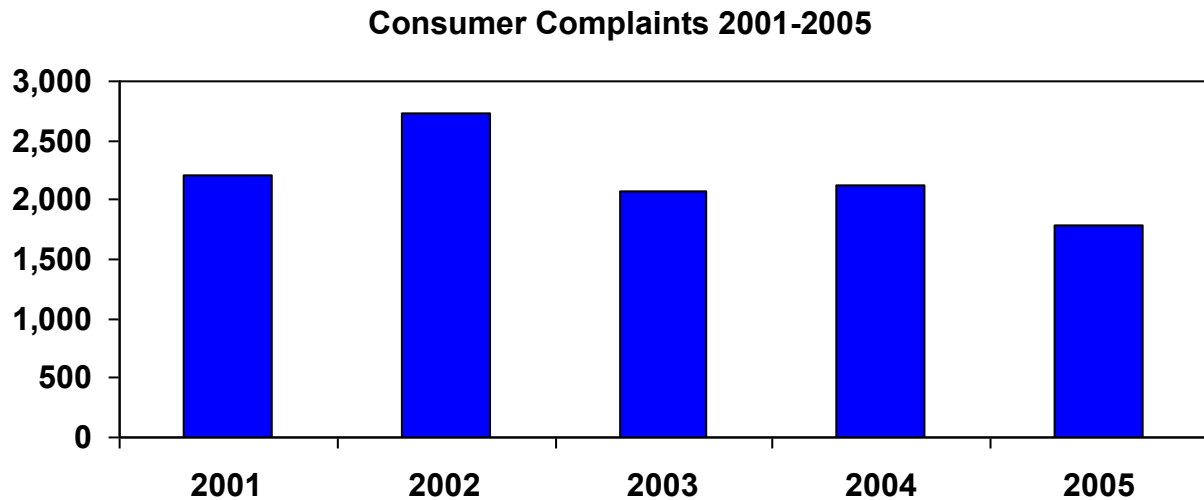


The CAD receives the majority of its consumer inquiries by telephone and strives to answer all calls live as opposed to using an integrated voice response system. By

answering calls live, the CAD is often able to answer questions and resolve consumer complaints immediately. In 2005, 97% of the calls to the Consumer Assistance Hotline were answered live.

### Consumer Complaints

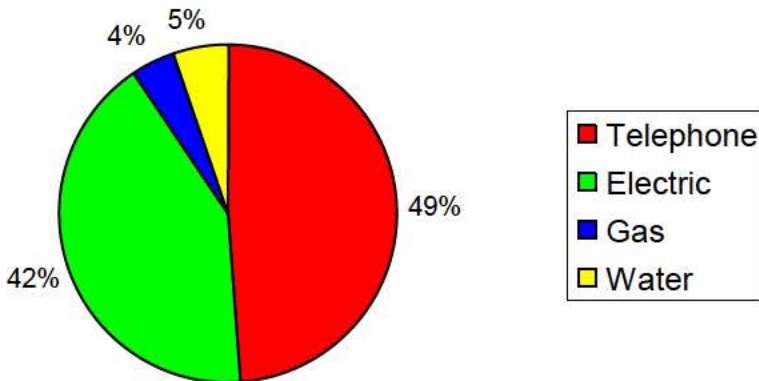
As shown in the following chart, the CAD received 1,789 complaints in 2005. This is a 16% decrease from 2,121 complaints received in 2004.



The decrease in complaints in 2005 is due to a decrease in complaints against competitive telecommunications providers. The CAD received 396 complaints against competitive providers in 2005, compared to 944 in 2004. Contributing to the decrease in complaints against competitive providers was a decrease in the number of slamming complaints received. The CAD received 68 slamming complaints in 2005, compared to 230 in 2004.

As shown in the following chart, telecommunications complaints accounted for 49% of all complaints received by the CAD in 2005, a decrease from 66% in 2004. Electric complaints accounted for 42% of the complaints received in 2005, an increase from 26% in 2004. The increase in the percentage of electric complaints in 2005 is due to the decrease in telecommunications complaints as well as a 35% increase in electric complaints. The percentages of gas and water complaints received in 2005 are comparable to 2004.

### Complaints Received in 2005



### Enforcement Actions

Chapter 296 of the Commission's rules (*Selection of Primary Interexchange and Local Exchange Carriers*) prohibits the changing of a customer's local or long-distance carrier without their consent (slamming). The rule also requires carriers to retain proof of customer authorization for a carrier change. This authorization is most often retained in the form of a recorded verification performed by a third party.

The CAD received 21 complaints from consumers who alleged that their preferred telecommunications carrier was changed to Spectrotel, Inc., a local and long-distance telecommunications provider, without their authorization. The CAD's investigation revealed that Spectrotel initiated changes of local telephone service in 17 of the 21 cases in which customers asserted either that they were unaware their service was being changed to Spectrotel or that they were led to believe the pending Verizon/MCI merger required them to change carriers to Spectrotel. In the cases where the CAD found that slamming occurred, it ordered full refunds to customers totaling over \$2,100.

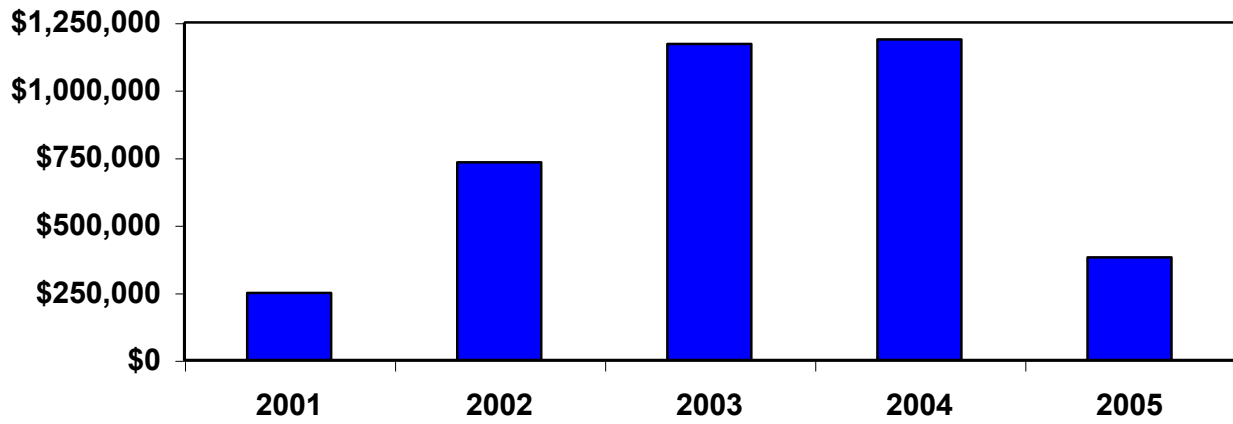
As a result of the CAD's findings that Spectrotel slammed Maine customers, the Commission opened an investigation into possible violations of the Commission's laws and rules by Spectrotel. Spectrotel agreed to pay a \$15,000 fine for the slamming violations, and agreed not to market to or assume any new customers in Maine and to voluntarily abandon service in Maine upon migration of its existing customer base through attrition.

### Refunds to Consumers

The CAD frequently obtains credits or refunds for consumers as part of its resolution of the consumers' disputes with their utilities. In 2005, \$379,650 was abated by utilities for 5,630 Maine consumers. As shown in the following chart, there was a significant drop in abatements in 2005 compared to the record high in 2004. The decrease in abatements in 2005 was due to a number of factors, including the decline in

competitive telephone complaints and several large electric, gas and water abatements obtained in 2003 and 2004.

**Consumer Refunds 2001-2005**



## **DIG SAFE**

### **Underground Facility Damage Prevention**

Title 23 MRSA §3360-A (commonly referred to as the “Dig Safe Law”) has been in effect since the late 1970s. This law was intended to protect underground facilities thereby preventing the interruption of service, loss of revenue, personal injury, and property damage associated with damaged utility facilities. The initial version of the law, however, did not assign responsibility for enforcement to a particular state agency. As a result, damage to facilities continued at rates significantly above national and regional averages. In 2000, the Maine Legislature addressed this problem by adding penalty provisions to the law and assigning enforcement responsibility to the Commission.

### **Legislation and Rulemaking**

Public Law 2005, Chapter 334 directed the Commission to develop by rulemaking 1) damage prevention procedures for newly installed underground facilities, and 2) standards for when and at what level penalties must be assessed for violations of the Dig Safe law. In addition, the law allows the Commission to direct operators to map the location of discovered or unknown underground facilities and to extend streamlined notification procedures for excavations associated with water well construction to all excavators. The law designates all damage prevention rulemakings as major substantive, subject to Legislative review and approval.

In the fall of 2005, the Commission initiated an inquiry (Docket No. 2005-548) and then a rulemaking (Docket No. 2005-549) to address the issues identified in Public Law 2005, Chapter 334. It expects to complete this rulemaking in time for submission to the Legislature for review in March 2006.

### **OKTODIG**

In response to legislation, which took effect during 2004 (PL 2003, chapter 127), the MPUC has established a reference database that may be accessed on-line (OKTODIG.com) or via telephone (866-OKTODIG) for a listing of known non-member facilities located within a particular municipality or township. This provides excavators with a valuable tool to facilitate their notification of planned excavation and to determine when there are no underground facilities in the area where they plan to excavate, permitting them to excavate without delay

### **Public Awareness, Training & Education**

The Commission continues to work with excavators, utility companies, Dig Safe System, Inc. and private property owners on education and training efforts in the interest of reducing damage incidents involving underground facilities, and ensuring the safety of any individuals within proximity of those facilities.

In March 2005, the Commission worked with the Maine Underground Safety Team in five statewide safety training sessions in Presque Isle, Brewer, Rockland and Saco focused on compliance and working safely around underground facilities. Additionally,

the Commission sponsored 69 certified and informational educational sessions at various businesses, organizations and the Commission. The Commission remains committed to offering training and education to any individual or organization seeking assistance with understanding the roles and responsibilities of excavators, facility operators, the Dig Safe System, Inc. and the Commission, as defined within the law.

	2003	2004	2005
Training Sessions sponsored by the MPUC	16	20	31
Attendees at Training Sessions	460	905	1139

## Enforcement

The following table provides additional details on the Commission's Dig Safe enforcement activities.

### Damage Prevention Activity

	2001	2002	2003	2004*	2005*
<b>Reported Incidents</b>	192	303	429	406	370

### Types of Facilities Involved

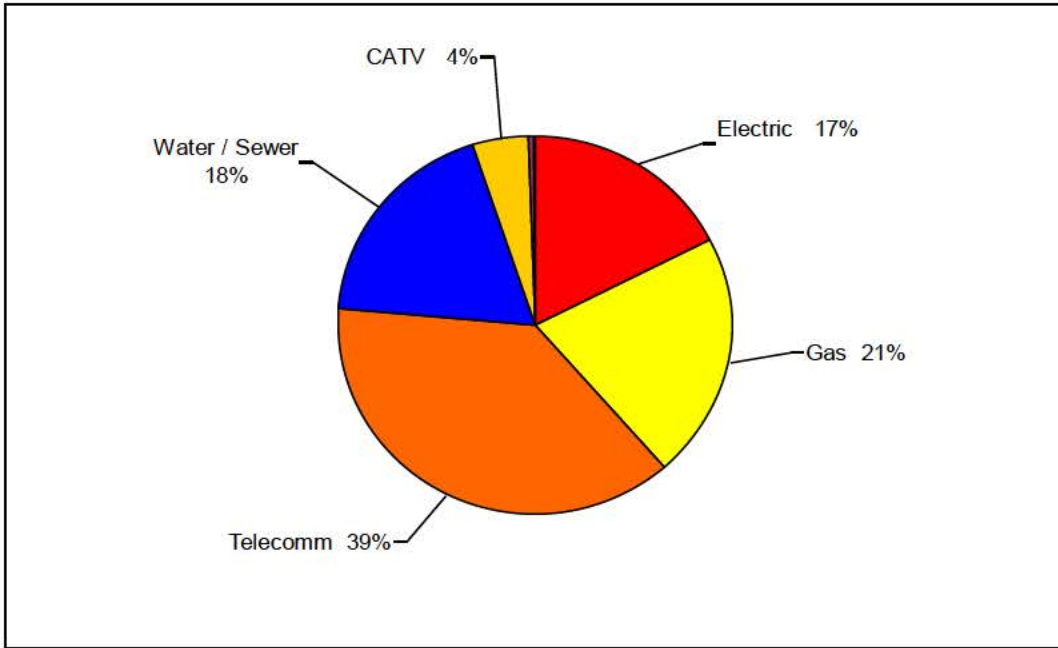
	2001	2002	2003	2004*	2005*
Electric	43	57	72	62	50
Gas	57	51	87	73	93
Telecommunications	37	128	155	170	153
Water / Sewer	39	46	102	99	47
CATV	0	6	13	27	27
Unknown	0	9	0	0	

### Notices of Probable Violations Issued (NOPVs)

	136	218	282	119	124
<b>Monetary Penalties in NOPVs</b>	\$82,500	\$110,000	\$139,500	\$59,000	\$ 68,000
Penalties Waived with Training	-	\$53,500	\$ 29,500	\$13,000	\$ 21,500
Penalties Not Waived	-	\$54,500	\$110,700	\$46,000	\$ 46,500
NOPVs Issued to Excavators	96	155	140	51	109
NOPVs Issued to Facility Operators	40	63	142	68	85

\* YTD numbers as of 12-31-05. Outstanding reports under review.

### 5 Year Incident Activity by Industry Type





## ELECTRIC

### HIGHLIGHTS

- Instability in the supply and demand balance in global natural gas markets, coupled with hurricane-related damage and production disruption in the U.S., drove wholesale electricity prices up by more than 50% during 2005.
- Large and medium C&I customers continued to exhibit a reasonable and steady level of migration to the retail generation supply market.
- Most residential and small commercial customers continued to obtain retail generation supply from standard offer service. The standard offer procurement process remained very competitive and thus residential customers receive the benefits of the competitive electricity market indirectly. A green market remains nascent, but many residential customers with contracts for green power returned to standard offer service when contracts expired.
- The Commission and other regulatory agencies investigated two applications to increase transmission capacity between portions of Maine and the Canadian provinces. The Commission approved one proposal, but found no public need for the second proposal.
- The number of retail suppliers serving Maine customers remained steady, with consumer purchases dispersed among many suppliers. However, a large share of the retail market is served by a single set of affiliated suppliers.
- The Commission implemented a “laddering” approach to the selection of standard offer service for residential and small commercial customers, which will mitigate price volatility over time.
- Proceedings to recalculate stranded costs and the auction of generation from Maine’s qualifying facilities (QFs) were concluded, resulting in stranded cost rate decreases for CMP and BHE customers.
- Well over 30% of Maine’s electricity supply was met with renewable and other eligible fuel resources.
- Wholesale generation supply costs in Maine continued to be the lowest in New England because of the locational features of New England’s regional standard market design.
- The Commission continued to actively participate in the Federal Energy Regulatory Commission’s (FERC’s) Locational Installed Capability (LICAP) proceeding, whose results could significantly increase the cost of wholesale electricity in Maine.

During its 1997 session, the Legislature enacted P.L. 1997 (the Restructuring Act), ch. 306, codified at 35-A M.R.S.A. §3201-3217, which directed comprehensive restructuring of Maine’s electric utility industry. Shortly thereafter, the Public Utilities Commission (Commission) disaggregated the vertically integrated electric utilities into delivery and generation functions, established the rates of transmission and distribution (T&D) utilities, and established rules that govern the activities of competitive electricity providers and utilities. Since then, the Commission has purchased standard offer service through competitive bid processes, monitored retail market development, and participated in regional wholesale market activities that affect Maine’s electricity consumers. For large and medium customers, Maine’s retail market has developed

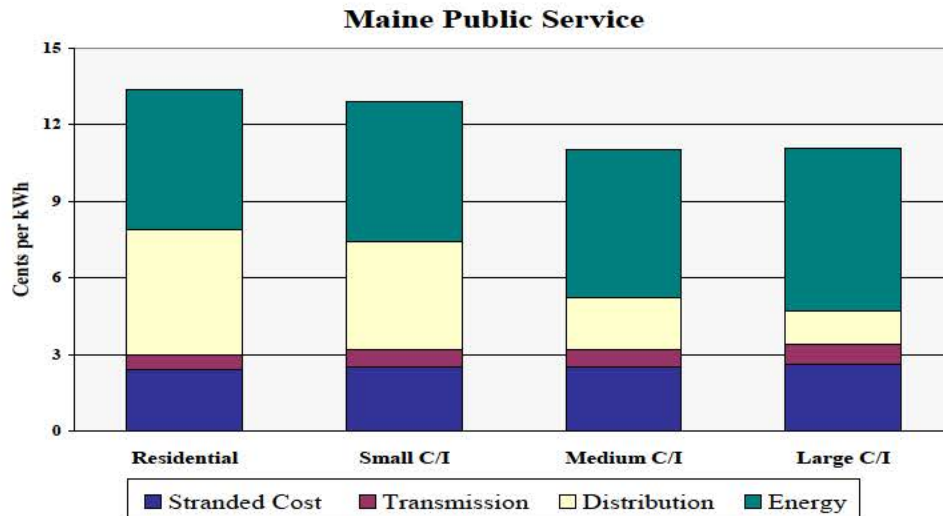
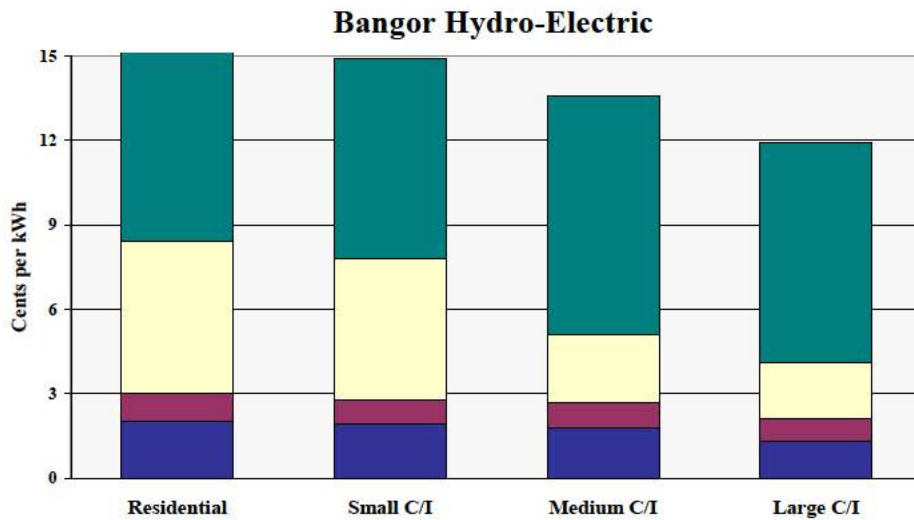
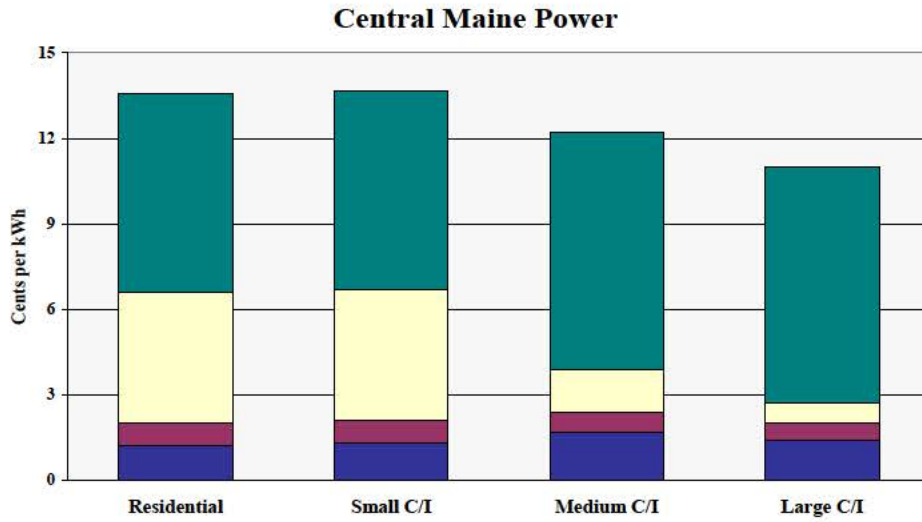
relatively smoothly and effectively in most respects. Small customers indirectly benefit from competition in the wholesale market through the standard offer.

## **CONSUMER PRICES**

Electricity prices include four distinct components – transmission rates, distribution rates, stranded cost rates, and energy prices. The first three, bundled together, comprise the rate charged by the T&D utility. Transmission rates cover the cost of constructing and operating the transmission system and are regulated by the FERC. Distribution rates cover costs incurred by the T&D utility to construct and operate the local distribution system and are regulated by the Commission. Stranded cost rates reflect the net, above-market costs for generation obligations that utilities incurred prior to industry restructuring, and are regulated by the Commission. Finally, energy prices are unregulated retail prices charged for generation service by competitive electricity providers that, in Maine's restructured environment, operate in the competitive market. Competitive electricity providers are licensed by the Commission. Consumers may obtain generation service directly from a competitive provider or through standard offer service that is obtained by the Commission through a competitive bid process.

The charts on the following page display, as of December 2005, the components, on average, of the basic prices for various customer sizes in the service territories of Bangor Hydro-Electric (BHE), Central Maine Power Company (CMP), and Maine Public Service Company (MPS). The displayed energy prices are the average standard offer rates; customers receiving generation from the open market may have lower or higher energy prices. In addition, many customers receive service under special rate contracts that have T&D prices below tariff rates. Finally, rates for large industrial customers that receive transmission level service are lower than rates for customers receiving distribution level service because the cost of serving customers at transmission voltage is lower than at distribution voltage.

# Components of Electricity Rates in December 2005



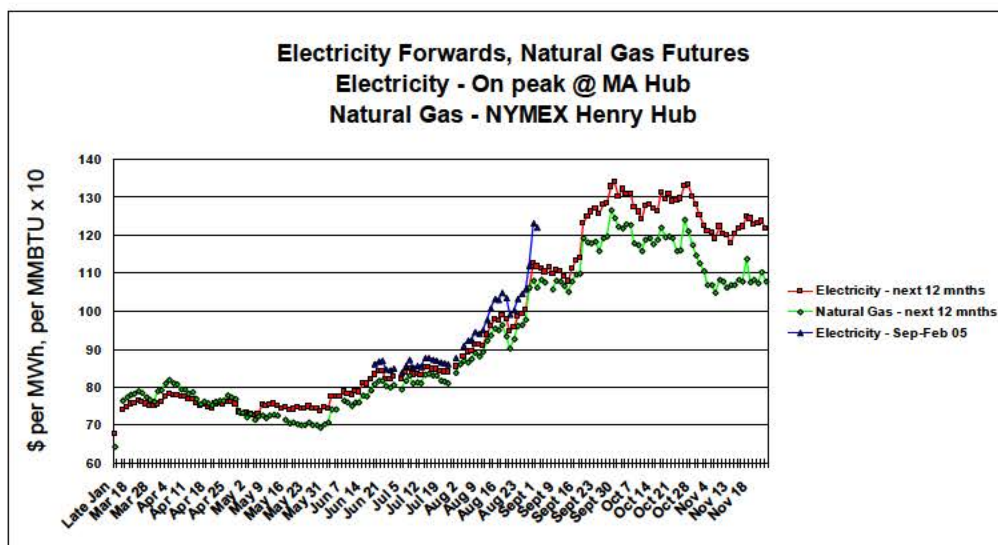
## FUEL PRICES AND THE GENERATION MARKET

The deregulation of the generation market removed the control of generation investment from regulators and State government. In the deregulated environment, market investors rather than utilities and regulators decide whether to build or upgrade generating facilities, where construction or upgrades will occur, and what types of generating facilities (peak load or base load; wind, biomass, or natural gas) will be constructed. This change was intentional, designed to place the risk of poor investment decisions on market participants rather than ratepayers and to allow market forces to drive the lowest-cost generation sources.

However, this approach has disadvantages as well. State regulators and legislators have much less influence over fuel types used to generate electricity and over whether investments respond to factors considered important to the State. Furthermore, because the wholesale pricing model results in all wholesale suppliers being paid the price bid by the generating unit on the margin, high fuel prices have a greater influence on the consumer price of all electricity generation.

During 2004 and 2005, forces beyond the State's control have acted to increase the cost of electricity generation. Natural gas has become the fuel of choice for new generation facilities. Natural gas is an international commodity; decisions regarding interstate pipeline development and disputes over LNG terminal locations have negatively affected natural gas prices. During 2005, hurricanes in the Gulf Coast seriously disrupted gas infrastructure, resulting in high gas prices and a fear of commodity shortage.

To show the importance of some of these external forces, the following graph shows the dramatic impact on forward energy prices of the August and September Gulf Coast hurricanes.



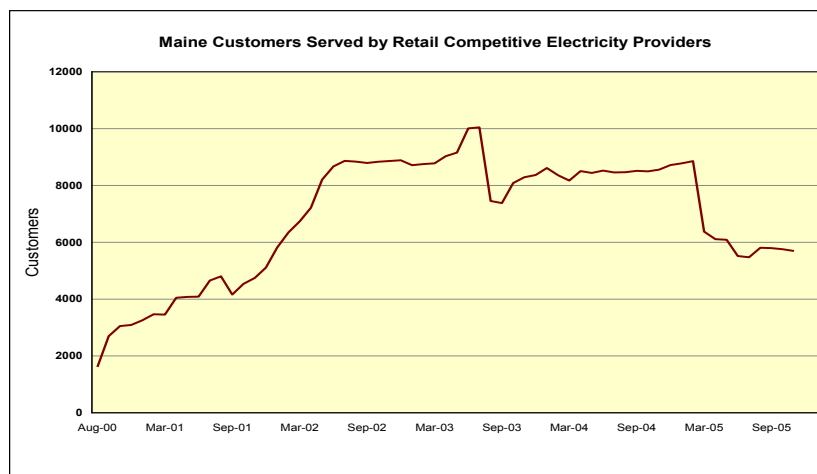
During 2005, several approaches were explored or implemented to respond to rising electricity prices driven by rising natural gas prices. Stakeholders, including

consumers, generators, the Commission, and Maine’s state and federal elected officials actively participated in regional efforts to develop a mechanism to encourage more generation investment in New England. The Commission implemented a standard offer bidding procedure that would partially mitigate the effect of price volatility in the wholesale market on residential and small commercial customers. The Legislature is considering methods for increasing the use of indigenous but diverse generation facilities; the Commission has taken an active role in a stakeholder group established by the Legislature for this purpose. Finally, the Commission is working with ISO-NE and other stakeholders to develop demand response programs and energy efficiency programs to blunt the impact of price spikes. These approaches are described later in this section.

## RETAIL MARKET ACTIVITY

During 2005, the retail market for Maine’s medium commercial and industrial (C&I) and large C&I customers<sup>5</sup> continued to exhibit a reasonable level of competitive activity, and bidding for standard offer service was healthy. In addition to attracting a significant number of bidders, the standard offer process resulted in different winning providers during 2005. The market continued to offer minimal competitive choice for residential and small commercial customers. In 2005, a three-year arrangement for low residential and small commercial standard offer prices ended, and newly-obtained arrangements reflected the significant increases in wholesale electricity prices in recent years. Residential and small commercial customers will be somewhat insulated from the volatility of the wholesale market by new procedures the Commission implemented during 2005.

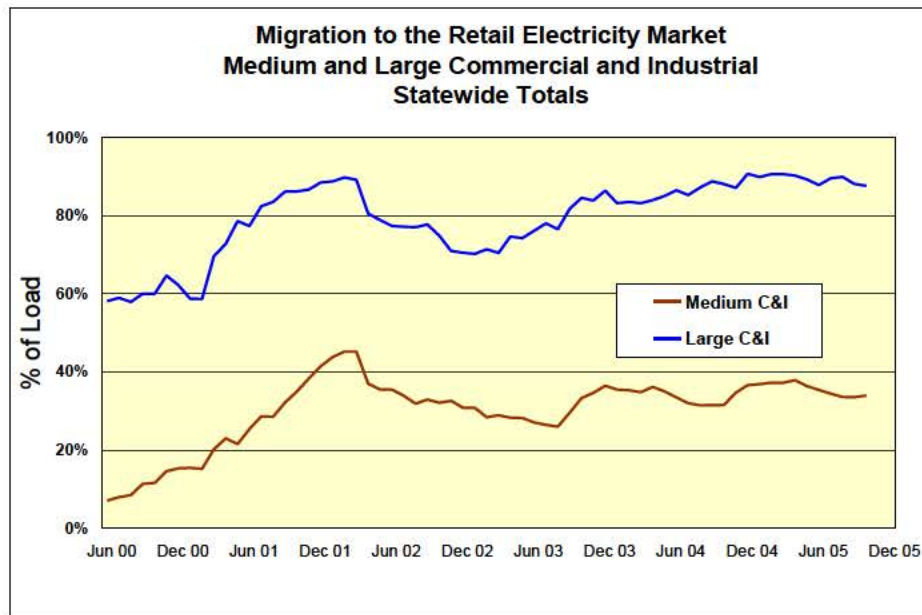
As shown on the graph below, customers showed steady migration to the open market throughout the first two years of restructuring, followed by steady participation through 2004. In 2005, approximately 900 residential and small commercial customers who were purchasing a green product returned to standard offer service.



<sup>5</sup> Commission rules establish three standard offer classes: residential and small commercial, medium commercial and industrial (C&I), and large C&I.

## Migration from Standard Offer – Medium and Large Customers

Since the beginning of restructuring, the vast majority of large customers and a substantial number of medium customers have chosen to participate directly in the retail market. When customers' supply contracts expire, they may choose between a return to standard offer service or an open market contract, based on their expectation of future market prices and their desire for price predictability. While migration to and from the competitive market is influenced to some extent by the relationship between standard offer and non-standard offer prices, the prevailing trend is for customers to remain in the open market once they have left the standard offer. The graph below shows migration among medium and large customers, and reflects the overall trend toward migration to the open market.



The Commission's standard offer selection procedures tend to remove the likelihood that changing market prices per se will cause migration to or from the open market. In 2003, the Commission concluded that medium and large class standard offer prices should track wholesale prices closely and accordingly has accepted bids for 6-month terms since that time. Prices for BHE and CMP medium and large standard offer customers increased generally between 0.2% and 3.5% in March 2005 and between 22% and 27% in September 2005. Prices for customers in the retail market are established by their individual contracts, and medium and large customers seeking a longer-term price have an incentive to buy in the retail market.

## Migration from Standard Offer – Residential and Small Commercial Customers

Marketers indicate that the costs to acquire and service small customers are significant, and no substantial retail market has developed. However, because Maine's standard offer providers are chosen through competitive bidding based on price, all residential and small commercial customers are effectively purchasing generation from

competitive market suppliers. Vigorous competition among bidders for standard offer service in BHE and CMP territories resulted in attractive standard offer service rates for smaller customers through 2004 and competition remained vigorous during the 2005 bidding process.

During 2003 and 2004, “green” products, featuring hydroelectric, biomass, wind, low-impact hydro generation, and “green tags” became available through residential and public sector aggregation groups. The Maine Green Power Connection provided information regarding green power, and the State Energy Program provided modest funding for information outreach.

Finally, northern Maine retail activity was considered in Commission proceedings during 2005. In the early days of restructuring, there were only two suppliers active in the northern Maine retail market – Energy Atlantic and WPS Energy Services, Inc. (WPS-ESI). Energy Atlantic no longer serves customers in northern Maine, leaving WPS-ESI as the only provider of open market and standard offer service in all rate groups. Thus, the retail market in northern Maine is considerably less competitive than the market in the remainder of the State. The standard offer bidding process disciplines price to some extent, and prices in MPS territory are reasonable relative to the rest of Maine and New England. However, we continue to monitor this situation.

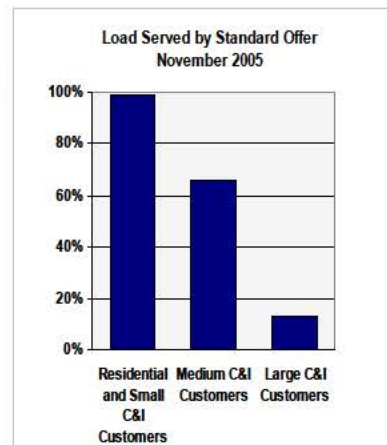
### **Retail Supplier Activity**

Throughout 2005, approximately 20 retail electricity suppliers were licensed to serve customers in Maine. Fewer than ten suppliers (including standard offer suppliers) actively served multiple customers, and another ten obtained a supplier’s license to serve themselves directly from the wholesale market. Two suppliers sold virtually all of the power purchased at retail in the residential market.

## **STANDARD OFFER SERVICE**

### **Overview of 2005**

During 2005, the portion of Maine’s electric load that receives standard offer service remained steady at slightly over 60%. By customer class, standard offer service supplies about 66% of the load of Medium C&I customers and 13% of the load of Large C&I customers in Maine, as shown by the graph on the right. Standard offer service continues to supply virtually all residential and small commercial customers, as has been the case since retail access began. The same is basically true in other states that have restructured. By T&D service area, standard offer service supplies about 60% of the load of CMP customers, about 70% of the load of BHE customers and about 60% of the load of MPS customers.



The standard offer suppliers during 2005 and the prices they charge are set forth below. The prices shown here are averages; actual prices for the Medium class may

vary by month and for the Large class by month and time of day. For more detailed prices, please see the Commission's web page at [http://www.state.me.us/mpuc/new%20standard%20offer/standard\\_offer\\_rates.htm](http://www.state.me.us/mpuc/new%20standard%20offer/standard_offer_rates.htm).

**Average Standard Offer Prices in 2005**

	Residential/Small Commercial		Medium C&I		Large C&I	
	Price ¢/kWh	Supplier	Price ¢/kWh	Supplier	Price ¢/kWh	Supplier
<b><u>CMP</u></b>						
Jan - Feb	4.95	CPS Maine	6.59	Independence	6.48	Independence & Select
Mar - Aug	6.95	CPS Maine	6.80	Select & Dominion	6.56	Select
Sept - Dec	6.95	CPS Maine	8.31	FPL, Dominion & Suez	8.35	Suez
<b><u>BHE</u></b>						
Jan - Feb	5.00	CPS Maine	6.65	Independence	6.26	Independence & Select
Mar - Aug	7.14	Select & Independence	6.88	Select & CPS Maine	6.27	Select
Sept - Dec	7.14	Select & Independence	8.47	FPL	7.79	Suez
<b><u>MPS</u></b>						
Jan - Dec	5.46	WPS	5.81	WPS	6.40	WPS

**Residential and Small Non-residential Supply Procurement**

Effective March 1, 2005, the Commission implemented a hedging program for standard offer supply procurement for CMP and BHE residential and small commercial customers. The process began with the release of RFPs in September 2004 to initiate a “laddering” structure whereby the Commission would secure portions of the required supply at different times, thereby reducing retail customer exposure to the volatility of the wholesale market. Specifically, bids were requested for one-third load segments for terms of one, two and three years.

As a result of this procurement process, Constellation Energy Commodities Group-Maine, LLC was designated to provide service for all three CMP small class segments: a one-third load segment for a one-year term; a second one-third segment for a two-year term; and a third one-third segment for a three year term. For BHE customers, Select Energy Inc (Select) was designated to provide service for the two- and three-year segments and Independence Power Marketing, LLC (Independence) was designated for the one-year segment.<sup>6</sup> The resulting prices were 6.95 cents/kWh for standard offer supply in CMP's territory and 7.1 cents/kWh in BHE's territory, for the period March 1, 2005 through February 2006. These prices reflected the fact that prices in the wholesale energy market had risen substantially in the three years since standard offer supply was last procured for this group of customers. Although the new standard offer prices would by themselves mean an average increase of 17% in the all-in rate of CMP's residential and small commercial customers and of 14% for the same

<sup>6</sup> Earlier this year, Select announced its intent to divest its standard offer and wholesale business and, as a result, sought and received Commission approval to transfer its BHE small class standard offer obligations to CECG Maine as of January 1, 2006.



group of customers of BHE, these increases were somewhat mitigated, particularly in BHE's territory, by simultaneous reductions in the stranded cost component of their bills.

In December 2005, the Commission procured supply for the March 1, 2006 term to replace the expiring one-year, one-third segment arrangements. The resulting March 1, 2006 standard offer prices will be 8.4 cents/kWh for standard offer supply in CMP's territory and 8.7 cents/kWh in BHE's territory, and will result in an average increase of 9% in the all-in rate of CMP's residential and small commercial customers and of 10% for the same group of customers of BHE. Given increases in market prices during the past year, procuring only one-third of the supply has proved to be a significant benefit to customers. Going forward, the laddering approach will continue to moderate the extent to which wholesale market volatility affects standard offer prices.

### **Medium and Large Non-residential Supply Procurement**

The Commission completed two solicitations for medium and large class standard offer service during 2005, and a third began before the end of 2005. The solicitations have continued to be competitive, resulting in retail standard offer suppliers and market-based prices for all customer classes.

On December 1, 2004, the Commission issued RFPs for standard offer service for the CMP and BHE medium and large classes for six-month terms beginning March 2005. Suppliers submitted indicative bid prices in December 2004. Staff, utilities, and suppliers negotiated and resolved non-price terms and, in January 2005, suppliers submitted final binding bids. After evaluating the final proposals, the Commission designated Select Energy Inc. as the provider for 60% of the CMP medium and 100% of the CMP large non-residential classes, and Dominion Retail Inc. as the provider for 40% of the CMP medium class. For BHE customers, the Commission designated Select Energy, Inc as the standard offer provider for 80% of the medium and 100% of the large non-residential classes and Constellation Energy Commodities Group-Maine as the provider to 20% of the medium class.

The second standard offer solicitation for the CMP and BHE medium and large classes, for the six-month term beginning September 2005, began when the Commission issued RFPs in early June 2005. After receiving indicative bids, negotiating contract and other non-price terms, and receiving final bids, the Commission designated Suez Energy Resources N.A. (Suez) to serve 100% of the CMP large and 20% of the CMP medium classes, and FPL Energy Power Marketing (FPL) to serve 60% and Dominion Retail to serve 20% of the CMP medium class. For BHE customer the Commission designated Suez to serve 100% of the large and FPL to serve 100% of the medium classes.

No solicitations were held to acquire standard offer service for MPS customers because WPS-ESI is currently designated the standard offer provider for a 34-month term ending on December 31, 2006.

## STRANDED COSTS

The Restructuring Act allows CMP, BHE and MPS to recover stranded costs in the rates they charge for delivery service. Stranded costs reflect the net, above-market costs for generation obligations that utilities incurred prior to industry restructuring. For example, stranded costs include the difference between payments the utilities must make pursuant to pre-existing purchased power contracts (primarily with qualifying facilities (QFs)) and the current market value of that power. Stranded cost rates are reset for CMP, BHE and MPS every two to three years. The adjustments coincide with the sale terms of the utilities' QF entitlements, because the amounts received from the entitlement sales offset stranded costs and have significant impact on stranded cost rates.

During 2004, the Commission completed a proceeding that established MPS's stranded cost rates for the period between March 1, 2004 and December 31, 2006, to coincide with the period of MPS's sale of qualifying facility entitlements. The proceeding concluded with a stipulation, approved by the Commission, under which MPS's stranded cost rates did not change from their level before March 1, 2004.

During 2005, the Commission completed stranded cost rate case proceedings for both BHE and CMP. On an overall basis, CMP's stranded cost rates were reduced by 9.1% while BHE's stranded cost rates declined by 38.11%. Since we have historically tied the setting of utilities' stranded cost rates with the timing of the sale of the output from the utilities' non-divested QF contracts and generation assets, we will review, and possibly reset, CMP's and BHE's stranded cost rates in 2006 to reflect the expiration of the current sale of part of both CMP's and BHE's non-divested assets.

The most significant changes in stranded costs will occur when utilities' QF contracts expire. BHE's remaining stranded costs will decline significantly in the immediate future, while CMP's will decline more gradually throughout the second half of the decade. Projections of stranded costs are shown in the chart below.

**Annual Stranded Cost Projections**



Stranded costs will be reestablished within the next 3 years

The major components of each utility's stranded costs for the year March 2005 – February 2006 and the net present value of future stranded costs are set forth below:

Net Present Value of Stranded Costs

<b><u>CMP</u></b>	
Above market QF costs	\$375 million
HQ tie line	16
Nuclear plants	<u>114</u>
<b>Total stranded costs</b>	<b>\$505 million</b>

Annual Stranded Costs, Year Ending 2/06

<b><u>CMP</u></b>	
Above market QF costs	\$ 99 million
HQ tie line	4
Nuclear plants	<u>34</u>
<b>Total stranded costs</b>	<b>\$137 million</b>

<b><u>BHE</u></b>	
Above market QF costs	\$76 million
HQ tie line	3
QF contract restructure	32
Nuclear plants	35
Deferred standard offer	<u>3</u>
<b>Total stranded costs</b>	<b>\$149 million</b>

<b><u>BHE</u></b>	
Above market QF costs	\$11 million
HQ tie line	1
QF contract restructure	17
Nuclear plants	7
Deferred standard offer	<u>1</u>
<b>Total stranded costs</b>	<b>\$37 million</b>

<b><u>MPS</u></b>	
Above market QF costs	\$11 million
QF contract restructure	3
Nuclear plants	22
Deferred fuel	18
Other	<u>1</u>
<b>Total stranded costs</b>	<b>\$55 million</b>

<b><u>MPS</u></b>	
Above market QF costs	\$7 million
QF contract restructure	2
Nuclear plants	6
Deferred fuel	<u>-3</u>
<b>Total stranded costs</b>	<b>\$12 million</b>

<b><u>Total Net Present Value Of Stranded Costs</u></b>	<b>\$709 million</b>
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<b><u>Total Annual Stranded Costs</u></b>	<b>\$186 million</b>
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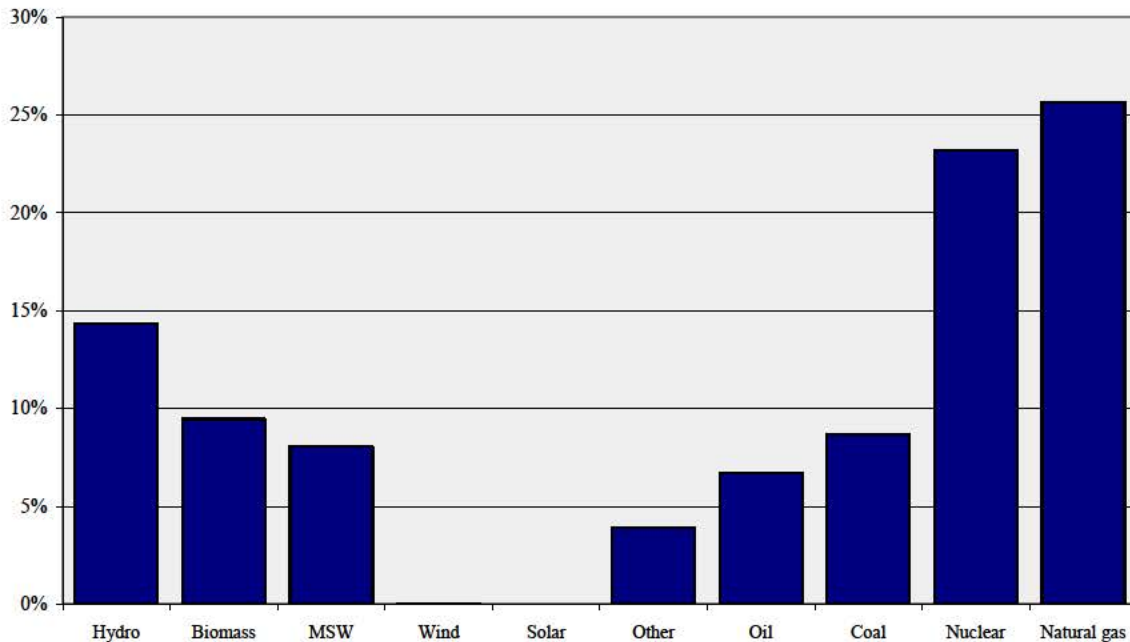
## GENERATION RESOURCES

### Resource Mix Used to Serve Maine's Customers

The Restructuring Act establishes a 30% resource portfolio standard (RPS) that requires electricity suppliers (including standard offer suppliers) to supply 30% of their Maine load from "eligible resources." The Act defines eligible resources to be generating units whose capacity does not exceed 100 megawatts and that produce electricity from tidal, fuel cells, solar, wind, geothermal, hydroelectric, biomass, or municipal solid waste in conjunction with recycling, that qualify as small power producers under federal regulations, or that are efficient cogeneration units.

As shown in the chart below, during 2004,<sup>7</sup> approximately 35% of Maine's load was supplied by eligible resources. Virtually all eligible supply was provided by hydro, biomass, or MSW, with a small fraction provided by eligible fossil fuels, wind, or solar.

**Resources Serving Maine's Electricity Customers in 2004**



The generation that fulfills the 30% RPS may come from a variety of locations. The generation that suppliers assign to load in Maine may be generated in Maine, in another New England state, in Canada, or (less frequently) in the Middle Atlantic states. Since 2002, competitive providers in the ISO-NE territory have operated under a “tradable attribute” certificate system known as the Generation Information System (GIS). The GIS allows suppliers to trade electricity attributes (e.g., fuel source and emissions levels) separately from the energy commodity. Suppliers in the ISO-NE area demonstrate compliance with Maine’s 30% RPS through GIS certificates. This process reduces supplier compliance costs and allows for accurate verification.

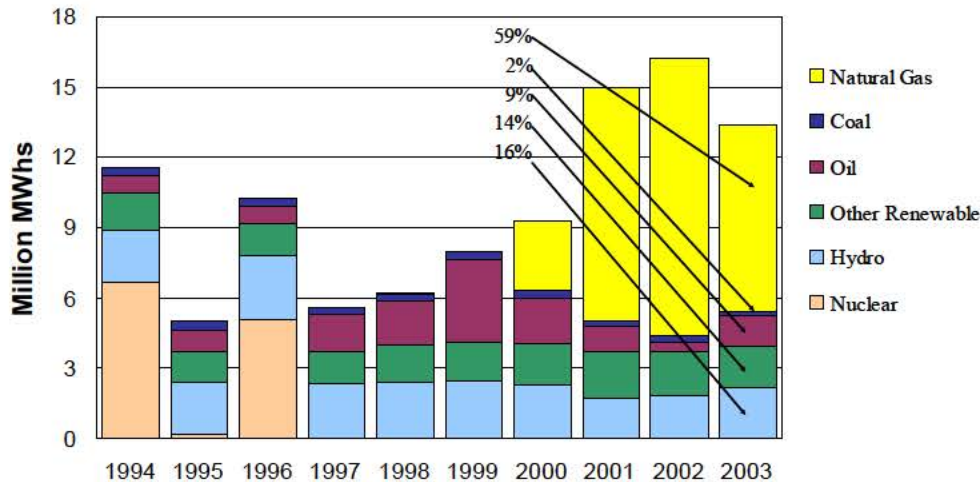
### **Electricity Generated in Maine**

In recent years, five electric generating plants fueled by natural gas have been built in Maine. This phenomenon is the result of both electric restructuring and the completion of new natural gas transmission facilities within the State. Publicly available information summarizes the resources used in each state to generate electricity (which may in turn be sold in other states), and shows the dramatic change in Maine’s generation mix. Generation data is not available beyond 2003. However, the amount of electricity generated from Maine’s natural gas facilities diminished in 2003, most likely because of the increasing price of natural gas. While no publicly available data is

<sup>7</sup> The Commission will receive information about suppliers’ 2005 resource mix when suppliers file their annual reports in June 2006.

available, it is likely that generation from facilities fueled by biomass increased during 2005.

**Electricity Generated in Maine by Fuel Type  
1994 - 2003**



## NEW TRANSMISSION

The Commission, through approval of a stipulation, issued a Certificate of Public Convenience and Necessity authorizing Bangor Hydro-Electric Company to construct an 85 mile, 345 kV transmission line from Orrington, Maine to the Canadian border just north of Baileyville, Maine (referred to as the Northeast Reliability Interconnect or NRI). The NRI will interconnect with a 65 mile, 345 kV transmission line to be constructed, owned and operated by New Brunswick Power.

Upon construction, the NRI would provide a second transmission line between the New England and New Brunswick regions. This additional link will improve system reliability, increase import/export transmission capacity, and reduce line losses. The NRI is expected to cost approximately \$99 million. Because the NRI's benefits are regional in nature, the ISO-NE has determined that the cost of the project will be shared among all electricity customers in New England.

Construction of the NRI is expected to begin during winter 2005/2006. The project is expected to be complete by the end of 2007.

## NORTHERN MAINE SYSTEM RELIABILITY

The Commission conducted an extensive investigation of bulk system reliability in northern Maine. The investigation was in the context of a Maine Public Service Company proposal to construct an additional transmission link between its territory and New Brunswick Power's transmission system. The Commission also considered whether, based on system reliability concerns, it should direct MPS to enter into a contract with Loring Bio Energy to facilitate the construction of a 55 MW generation plant.

The Commission concluded, based on extensive evidence, that there is not a current need for MPS to commit ratepayer funds to either transmission or generation construction so as to maintain adequate system reliability. Specifically, the Commission concluded that current system resources are sufficient to meet projected system load in northern Maine in the near and intermediate terms and that there are several possible resource additions that may develop over the next few years that may provide sufficient resources to meet northern Maine's needs well into the future. To the extent such resources do not develop, the Commission found that there is adequate time for MPS, along with other stakeholders in the region, to explore and implement potentially more cost-effective approaches for dealing with reliability issues that may arise in the future.

## **REGIONAL ACTIVITY**

With the restructuring of the electricity market, Maine has become part of a broader regional market for wholesale electricity. The existing electric transmission system allows generation within roughly 1,000 miles of the state to compete to serve Maine customers and allows Maine's generators to compete for load over a similar area. The Legislature anticipated this and in 1997 enacted 35-A MRSA §3215, which directs the Commission to participate in regional and national activities to protect "the interests of competition, consumers of electricity, or economic development of the state."

The New England electric market is, and will remain for the foreseeable future, a hybrid of competitive and regulated elements. The fundamental goal is to develop and maintain a workably competitive wholesale generation market that will provide the benefits of strong competition among suppliers while simultaneously producing a reliable electric system and acceptable prices.

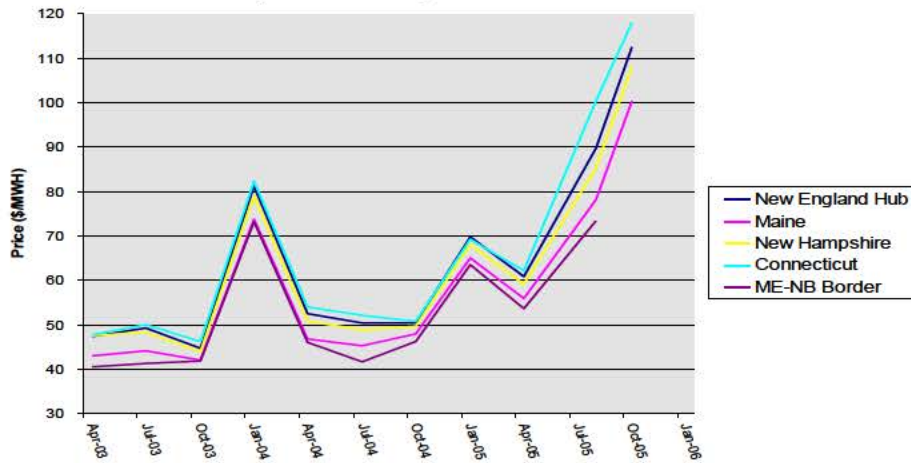
The market operates under a set of rules approved by the Federal Energy Regulatory Commission (FERC). New England's Independent System Operator, ISO New England (ISO-NE), is the day-to-day operator of the electric grid and the generation markets. ISO-NE, in turn, operates under contract with the New England Power Pool (NEPOOL), a New England organization comprised of generators, competitive electricity providers, T&D utilities, municipal electric systems, and representatives of end-use customers. NEPOOL or ISO-NE files changes to market rules for approval by FERC. These changes are developed through NEPOOL committees, each of which is chaired by ISO-NE. In some cases, these filings have close to unanimous support. In others, there is a wide range of conflicting positions. While the Commission is not a NEPOOL member, it often takes an active role in the committees. The Commission also intervenes and takes positions at FERC on matters affecting the competitiveness of the wholesale electric markets, reliability, or prices paid by Maine electricity consumers.

### **Notable Trends and Events in the Past Year**

Much of the region's electric generation is fueled by natural gas and oil and these generators often set the wholesale market price. Substantial increases in the cost of fuel, particularly natural gas and oil, have led to significant increases in the cost of

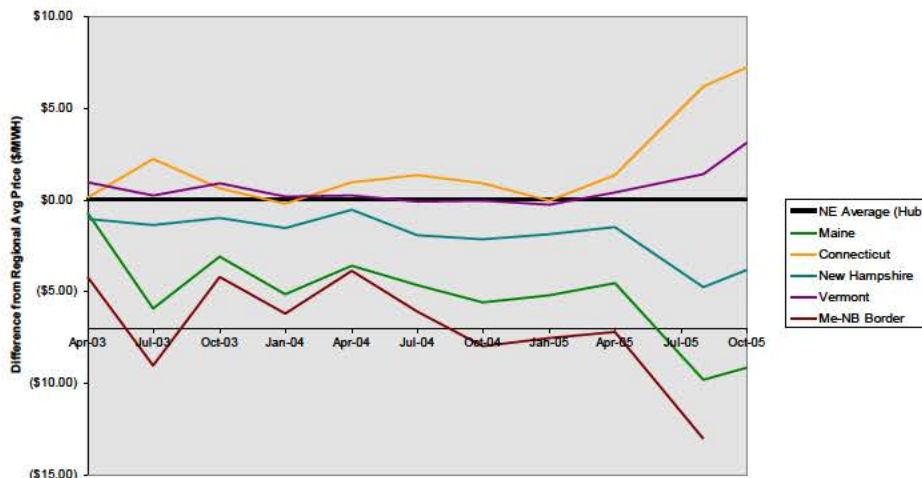
wholesale, and ultimately retail, electricity. The fuel price increases have been driven by a number of factors, but the two most notable are the overall increase in world petroleum prices coupled with the impact of Hurricanes Katrina and Rita on the Gulf of Mexico and the associated damage to petroleum and natural gas production from that region. The hurricane damage has also raised concerns about the availability of electricity and the fuels used to produce it during the winter of 2005-06.

**Wholesale Electric Generation Prices**  
April 2003 - August 2005



Despite the increase in wholesale electricity prices during the year, prices for delivery in Maine continue to be the lowest in New England. In late spring 2005, wholesale prices began to rise fairly dramatically. However, at the same time, the Maine prices moved from about \$5 per MWh (or 0.5 cents per kwh) below most of New England to about \$10 per MWh lower than the rest of the region. We expect that the state will continue to hold a relative price advantage for the foreseeable future, although the size of the advantage is difficult to predict.

**Relative Prices of Electricity Generation in New England**



## Major Cases Currently Being Litigated at FERC

While there are numerous ongoing cases in which the Commission, either through New England Conference of Public Utility Commissioners (NECPUC) or individually, has participated by submitting comments to FERC and participating in the NEPOOL committees, the Commission has taken a lead role or shared leadership with other state commissions in the following three cases that are set for hearing at FERC.

Locational Installed Capability (LICAP). FERC has ruled that New England should adopt a LICAP mechanism to ensure there is enough generation capacity to provide reliable service throughout New England. On September 1, 2004, ISO-NE filed a proposal with FERC to implement such a mechanism. The Maine Commission actively participated in this case individually and as part of NECPUC. Specifically, we provided testimony and briefs in opposition to major portions of the ISO-NE filing. While we agreed with the goal of ensuring that enough generation is available to provide reliable service, we disagreed with the way the ISO proposed to reach this goal. Specifically, the ISO LICAP proposal administratively establishes prices which, in our view, not only require consumers to buy more capacity than is necessary to maintain reliability but imposes substantial costs even when there is a significant surplus in existing generation capacity. We opposed the ISO's proposal, because it will impose substantial and unwarranted costs on consumers, and because even with all of these payments to existing generation suppliers, there is no requirement for the suppliers receiving the payment to build new capacity or even be available in the long term when the system may no longer have a substantial surplus. Thus, there is no assurance that the increased costs will, in fact, improve reliability or reduce price spikes.

While we and others offered an alternative approach which will ensure that capacity is there in the long term, the FERC did not allow consideration of this alternative in the hearing. However, following the administrative law judge's Initial Decision, which accepts the ISO proposal, FERC, responding to overwhelming concern expressed by state regulators, consumer advocates, most transmission and distribution companies and the New England Congressional Delegation, delayed the implementation of any proposal until October 2006 and directed the parties to engage in settlement negotiations on alternatives to the LICAP approach. Settlement discussions are scheduled to continue through January 2006 to resolve this case. We are active participants in the settlement negotiations.

Installed Capacity (IC) Requirements. Another important case related to the LICAP proceeding is an annual FERC proceeding involving the determination of how much capacity is needed within a 12-month period to protect reliability. While market participants have always been involved in the stakeholder process leading to the setting of this IC level, the IC proceeding has taken on much greater significance under the ISO's proposed LICAP scheme. This is because under the prices set administratively under the LICAP proposal the price for capacity increases sharply as the amount of additional capacity needed increases. Thus, an increase of only one or two percent in the IC requirement can translate into hundreds of millions of dollars of additional LICAP costs for the New England region.



An additional significant issue in this case is whether states or the FERC should determine the appropriate level of reliability. While the FERC has for many years set the IC requirement, the determination of what level of resource adequacy is required is a matter in which states must play a major role, since ultimately retail consumers will pay the cost of increased levels of reliability. The FERC's approval of an IC requirement that will increase the cost of LICAP if it is implemented and the FERC's decision that it has sole authority to establish the IC requirement are being challenged in federal court. We have intervened in this appeal as part of NECPUC and individually.

Request for Increased Return on Equity (ROE). On November 4, 2003, a collection of New England transmission owners filed a request for approval for a significant increase in the return on common equity component of the regional and local transmission rates under the Regional Transmission Organization for New England (RTO-NE) open access transmission tariff. We took a lead role in developing NECPUC comments protesting the proposed increase. One part of the increase was granted by FERC. A federal court challenge of this FERC decision is currently pending. We participated in the briefing of this challenge both as a member of NECPUC and individually, and an Initial Decision significantly reduces the requested return on equity. As of the drafting of this report, FERC has not yet issued a final decision.

### **Cold Snap and Winter Fuel Response**

During the "Cold Snap" of January 14-16, 2004, New England experienced extreme cold weather conditions that produced record demand for power and threatened the reliability of the electric and natural gas systems in the region. In response to the "Cold Snap," the ISO led an extensive stakeholder process in which generators, end-users, Load Serving Entities, ISO-NE and NECPUC participated. The stakeholder process eventually produced a number of FERC-approved changes to the ISO market rules. These changes, which are in effect through the winter of 2005-06, are designed, among other things, to improve communications among the ISO, the owners of gas-fired generation and the natural gas industry, define obligations of generators during cold snaps and provide additional flexibility to generators to improve their ability to respond to system needs during extreme cold weather. In addition to the cold weather rules resulting from the cold snap, FERC recently approved rules designed to enhance the reliability of New England's bulk power system operations this winter, during which natural gas and other generating fuels may be in short supply due to hurricane damage in the Gulf of Mexico region. These additional rules contain provisions to communicate the need to: reduce consumption in all hours to conserve fuel, encourage the utilization of dual-fuel generating capability, expand demand-side management programs in New England, and complement the cold weather procedures developed as a result of the 2004 Cold Snap.

These provisions will also complement our Efficiency Maine program to reduce residential and small commercial demand this winter through the "10% Save a Watt Challenge." The goal of the 10% Challenge is to help ease regional energy supply and reliability concerns by giving Maine consumers an incentive to reduce electric usage by 10%. This program will also yield direct benefits by lowering monthly utility bills and reducing greenhouse gas emissions.

## **ENERGY PROGRAMS**

### **Efficiency Maine**

When the Maine Legislature enacted “An Act to Strengthen Energy Conservation,” P.L. 2001, ch. 624 (the Act) in 2002, it gave the Commission responsibility for planning and delivering energy efficiency programs. These functions had traditionally been performed by vertically integrated electric utilities. Industry restructuring removed utilities from the provision of energy services so the transfer of responsibility for efficiency programs was consistent with the state’s general approach to electric restructuring. The Act directed the Commission to develop and implement cost effective conservation programs consistent with an overall strategy to be developed by the Commission. It also contained other directives on allocating funds among programs, considering public input, contracting with service providers, evaluating programs, distributing services, and developing the overall program funding level. To give the Commission time to address all the requirements of the Act, and to avoid “significant delay in the implementation of conservation programs,” the Legislature directed the Commission to implement “interim” energy conservation programs to conclude by December 31, 2003.

During 2002, the Commission approved 12 interim conservation programs and implemented six. The remaining six interim programs required more planning and were implemented during 2003. During 2004, the interim programs were modified and converted to seven full-scale programs. During calendar year 2005, those full scale programs were marketed and achieved approximately three times the level of savings as they did in their first year. The estimated lifetime benefit of program measures installed in 2005 is \$19.8 million compared to program expenses of \$7.1 million. More about each of the programs can be learned from Efficiency Maine’s website: [www.energymaine.com](http://www.energymaine.com) .

In 2005, the Commission also conducted its first regularly scheduled three-year review of its conservation programs. Fifteen stakeholder groups responded to the Commission’s Notice of Proceeding. Commission findings are that:

- The Efficiency Maine program has met its statutory cost effectiveness requirement in each of the three years of program operation.
- The Efficiency Maine program has realized the gains in energy efficiency projected at the beginning of the program.
- Program related energy savings have increased significantly each year.
- All customers have had opportunities to participate in the programs.
- The Efficiency Maine program has distributed program spending resources equitably across the state.
- The program has met all statutory requirements for allocation of resources to low income and small business customers.

Based on comments received during the proceeding, the Commission elected to maintain all of its existing full scale programs. It will conduct a formal, independent evaluation of its business program in 2006, and it will explore granting money to the Office of Energy Independence and Security for the development of a pilot whole house efficiency program.

## **State Energy Program**

During 2003, LD 1319 transferred the Energy Conservation Division of the Department of Economic Development to the Commission. The law states that the Commission is the successor in every way to the powers, duties and functions of the former Energy Conservation Division of the Department of Economic and Community Development, Office of Business Development. Also retained were all existing rules, regulations and procedures adopted by the former Energy Conservation Division and all existing contracts, agreements, and compacts made by the Division.

Programs offered through the State Energy Program (SEP) include free walk-through energy audits for businesses, low interest loans for investments in energy efficiency and renewable energy projects, and assistance to other organizations wishing to apply for federal special project grants. The SEP also collaborated with the Maine Department of Environmental Protection's Air Bureau and Pollution Prevention Office by coordinating energy audits with DEP environmental audits. The SEP supports the Energy Resources Council through the facilitation of coordinated energy policy, representation of state interests in regional forums, and consultation on potential energy policy matters.

The SEP is the contact for other applicants to special project grants from US DOE. This year, the SEP is coordinating the funding for The Greater Portland Clean Cities Coalition, which is developing a sustainable alternative fueled vehicle fleet in the greater Portland area. Through US DOE's Office of Industrial Technology, the SEP is partnering with Northern and Southern Maine Community Colleges to develop a curriculum specific to facilities management with an emphasis on energy issues. Several Maine corporations will participate as project advisors and as sponsors for students who enroll in the program. In addition, SEP is coordinating two projects through US DOE's Rebuild America Program grant. Last year's \$100,000 grant is being split between the University of Maine System and the Maine School Management Association, and a 2005 \$100,000 grant goes directly to the University of Maine System. The University of Maine is participating in the federal High Performance Campus Project, which contracts with an overall System Energy Efficiency Manager whose function is to provide a system-wide focus on energy issues and to coordinate system efforts on campus-based sustainability initiatives. Maine School Management Association is using its share of the grant to retain an Energy Smart Schools coordinator who links the lay people engaged in the process of designing new schools with resources and technical assistance available through Efficiency Maine's High Performance Schools Program. Both programs complement the Efficiency Maine program, which provides funding for implementation of energy projects identified by the schools and the UM System. This year the SEP program also received \$75,000 in

**funding to implement a biomass project.** The overall objective of this program is to build demand for biodiesel in Maine.

## **NATURAL GAS**

- Historically high natural gas market prices, due in part to damage to natural gas production facilities in the Gulf caused by hurricanes Katrina and Rita, prompted the Commission to approve two new programs for Northern Utilities for the 2005-2006 winter period:
  - Interim Conservation Programs for residential and commercial customers to provide rebates for energy efficient heating and processing equipment, and
  - A cost of gas rate capped increase at 6% for low income customers.
- High natural gas market prices, following the hurricanes in the Gulf region, derailed Bangor Gas Company's plans to provide a fixed price option to its customers, but in November Maine Natural Gas succeeded in purchasing fixed price option gas at an acceptable price.
- Northern Utilities was required to credit customers \$26,550 for failing to meet its service quality standards under its Service Quality Plan.
- The Commission approved the first base rate increase for Maine Natural Gas which operated for its first five years under a base rate freeze. Phased base rate increases to be implemented in November of 2005, 2006, and 2007 are expected to result in an average residential bill increase of approximately 3% per year.
- The Commission approved a 50% capacity assignment charge for transportation service customers of Northern Utilities, Inc., non-daily metered transportation service, and a revised allocation methodology for gas portfolio costs assigned to Northern's Maine and New Hampshire Divisions.
- Natural Gas consumption increases throughout New England is driving interest in the construction of Liquid Natural Gas (LNG) facilities

## **Natural Gas Industry**

Since 1999, when two new interstate pipelines, Portland Natural Gas Transmission System (PNGTS) and Maritimes & Northeast Pipeline, began to bring increased natural gas supplies into Maine, three gas utilities authorized to serve in Maine have expanded their facilities into several new areas in the state. Municipalities that now have expanded natural gas service include: Windham, Bucksport, Old Town, Veazie, Bangor, Brewer, Sanford, Kittery, Orono, Brunswick, Topsham, Rumford, and Gorham. Gas utilities are increasing customer penetration within these municipalities each year and working to extend facilities outward from established areas. The number of facilities converting to natural gas continues to grow at a slow pace due to persistently high natural gas prices. The Commission actively monitors the construction of new facilities, as well as company operating performance for compliance with State and Federal safety regulations.

Maine's gas distribution utilities are contracting with large commercial and industrial customers that are converting to natural gas from other fuels, such as propane or oil, as it becomes economically, environmentally, or otherwise beneficial for them to do so. To date, these customers include Bath Iron Works' East Brunswick facility, the Maine Correctional Center, Vishay Intertechnologies, Fort James Corporation, Bucksport Energy, Westbrook Energy Center, Brunswick Naval Air Station, Portsmouth Naval Shipyard, Bates College, Fairchild Semiconductor, Lewiston Mill Redevelopment, Cyro Industries, Hannaford Brothers, the University of Maine at Orono and Gorham, and International Brands Corporation, International Paper, Auburn VPS, Phillips Element, Pike Industries, and the Maine Medical Center. Increasingly, government agencies and public and private service entities such as schools, colleges, and health care facilities are considering conversion to natural gas.

### **Competitive Gas Supply**

Since 1999, commercial and industrial customers have been free to enter into competitive gas supply arrangements, taking transportation-only service from the local distribution utility. Significant numbers of larger commercial and industrial customers now obtain gas commodity from a competitive supplier rather than their distribution utility. In 2003, approximately 89% of all gas volumes delivered in Maine (includes gas used for gas-fired electric generation) were transportation-only service from the distribution utility. We will continue to monitor the progress that gas supply competition is making in Maine and the region and the effect that Maine's current regulatory policies may be having on these markets. There has been little interest to date on the part of suppliers in extending choice to residential consumers at this time in Maine and throughout New England. However, marketers and suppliers are increasingly exploring extending service to smaller commercial entities, such as restaurants. Our recent approval of non-daily metered transportation service for Northern Utilities is expected to facilitate extension of competitive gas supply arrangements to smaller commercial and industrial customers.

In December 2005, we approved a stipulation that was entered into by Northern Utilities, Inc., the Office of the Public Advocate, and several competitive gas suppliers to implement a capacity assignment policy governing the terms for Northern's provision of transportation service in Maine. The policy assigns capacity charges to transportation customers equal to 50% of their load on Northern's system. In so doing, transportation customers bear a portion of the costs of capacity retained by the Company to ensure system reliability -- backstopping the transportation customers' needs in the event of supplier default -- and to support Northern's provision of sales service to transportation customers that return to sales service in the future. The implementation of this policy clarifies the utility's role in the developing competitive service environment in Maine.

The stipulation also resolved issues regarding the revision of the established allocation formula that assigns gas portfolio costs between its New Hampshire and Maine Divisions and the resolution of disputed costs that have accrued since May 2004 under the then-effective allocation formula. This proceeding employed joint conferences and settlement discussions among the staffs and public advocates of each jurisdiction, along with competitive gas supply marketers.

## **Natural Gas Supplies**

The new gas supplies brought through Maine by the two interstate pipelines in 1999 also support five contemporaneously constructed gas-fired electric generation facilities located in Westbrook, Bucksport, Veazie, Rumford, and Jay, which consume over 90% of the natural gas used in Maine and provide 1600 MW of electricity to the northeast region. The increased demand for gas for electric generation in Maine, New England and the nation has contributed greatly to the need for additional gas supplies. Because production in North America is lagging behind expected demand, additional natural gas supplies must be shipped in liquid form. Additional liquefied natural gas (LNG) facilities will be needed to accept the increased gas imports and several are proposed along the East and Gulf Coasts. Three LNG import facilities are currently proposed for development in Maine. Local citizenry are discussing use of Passamaquoddy land and other nearby locations in Down East Maine as possible sites for an LNG facility. FERC reviews applications for authority to construct and operate such facilities. The Energy Policy Act of 2005 passed by Congress established a pre-filing process for LNG facilities to allow increased early input by state and local entities into questions of safety, environmental, and community impact. While interstate facilities may be governed solely by federal authorities, the Commission works with other agencies, both state and federal, involved in the construction and regulation of these entities to ensure that we conduct appropriate and adequate, but not onerous, public review of issues that fall within our purview. For example, in 2005, on behalf of Maine gas consumers, we actively participated, along with the Office of the Public Advocate, the Governor's office, and several large industries with plants in Maine, in settlement negotiations on the Maritimes & Northeast Pipeline's (M&NP) rate case under review by FERC. These negotiations resulted in a reduced pipeline rate and a rate offset fund to be disbursed to Maine gas consumers who take service directly from M&NP.

We continue to participate in weekly New England Governor's Conference Summer and Winter Fuels Monitoring Calls as well as Maine Emergency Management Agency emergency planning efforts being coordinated throughout the state and region. Our role is to ensure that utilities that are vulnerable to winter fuel shortages, the threat of terrorist attack, or drastic price spikes are adequately prepared to avoid or mitigate, to the extent possible, harm and dislocation to Maine's citizens and businesses.

## **Service Quality Issues**

In recent years, several of Maine's gas utilities have been acquired by, or have merged with, much larger regional energy corporations. The effect of the new, larger corporate environment on a much smaller utility often requires that we actively monitor customer service and safety standards to ensure adequate performance. When utilities fail to meet these standards, we develop appropriate incentive mechanisms and other means to bring about improvement or maintenance of customer service and safety standards to offset the cost cutting pressures that the parent entity places on the local utility subsidiary.

For example, in 2003 we initiated a management audit of all of Northern Utilities' customer services which revealed that substantial post-merger internal restructuring,

including loss of or migration of a substantial number of service operations and management to the Midwestern locus of the parent corporation, had negatively impacted certain aspects of Northern's operations. The Commission used the information gained by the management audit in implementing a service quality performance incentive plan effective January 1, 2004. The Service Quality Plan (SQP) requires Northern to maintain specified levels of service performance for eleven measures or be subject to monetary penalty. In 2005, Northern credited to customers \$26,550 as a penalty for service deficiencies under the SQP during 2004.

In 2005, in furtherance of continued investment in Northern's system maintenance post-merger, we approved an accelerated cast iron facility replacement program for Northern under which it will remove all cast iron segments and service connections in its distribution system in the Lewiston/Auburn service area during the next three years. In 2008, we will review whether a similar program should be adopted for Northern's Portland/Westbrook service area.

### **Consumer Prices**

For the third year in a row in 2005, average annual spot market natural gas prices hit an all-time high. According to data compiled by Reuters, the spot price of natural gas averaged \$8.81 in 2005, an increase of \$2.78 over the previous record of \$6.03 set in 2004.<sup>8</sup> The fourth quarter of 2005 brought sustained price levels of approximately \$10.00 to \$15.00 per MMBtu. We have been actively monitoring regional supply and market conditions, and gas utility pricing programs, with an eye toward mitigating adverse impacts on natural gas consumers where appropriate. These burdensome price levels prompted our intensified focus on conservation programs and low income pricing options to supplant existing hedging strategies, budget plans, and fixed price billing options for Maine's gas utilities. Northern Utilities, Inc.'s limited use of financial hedging instruments in a detailed hedging plan, which we approved in early 2003, and Maine Natural Gas's proactive hedging and gas purchasing strategies helped stabilize gas commodity rates for the customers of those utilities again for this winter period.

On March 31, 2004, the rate freeze to which Maine Natural Gas was subject under its alternative rate plan expired. The Commission approved the first base rate increase for Maine Natural Gas in 2005; an average residential bill increase of approximately 3% per year will be implemented in November of 2005, 2006, and 2007. Because of increased gas price volatility that has arisen in the region since its rate plan was conceived, Maine Natural Gas sought authorization to reconcile its gas costs on a monthly basis. We approved Maine Natural's request and worked with the Company to finalize the details to implement this change. During the summer of 2005, we completed our review of Maine Natural Gas's first year of monthly cost of gas changes and found its performance satisfactory in maintaining rates that provide a closer price signal to market rates and that reduce rate-distorting gas revenue imbalances throughout the year. Several of Maine Natural Gas's fixed price option customers re-enrolled for the 2005-2006 fixed price year, suggesting that some customers (including

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<sup>8</sup> Gas prices for the nation doubled from long-standing levels of approximately \$2.00 to \$4.00 per MMBtu between 1999 and 2001.



a school district) find this rate option to be valuable. We also approved the delayed purchase by Maine Natural Gas of fixed price option gas for the 2005-2006 winter period that was necessary due to excessive market price volatility during the weeks following Hurricanes Katrina and Rita. Ultimately, in mid-November, Maine Natural gas was able to lock-in needed quantities of gas at a reasonable price, achieving for its customers the price stability they sought when enrolling in this program.

Bangor Gas Company operates under an alternative rate plan approved by the Commission in 1998, which includes a 10-year distribution rate freeze, a rate cap with indexed annual increases, pricing flexibility, and authority to enter into special contracts without prior Commission approval. In 2004, the Commission approved a monthly cost-of-gas rate adjustment to eliminate the accrual of large seasonal gas cost balances. We also approved a budget payment plan under which customers can elect to spread payment for high winter heating usage over a longer period of time and a Fixed Price Option for effect in the 2004-2005 winter period to provide customers with a further bill-stabilizing option. However, due to the interference of Hurricanes Katrina, Rita and Wilma, which struck the gas producing area of the Gulf of Mexico, Bangor Gas was unable to obtain a reasonably priced fixed price option for the 2005-2006 winter period. We will review the fixed price option mechanism prior to the 2006-2007 winter period to determine whether any adjustments should be made.

In 2005, we also approved the inclusion of legislatively-directed, increased assessments by this Commission and the Office of the Public Advocate in Bangor Gas's base rates, despite the lack of an explicit provision in the plan to incorporate such mandated costs in base rates during its 10-year term. We did so recognizing that Bangor Gas is not at risk for over-earning as it is not yet close to recovering its investment in this start-up entity and that some incorporation of sizeable mandated costs is accepted practice in the design of most alternative rate plans. Finally, we approved Bangor Gas's proposed annual price cap adjustment, as authorized under the terms of its rate plan.

### **Natural Gas Conservation Programs**

Historically high natural gas market prices due in part to Hurricanes Katrina and Rita, prompted the Commission to approve two new programs for Northern Utilities for the 2005-2006 winter period:

- Interim Conservation Programs for residential and commercial customers to provide rebates for energy efficient heating and processing equipment, as well as weatherization services for low-income customers; and
- A cost of gas rate increase cap of 6% for low income customers.

In 2005, the Legislature required gas utilities serving 5,000 or more residential customers in Maine to offer conservation programs. P.L. 2005, chapter 110, effective September 17, 2005; codified as 35-A M.R.S.A. section 4711. The Commission must develop rules and find that the programs are cost-effective. Northern Utilities is currently the only Maine gas utility to which this law applies. On September 21, 2005,

the Commission approved terms and conditions for several interim conservation programs that Northern proposed for implementation for this winter season, pending development of permanent programs. These programs provide rebates to residential and commercial gas customers who install high efficiency heating or water heating equipment, ENERGY STAR programmable thermostats or windows, and commercial and industrial infrared heating units and food service equipment. Northern offers comprehensive weatherization for eligible residential low-income heating customers, in conjunction with Community Action Program (CAP) agencies.

On November 30, 2005, the Commission approved an additional special program offered by Northern for this winter season which gives residential heating customers a rebate of up to \$25.00 for self-installed weatherization and water usage reduction materials purchased by the customer. In addition, the Commission approved a residential low-income benefit that will limit this winter's gas rate increase to 6% over last winter's rate level to individuals who qualify for Low Income Heat and Energy Assistance Program (LIHEAP) fuel assistance or Maine's Voluntary Fuel Fund, as determined by local CAP agencies. The estimated benefit for an average residential heating customer is \$231 for the winter season. Statutory authority for this program is found at 35-A M.R.S.A. §4706-A (1999)

## **Gas Safety**

In May of this year, the Commission ordered Northern Utilities, Inc. to replace all cast iron gas mains in Lewiston and Auburn. Cast iron pipe is subject to unpredictable failure due primarily to movement caused by frost. This program will replace approximately 60 miles of gas main with plastic pipe by the end of 2008.

The Commission Staff conducted over 70 inspections of company operating and maintenance procedures, operator qualification programs and new facilities constructed by Maine's three natural gas distributors. In addition, 269 inspections of jurisdictional propane facilities and operators were performed. Propane facilities serving multi-unit housing complexes and certain commercial buildings are within the safety jurisdiction of the Commission. We have identified the location of 696 facilities operated by 42 distributors.

During 2006, we will continue to monitor the construction of gas installations, conduct compliance audits to confirm the operational safety of facilities, and actively enforce new regulations being implemented to inform the public about natural and propane gas and the facilities that transport it.

## **TELECOMMUNICATIONS**

- The Commission continued its efforts to support the development of local competition in Maine through implementation of both federal and state law
- The Commission conducted proceedings to investigate the necessity of line sharing under state law and to review the proposed Verizon – MCI merger
- The Commission commenced a two-phase Alternative Form of Regulation (AFOR) proceeding for Verizon
- The Commission participated in the Governor’s ConnectME Task Force aimed at furthering deployment of broadband and wireless technologies in Maine

### **Local Competition and Wholesale Issues**

During 2005, the Commission devoted much of its time and many of its telecommunications resources to matters involving competition in the local exchange market. Actions by the Federal Communications Commission (FCC), federal Circuit Courts of Appeal, and the U.S. Supreme Court have had a major influence on the Commission’s activities. Indeed, unsettled federal rules and uncertainty regarding jurisdictional authority have hampered the Commission’s efforts to fully implement the local competition provisions of the federal Telecommunications Act of 1996 (TelAct). Verizon and its competitors have argued over the interpretation of federal laws and rules and whether the Commission has independent state authority to order that Verizon allow competitors to use portions of its network when the FCC declines to do so.

In June, the Law Court upheld the Commission’s decision in the *Skowhegan Online Proceeding*, Docket No. 2002-704, finding that the Commission had authority under Maine law to require that Verizon make available certain elements of its network that the FCC did not require Verizon to make available. Specifically, the Law Court upheld the Commission’s decision ordering Verizon to allow SOI to lease a copper loop connection between SOI’s remote terminals and Verizon’s central office. The Commission found that Maine law allowed it to order Verizon to provide the loop, even if it were not required under federal law.

In April, Verizon filed suit against the Commission in federal court seeking to preempt several Commission orders in the *Verizon Wholesale Tariff Proceeding*, Docket No. 2002-682. Verizon argued that the Commission’s actions were preempted by federal law. Since Verizon had not sought a temporary injunction, the Commission continued its consideration of the case and issued a major decision in September setting forth the legal standards associated with each unbundled network element of Verizon’s network. Verizon then sought to temporarily enjoin the September Order by filing a motion for preliminary injunction with the federal court. On November 30, 2005, the Court issued an order denying Verizon’s Motion, thereby allowing the Commission to continue its review of the Wholesale Tariff.

The Commission also spent much of 2005 litigating the *Line Sharing Proceeding*, Docket No. 2004-809. Line sharing occurs when an ILEC leases to a CLEC the high

frequency portion of the copper wire connecting a customer premises to central switching offices, which the CLEC uses to offer DSL service in competition with Verizon. In December 2004, the Commission opened an investigation to determine whether it should exercise authority under state law to order line sharing, and if so, to what extent and at what price. The proceeding was fully briefed and ready for hearing in March but the matter was delayed when Verizon filed a Motion to Dismiss, citing a then-recent decision from the Federal Communications Commission (FCC) concerning preemption of certain state unbundling decisions. In August, the Commission denied Verizon's Motion, finding that the FCC's decision did not address the specific issues raised in the *Line Sharing Proceeding*. Hearings were held in October and a Commission decision is expected in February 2006.

In 2004, the Commission opened an investigation into Verizon's wholesale practices in an effort to resolve ongoing disputes between CLECs and Verizon relating to wholesale issues such as ordering, provisioning, and billing. After holding several conferences, the Commission issued an order in May 2005 requiring Verizon to assign a single point of contact to be responsible for helping Maine CLECs navigate Verizon's support system and to provide help in resolving specific complaints. The Commission also directed staff to host a series of workshops with all interested parties to develop end-user migration guidelines for Maine and to conduct periodic technical conferences with Verizon and CLECs to identify and resolve systemic issues affecting multiple CLECs. Since the Commission issued its Order, migration guidelines have been developed and several meetings held to discuss billing issues. As of late December 2005, it appears that many of the issues have been resolved and that the single point of contact process is working.

### **Verizon – MCI Merger Proceeding**

On May 9, 2005, Verizon and MCI jointly filed an application requesting Commission approval of their proposed merger transaction. The Commission opened an adjudicatory proceeding in which the Attorney General, the Office of the Public Advocate, Great Works Internet (GWI), Conversent Communications, and the CLEC Coalition intervened in opposition to the merger.

The parties conducted substantial discovery throughout the summer and filed written testimony in September. A hearing was conducted on September 29, 2005, briefs were submitted, and oral argument heard on November 8, 2005. The Commission issued a Part I order approving the merger subject to certain conditions on November 21, 2005.

The Commission found that the merger would limit customer choice – particularly that of customers who had selected MCI in order to obtain local basic and toll service from a company independent from Verizon. The Commission found that the diminution of choice was a sufficient ground for finding that the merger would be adverse to the interests of ratepayers without the imposition of certain terms and conditions. In so holding, the Commission rejected the contention, advanced by Verizon and MCI, that competition by wireless and internet based telephone services was sufficiently robust to ameliorate the diminution in customer choice. The Commission recognized the competitive promise of wireless and VoIP telephony, but noted that such services are

not available to many Maine consumers and that broadband facilities such as cable and DSL service are not available in all areas of the state.

The Commission imposed three conditions on the merger. First, Verizon must submit quarterly reports detailing the status of its compliance, in Maine, with the FCC's order requiring it to make DSL service available on a stand-alone ("naked") basis, i.e. without having to subscribe to traditional voice service. The quarterly DSL report will include data identifying other providers of broadband service in each location that Verizon operates. Second, Verizon must file quarterly reports tracking the savings that have been generated by the merger. Finally, Verizon may not increase its rates for intrastate special access services in Maine for 30 months following the merger.

### **Verizon Alternative Form of Regulation (AFOR)**

On January 26, 2005, the Law Court issued its decision remanding to the Commission its Order Reinstating AFOR, which was issued on September 25, 2003, in Docket No. 99-851. The Law Court found that the Commission had failed to comply with the AFOR statute (35-A M.R.S.A. §9103), in that the Commission had not conducted the 5-year evaluation of rates under an AFOR as compared to rates under traditional rate of return regulation. The Court decided that the Commission needed to do more than make a finding that the comparison could not be done with sufficient reliability. The Court concluded that the AFOR statute does not permit the Commission to break as decisively from traditional rate of return regulation as the Commission had attempted to do without fully complying with the mandates of the statute. The Court did find that the Commission was within its authority to approve an increase of \$1.78 per month to Verizon's local rates to compensate for reductions in access rates that were required under the access rate parity statute (Section 7101-B).

In response to the Law Court remand, on March 15, 2005, the Commission issued a Notice of Investigation, which launched an investigation into Verizon's AFOR. Because the AFOR that the Commission initially ordered in June 2001, which was reinstated by the Commission's September 25, 2003 Order, was to have a 5 year term, and thus would expire in 2006, the Commission indicated that any AFOR ordered in the current proceeding would replace the 2001 AFOR as soon as possible after the conclusion of the proceeding.

The AFOR Investigation has been broken into two phases, which will run on parallel tracks, with Phase I proceeding somewhat ahead of Phase II. The first phase will examine Verizon's revenue requirements issues, including the five-year rate comparison required by Section 9103(1). The second phase will address the issues related to the design of the new AFOR. The Commission will combine the results of each phase into a unified order that will comply with the Law Court's remand decision and the requirements of the AFOR statute. The Commission expects to issue its decision in the spring of 2006.

### **Independent Telephone Companies**

During 2005, the Commission continued the process of rebalancing the access rates and basic exchange rates of Maine's 22 Independent Telephone Companies

(ITCs). In conjunction with the continued rate rebalancing, the Commission adjusted the amount of Universal Service Fund (USF) support that eligible ITCs received to keep their basic rates from exceeding those of Verizon, which the Commission previously decided should be used as the maximum permissible rate throughout Maine. As of June 1, 2005, all ITCs had adjusted their intrastate access rates to the level of their interstate access rates that were effective on January 1, 2003. This completed the access parity realignment that was mandated by Title 35-A M.R.S.A. §7101-B. The companies were allowed to offset the revenue losses resulting from the access rate reductions with simultaneous basic local rate increases, up to Verizon's basic rates. For any company that claimed that it could not meet its overall revenue requirement with the access and basic rate changes, the Commission conducted an abbreviated rate case proceeding to determine if the company should receive USF support, and if so, the amount of support.

As of December 1, 2005, 16 ITCs were receiving support from the USF, and the total annual support level was \$7,471,229. The remaining six ITCs are able to meet their revenue requirements with basic rates that are below or equal to those of Verizon. As a result of further adjustments to local rate levels on January 1, 2006, one of the 16 USF-eligible companies no longer required support, and another had its support reduced substantially, so that the annual support level became \$7,388,834. During 2006, the Commission will make minor changes to the support amounts for a small number of ITCs that were permitted to phase in the final steps of their basic rate increases to the Verizon level while receiving USF support. In addition, all ITCs have now expanded their local calling areas to include, at minimum, all contiguous exchanges, as required by Chapter 204 of the Commission's Rules.

## **Universal Service Fund**

In 2005 the Commission selected a new Joint Administrator for the USF and the Maine Telecommunications Education Access Fund (MTEAF). As a result of our RFP process, the Commission selected NECA Services, which recently changed its name to Solix, Inc., as the new Joint Administrator for the funds.

Several statutory changes have increased the amount of funds that must be collected for the USF in the current fiscal year. First, the Department of Labor, Bureau of Rehabilitation Services has requested that the Commission transfer from the USF to the Communications Equipment Fund (CEF) the full amount (\$122,500) permitted under Title 35-A M.R.S.A. §7104(5). The CEF helps deaf or hard of hearing persons to obtain equipment that allows them to use the telecommunications network for voice-equivalent communications purposes. The full amount has been collected from carriers contributing to the USF and transferred to the CEF.

Another statutory change in the law allows the Bureau of Rehabilitation Services to request that up to \$60,000 be transferred from the USF to the CEF for the purpose of funding the emergency alert telecommunication service, which provides discounts (up to \$10 per month, but no more than the maximum price of the device or service) to deaf and hearing impaired persons on wireless devices or pagers used to receive emergency alerts issued by state or federal agencies. So far in fiscal year 2005/06, the Bureau has requested, and the Commission has transferred, \$10,000 from the USF to support the

emergency alert service. The maximum amount that may be transferred increases to \$90,000 in fiscal year 2006/07 and to \$120,000 in subsequent fiscal years.

Another statutory change requires that the Telecommunications Relay Service (TRS) be funded from the USF. Currently, the TRS is funded by the incumbent local exchange carriers. The Commission is in the process of transferring funding to the USF, which will require that contributions into the USF increase by approximately \$500,000 - \$600,000 annually.

Finally, a statutory change allows the Commission to allocate up to \$50,000 annually for the purpose of funding public interest payphones (PIPs), pursuant to Title 35-A M.R.S.A. §7508. The Commission has a rulemaking in progress that will establish the parameters for installing PIPs in qualifying locations. After the rule becomes effective, the Commission will have to evaluate specific PIP requests. Only then will the potential cost to the USF be known.

### **Pine Tree and Saco River AFOR cases**

Pine Tree Telephone Co. and Saco River Telephone Co., which have common ownership, filed a request that the Commission consider implementing an AFOR for the companies. On June 22, 2005, the Commission opened an investigation into whether an AFOR would be appropriate, and if it were appropriate, what form it would take. The companies, Commission staff and the Office of Public Advocate engaged in an informal examination of the companies' financial situation and of the changes in the competitive environment that had affected or would affect the companies' future revenues and earnings. The companies provided historic financial results and estimates of future results, based on the best available current information and projections. The participants also discussed various options for providing the companies with additional price-setting and promotional flexibility to allow them to meet actual and potential competitive threats more effectively and in a timelier manner.

On January 12, 2006, the Commission approved a stipulation between the Companies and the OPA. The stipulation provided the companies with additional pricing flexibility to allow them to respond to competition, while capping rates for basic local services, directory assistance services and operator services at current levels. Saco River also agreed to include the Portland exchange in its Premium local service calling area without raising its current rates. In effect, the company would absorb the revenue and cost effects from its current level of earnings.

### **Broadband Availability**

The Legislature has declared that State policy is to have a modern telecommunications network in place and to make advanced telecommunications capabilities available to all citizens of Maine at affordable and comparable rates. The Utilities and Energy Committee directed the Commission to seek out ways of implementing the statutory policy, including using the MTEAF network to provide broadband access to governments in smaller municipalities which otherwise could not afford it. The Commission has monitored the deployment of broadband capabilities across the State and will continue to seek and implement ways to encourage further

deployment. The Commission hosts a Broadband Availability web site where users may determine which providers offer service in their municipalities. The Commission staff has also worked with the Governor's Connect Maine (ConnectME) Broadband Access Infrastructure Board (described below).

Wholesale policies approved by the Commission allow competitors to use parts of Verizon's (and possibly other ILECs) networks to expand broadband availability throughout the State. Verizon, the ITCs and several competitors of various sizes have been expanding the coverage area of DSL service in Maine. The Commission intends to continue taking all reasonable steps to encourage expansion of broadband service.

### **ConnectME**

The Maine Wireless Telecommunications Infrastructure Board, the Maine Broadband Access Infrastructure Board and the Pk-20 Telecommunications and Technology Infrastructure Board were created by Executive Orders issued by Governor Baldacci in 2005. The Governor appointed members of the Commission staff to serve on these boards. Throughout the year, the Commission has contributed to these Boards with research, GIS analysis, and expertise on technology and economic analysis. Commission staff also provided support to the ConnectME Telecommunications Infrastructure Steering Committee, which reported its recommendation to the Governor on December 16, 2005.

### **Voice Over Internet Protocol (VOIP)**

VOIP service appears poised to gradually replace circuit switching as the standard method of completing telephone calls. VOIP is a technology that sends packets of digitized information over high-speed Internet connections (either public or private), exactly as all other Internet traffic is processed. It allows for more efficient use of the transmission medium, because the packets travel to their destinations without use of a dedicated circuit. The transition from the traditional circuit-switched network to packet-based VOIP will be gradual, but because of its efficiencies, VOIP already is being used in some cases for the transmission of traffic that originates and terminates on the traditional public switched network.

Because VOIP is essentially an addendum to high-speed Internet access, many questions have arisen regarding its regulatory treatment. Indeed, over the past year, the debate over whether and/or how to regulate VOIP has heated up at both the state and federal levels. Decisions from federal courts and the FCC have limited state commission authority over certain types of VOIP providers. Many questions still exist and the Commission expects to spend time in 2006 evaluating its approach to VOIP providers and services under existing state and federal law.



## WATER

- The Commission allowed rate increases for 21 water districts and departments. Twenty of these cases were filed pursuant to 35-A M.R.S.A. §6104. One municipal water department filed for a rate increase under §307, pursuant to the terms of a settlement agreement in its last rate case.
- Five §6104 rate cases failed due to customer petitions requesting Commission review of the rate increase. One case has been settled, two are in the final stages of investigation and the last two are in the initial stages. Two other cases were withdrawn at the request of the filers, who have indicated that the cases would be refiled in the future.
- One investor owned utility filed for changes in its terms and conditions and has indicated that it would be filing for increases in its rates in either December 2005 or January 2006 for several divisions. It also filed for a change in the methods used to allocate costs to each division.
- The Commission decided that the rules allow a charge on customers who together cause the need for a utility system upgrade prior to the point of actual need for the upgrades.

During 2005, the Commission continued to provide guidance, when requested, on what was expected in a request of a rate change as well as with the preparation of terms and conditions on rate filings. The staff assisted employees of the Maine Rural Water Association in working with small water utilities on rate, revenue requirement, main extensions, and service line issues. We also provided assistance to utilities, representatives of municipal governments, customers, and the general public in response to telephone inquiries. Members of the Commission staff, in conjunction with Maine Rural Water Association, were presenters at several training seminars during the year.

The Commission repealed Chapter 670, Contingency Reserve Funds For Municipal Water Departments and Quasi-municipal Water Districts, as a result of 2004 legislation eliminating the statutory requirement that water districts and departments maintain a contingency account on their books and records. The rule determined the accounting required for that contingency account and after the legislation eliminated the account, the rule was no longer necessary.

As a result of a March 15, 2004 request by the Maine Water Utilities Association, in April 2004, the Utilities and Energy Committee asked the Commission to produce a report on what review should be undertaken by a municipality or water utility before a decision is made to change the ownership structure of a public water utility.

In brief, we believe that the review of a change of ownership of a public water utility should be no different from the review conducted to determine whether a private company's ownership should be changed. In short, one must determine the costs and benefits. The real questions are how that determination is made and who should make

the ultimate decision. Our report concluded the type of ownership structure for a public water utility should be decided on a case by case basis.

In 2005, legislation was enacted creating Chapter 68, Regional Water Councils. A regional water council is a nonprofit corporation established for the benefit of two or more water utilities. The councils are intended to promote cooperative arrangements and coordinate action among members, including, but not limited to, providing purchasing, billing, accounting and customer services. The organizations may also study issues that affect their members and recommend actions to the group. Water utilities do not have to become members of these groups. The statute requires the regional water council to make an annual report of its activities to the member utilities. The report must be filed with the Commission and the drinking water program of the Department of Health and Human Services. The statute authorizes the Commission to receive, obtain and distribute state, federal or other funds supporting regional water council tasks and to provide assistance to regional water councils as appropriate.

In 2005, at the request of the Utilities and Energy Committee, the Commission, in conjunction with Maine Rural Water Association, Maine Water Association and the Maine Municipal Association, agreed to hold seminars for water utilities and municipalities on the Commission's fire protection rules. Two such seminars have been held to date.

During 2005, the Commission decided that the rules allow a charge on customers who together cause the need for a utility system upgrade prior to the point of actual need for the upgrade. A developer in Saco, Maine challenged the Biddeford Saco Water Company's (BSWC) imposition of a water main reinforcement charge on new customers in a certain area of Saco that had been designated as a growth area by the City of Saco. The developer claimed that the Commission's rules only allowed such charges to be imposed on customers who immediately cause the need to upgrade a main. BSWC was imposing an equal charge on the next 185 customers in the area who together would cause BSWC to build a reinforcing main in order to maintain water pressure. In January 2006, the Law Court upheld the Commission's decision. The Court agreed that it would be illogical to wait and charge the 186<sup>th</sup> customer and such an interpretation would not allow a utility to rationally plan expansion of its services.

Finally, the Department of Environmental Protection has been developing a rule on the sustainability of water resources. The rule would limit the amount of water that users can take from surface water resources. The Commission staff, along with members of the water utilities and associations, has been active in the rulemaking process.

**Summary of Relevant New Laws Enacted in the 1<sup>st</sup> Regular Session of the 122nd Legislature**

<b>LD</b>	<b>LAW</b>	<b>SUMMARY</b>	<b>AMEND 35-A</b>	<b>EFFECTIVE DATE</b>
		<b><i>ELECTRIC/ENERGY/BUILDING CODES</i></b>		
289	PL 2005, ch. 91	Requires SPO to provide upon request to U&E a report on inventories, deliveries, etc. related to petroleum products availability in Maine		9/17/2005
472	PL 2005, ch. 200	Requires towns adopting building rehabilitation codes to adopt IEB codes and authorizes SPO to obtain funds to conduct a project that would harmonize codes & standards in law with the Maine Model Building Code and the IEB codes within 3 years; SPO is to report back to BRED by 2/1/06		9/17/2005
563	PL 2005, ch. 132	Requires the PUC to establish an equitable-treatment program to ensure assistance to low-income electric customers using electric oxygen pumps that are already eligible for current programs	§ 3214	9/17/2005
1098	Resolve 2005, ch. 109	Directs the PUC & MSHA to coordinate stakeholder group discussions regarding energy efficiency and standards for rental properties and report back to U&E 1/31/06		9/17/2005
1342	PL 2005, ch. 254	Preserves the State Nuclear Inspector position through 9/30/06 & establishes a fund at OPA for unified state assessment on interim spent fuel storage, which OPA shall disburse to appropriate entities to contribute to costs incurred by state or federal proceedings and oversight-related decommissioning activities. OPA shall keep an annual accounting of the funds and report to U&E in February of each year	§§ 4331-4334, 4395-4396	9/17/2005
1375	PL 2005, ch. 290	Allows school, towns & non-profits to cooperate in purchasing bulk electricity, petroleum, oil and natural gas		9/17/2005
1392	Resolve 2005, ch. 65	Authorizes the PUC to submit revised or new rules for the 2nd Session on Chapter 301, Standard Offer Service		5/31/2005
1408	Resolve 2005, ch. 84	Directs DEP to provide emissions data to the Air Toxics Advisory Committee; a subcommittee shall be formed to toxic & other emissions from waste-to-energy facilities and report back to Natural Resources by 2/15/06 addressing toxic air emissions		9/17/2005
1442	P&SL 2005, ch. 21	Provides broader authority to Fox Island to sell wholesale generation to reduce its cost of providing retail service		9/17/2005

<b>LD</b>	<b>LAW</b>	<b>SUMMARY</b>	<b>AMEND 35-A</b>	<b>EFFECTIVE DATE</b>
1586	PL 2005, ch. 459	Provides rebates for purchases & installations of solar systems made after 7/1/05; the PUC shall establish standards & procedures for qualifying for the rebates	§ 3211	9/17/2005
1591	Resolve 2005, ch. 88	Authorizes final adoption of Chapter 920, Maine Model Building Energy Code and requires the PUC to absorb any costs associated with the implementation of the rule		6/3/2005
1610	Resolve 2005, ch. 57	Authorizes final adoption of Chapter 306, Uniform Information Disclosure & Informational Filing Requirements		5/26/2005
1685	PL 2005, ch. 350	Provides the PUC to administer energy efficiency building performance standards, changes definitions in standards to make consistent with the model building energy code, updates mandatory building standards for multi-family buildings, authorizes the PUC to distribute educational materials to designers and constructors of commercial buildings and provides that municipalities adopt an amended version of the model building energy code	§ 121	9/17/2005
<b>TELEPHONE/TELECOMMUNICATIONS/E-911/INTERNET</b>				
523	PL 2005, ch. 51	Authorizes the PUC to designate an appropriate entity to be the sole entity to use 2-1-1 for access to information & referral services; the PUC shall make a designation within 60 days of the effective date of this Act or upon request of an entity for designation so long as the PUC determines it's in the public interest	§ 7108	4/20/2005
825	Resolve 2005, ch. 76	Directs DECD to develop a proposal focusing on methods to promote & market the Business Answers program; DECD shall report back to BRED by 2/1/06		9/17/2005
1101	PL 2005, ch. 131	Directs the PUC to establish, by rule, a process for providing public service pay phones with funding through providers of intrastate telecommunications services to a state USF; the PUC shall provide annual reports to U&E	§ 7104; § 7508	9/17/2005
1128	P&SL 2005, ch. 19	Requires the PUC, SPO & DECD to study technology available and costs for wireless internet for municipalities, funding resources, long-term educational and economic benefits for municipalities to become ISPs and benefits to the State; SPO shall report back to U&E by 9/12/06		9/17/2005

<b>LD</b>	<b>LAW</b>	<b>SUMMARY</b>	<b>AMEND 35-A</b>	<b>EFFECTIVE DATE</b>
1259	PL 2005, ch. 251	Increases collection for the education access fund to .7% of intrastate retail charges and requires the PUC to report to U&E by 1/30/06 on the status of available revenues & expenditures	§ 7104	9/17/2005
1290	PL 2005, ch. 305	Directs the PUC to transfer \$85,000 annually from the state USF to the Communications Equipment Fund, as well as an additional \$37,500 if the Bureau of Rehabilitation doesn't receive sufficient funds; the PUC may require contributions to the state USF in order to cover authorized transferred funds	§ 7104; § 8703	9/17/2005
1373	PL 2005, ch. 303	Requires EMS board to adopt rules in consultation with ESCB concerning dispatchers responding to E-911 calls with certification moved to the EMS board at Public Safety and funding to implement certification requirements and PSAP training from the E-911 fund		9/17/2005
1418	Resolve 2005, ch. 62	Directs the PUC to examine equity in E-911 funding, the Telecommunications Education Access Fund and the Universal Service Fund for fees from prepaid wireless and report back to U&E in February 2006		5/31/2005
1612	Resolve 2005, ch. 63	Directs ESCB to conduct a stakeholder group to examine E-911 calls made by deaf, hard-of-hearing and speech-impaired persons and report back to U&E by 1/15/06		9/17/2005
1613	PL 2005, ch. 336	Establishes a program for deaf & hard-of-hearing persons with incomes less than 135% of poverty level to offset costs of communications devices for emergency notification; funding is from transferred funds from the state USF to the Communications Equipment Fund. It also directs the PUC and Bureau of Rehabilitation to make recommendations and/or suggested changes regarding the transferred funds by 1/31/08	§ 7104	9/17/2005
1665	Resolve 2005, ch. 89	Authorizes final adoption of Chapter 11, MLTS Requirements provided the rule is amended to add an application section stating that nothing in the rule requires changes in activities requiring additional expenditures		6/3/2005
<b>GAS/DIG SAFE</b>				

<b>LD</b>	<b>LAW</b>	<b>SUMMARY</b>	<b>AMEND 35-A</b>	<b>EFFECTIVE DATE</b>
331	PL 2005, ch. 334	Makes all PUC Dig Safe rules major substantive; requires that the PUC may direct mapping of facility location if the facility is unknown to the operator and discovered during excavation; requires the PUC to adopt rules for standards for when & what level penalties are assessed for violations		9/17/2005
397	PL 2005, ch. 110	Provides that the apportionment of a gas utility's available funds for conservation be adopted by PUC rules and direct the PUC to ensure a reasonable percentage is available to low-income and small business customers; it also directs the PUC to define "small business" and to consider definitions of that term used for other small business assistance programs; it changes the funding level for conservation programs using delivery revenues	§ 4711	9/17/2005
<b>WATER/SEWER</b>				
126	Resolve 2005, ch. 2	Allows Gardiner to issue & sell its temporary obligation bond notes not to exceed \$1,507,000 for an additional 2 more years		3/3/2005
244	PL 2005, ch. 7	Provides that all COU water utilities have liens to secure payment for unpaid rates	§§ 6111, 6414	6/29/2005
355	P&SL 2005, ch. 7	Makes clear that trustees of the Mexico Water District receive compensation		9/17/2005
389	P&SL 2005, ch. 11	Clarifies that a person may connect to a sewer of Waldoboro Utility District upon obtaining a permit from the trustees and upon payment of an entrance charge. It also clarifies residency of the voter. It changes the purposes for which the district may collect rates.		5/13/2005
459	P&SL 2005, ch. 8	Makes clear that trustees of the Mexico Sewer District receive compensation		9/17/2005
780	PL 2005, ch. 306	Provides that landlords or its agent be entitled to information on the status of the sewer or water accounts where renters are billed for water or sewer before a lien is placed on the property	§ 6111	9/17/2005
864	PL 2005, ch. 192	Allows sanitary and sewer districts to increase their debt limits through a referendum without going before the Legislature	§ 6413	5/20/2005
982	P&SL 2005, ch. 13	Revises the Kennebunk Sewer District charter		5/20/2005
1113	P&SL 2005, ch. 14	Creates the Fryeburg Water District		5/20/2005
1162	PL 2005, ch. 209	Allows water utilities to form regional water councils	§§ 6801-6808	5/24/2005
1204	P&SL 2005, ch. 15	Amends the charter of the Farmington Village Corporation mirroring language of a standard water district charter		9/17/2005

<b>LD</b>	<b>LAW</b>	<b>SUMMARY</b>	<b>AMEND 35-A</b>	<b>EFFECTIVE DATE</b>
1265	Resolve 2005, ch. 29	Requires the Drinking Water Program, in consultation with DEP and others to report to Natural Resources by 2/1/06 regarding whether additional requirements are needed for source water protection		9/17/2005
1658	P&SL 2005, ch. 24	Authorizes the Stonington Water District to expand its territory, expand its powers and increase the number of trustees		9/17/2005
<b>MULTIPLE UTILITIES</b>				
94	PL 2005, ch. 432	Authorizes the PUC to apply administrative penalties imposed by the Commission to benefit those affected by the violations resulting in the penalty	§ 117; § 1510	9/17/2005
524	PL 2005, ch. 282	Allows DOT to use federal transportation funds to reimburse a National Register Historic District for the portion of the cost to move or relocate overhead utilities underground on the National Highway System		6/2/2005
1198	PL 2005, ch. 204	Provides that rules adopted by the PUC regarding promotional advertising, allowances, rebates, etc., are major substantive	§ 302	9/17/2005
<b>STATE GOVERNMENT/MISCELLANEOUS</b>				
72	PL 2005, ch. 144	Directs DEP to include in its biennial climate change evaluation a review of cost-effectiveness of actions taken toward reducing greenhouse gas emissions reduction goals and report back to Natural Resources		9/17/2005
121	PL 2005, ch. 222	Renames the Intergovernmental Advisory "Group" to "Commission" and changes membership; it requires SPO to designate a coordinator to work to encourage improved cooperation and efficiency between state departments and agencies		9/17/2005
230	PL 2005, ch. 248	Directs the OPA to seek to promote and enhance railroad freight service quality by providing information and assistance to shippers, agencies & organizations and to provide mediation on freight service disputes; OPA shall report back annually to U&E	§ 1711	9/17/2005
245	PL 2005, ch. 104	Establishes an "immediate review system" within the Office of Program Evaluation and Government Accountability in the event of suspicion of auditing issues, fraud or mismanagement of public funds		9/17/2005

<b>LD</b>	<b>LAW</b>	<b>SUMMARY</b>	<b>AMEND 35-A</b>	<b>EFFECTIVE DATE</b>
286	Resolve 2005, ch. 73	Directs SPO, in conjunction with an advisory group, to study state law, policy & procedures regarding land use planning, management and regulation and to develop options for improvement with reporting back to Natural Resources 2/1/06		9/17/2005
301	Resolve 2005, ch. 123	Makes the Freedom of Access Advisory Committee temporary rather than permanent and adjusts its duties		9/17/2005
438	Resolve 2005, ch. 26	Requires Conservation and IFW to review policies & procedures relating to contacting emergency service providers and allowing those providers access to facilities and to review and implement training in emergency response with reporting back to Conservation & Forestry by 1/31/06		9/17/2005
468	PL 2005, ch. 12	Budget Bill (FYE 6/05, 6/06 and 6/07) - Subchapter 4(D) appoints a member representing public utilities to serve on the Maine Library of Geographic Information board		6/29/2005
508	PL 2005, ch. 3	Supplemental Budget Bill (FYE 6/30/05)(J-1, PUC carryover funds)	§ 116	3/11/2005
656	PL 2005, ch. 23	Raises the salary range of 6 positions at the PUC and corrects an inadvertent omission in law regarding the Director of Energy position		6/29/2005
739	PL 2005, ch. 36	Budget Bill - FYE 6/06 & 6/07 (See Part D - affects IT section of Government)		4/1/2005
860	P&SL 2005, ch. 6	Allows the PUC to fulfill its responsibilities without requesting an increase in funds collected from ratepayers		5/12/2005
868	PL 2005, ch. 135	Apportions assessments on public utilities to fund the PUC & OPA based on gross intrastate revenues; unspent funds shall be carried over to the next fiscal year; the OPA assessment shall not produce revenues to fund the Nuclear Advisor position and the PUC shall account for resources devoted to matters other than public utilities and report back to U&E by 3/1/06	§ 116	5/18/2005
978	Resolve 2005, ch. 17	Directs the Advisory Council on Tax-deferred Arrangements to study whether it's in the interest of the State, its employees and retirees belonging to MSRS to have a deferred retirement option program; a report back and proposed legislation is due back to Labor by 1/15/06; DAFS to provide administrative support for the study within its existing resources		9/17/2005
981	PL 2005, ch. 279	Provides an expanded organizational name to the Baxter School for the Deaf to better reflect its programs and services	§ 8704	9/17/2005



<b>LD</b>	<b>LAW</b>	<b>SUMMARY</b>	<b>AMEND 35-A</b>	<b>EFFECTIVE DATE</b>
1306	P&SL 2005, ch. 18	Authorizes PFR to work with the AG, home building & improvement representatives and others to develop a model registration process for contractors with a report back to BRED by 2/1/06		9/17/2005
1462	PL 2005, ch. 332	Makes changes in laws regarding taxation		9/17/2005
1677	PL 2005, ch. 386	Supplemental Budget Bill (6/06 and 6/07)- See Part A (SEP Revolving Loan Fund) and (funding for revision to salary range for Director of Energy Division Director)		6/13/2005

## **SUMMARY OF COMMISSION RULEMAKINGS FOR 2004**

### **Chapter 301, Standard Offer Service**

This rulemaking amended certain financial security requirements applicable to standard offer providers to allow the Commission greater flexibility to vary the amounts required based on market conditions. It also eliminated bonds as a financial security option.

### **Chapter 306, Uniform Information Disclosure and Informational Filing Requirements**

This rulemaking removed the requirement for competitive electricity providers (CEP) to distribute annual customer information disclosures to medium and large customers. This amendment was in response to recent legislation that eliminated the statutory requirement for CEPs to distribute customer information disclosures to medium and large customers at least once annually.

### **Chapter 323, Electronic Business Transactions Standards**

This rulemaking amended certain portions of the Electronic Business Transactions (EBT) Standards. These amendments reflect a consensus recommendation of the Maine EBT Working Group (EBTWG).

### **Chapter 330, Filing Requirements for Petitions For Certificates Of Public Convenience And Necessity For Electric Transmission Facilities And Standards For Granting Certificates**

This rulemaking amended part of the rule to reflect changes to 35-A M.R.S.A. § 3132 because of electric industry restructuring and updated filing requirements for petitions for certificate of public convenience and necessity to build transmission lines. The rule also includes standards and procedures for processing a certificate of public convenience and necessity from a non-utility to build a transmission line financed by the Finance Authority of Maine (FAME) or financed, owned, operated or permitted by the Northern Maine Transmission Corporation.

### **Chapter 670, Contingency Reserve Funds For Municipal Water Departments And Quasi-Municipal Water Districts.**

This rule was repealed due to recent amendments to 35-A M.R.S.A. § 6112 dealing with contingency allowances for consumer-owned water utilities. This section no longer requires a water utility to maintain a contingency account on its books and records, and therefore there no longer is a need for the rule.

### **Chapter 920, Maine Model Building Energy Code**

This rule establishes the standards that comprise the Maine Model Energy Code applicable to construction in Maine as required by P.L. 2003, ch. 645.

## **Chapter 930, Solar Energy Rebate Program.**

This rule establishes the standards and procedures necessary to implement the solar energy rebate program as required by 35-A M.R.S.A. § 3211-B.

## **Emergency Services Communications Bureau**

### **Chapter 1, Standards for Establishing a Statewide Enhanced 9-1-1 System**

Section 4 of the rule was amended to establish a process for reducing the number of Public Service Answering Points (PSAPs) from 48 to 26.

### **Chapter 11, PBX/Multiline Telephone System (MLTS) Requirements**

This rule establishes the requirements to allow timely emergency response in facilities with multiline telephone systems pursuant to 25 M.R.S.A. § 2934.

Possible additions prior to December 2005: Chapter 301, Chapter 480, Chapter 895, Chapter 305 and Chapter 314.

## 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 and Energy 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 two principal sources of funding in FY2005: a Regulatory Fund of \$5,504,964 as authorized by 35 M.R.S.A. Section 116, and a balance forward of \$1,999,444 pursuant to PL2001, Chapter 136, § 1, as amended which allows any accumulated unencumbered balance from FY 2004 be used during FY2005.

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

The Commission was authorized 72 full-time equivalent positions in FY2005.

1. A. Fiscal Year 2005

In FY2005, the Commission spent approximately \$5.77 million, regulating 920 utilities with gross revenues exceeding \$1.2 billion. Attachment 1 summarizes Regulatory Fund activity and activity in other funds administered by the Commission. Attachment 2 details FY2005 expenditures by line item.

B. Regulatory Fund

The authorized Regulatory Fund assessment for FY2005 was \$5,505,000. In addition to the assessment, an unencumbered balance of \$1,791,084 and encumbrances of \$208,360 were brought forward from FY2004. The Commission spent \$5,768,282 in FY2005. Expenditure details are presented in Attachment 2. An encumbered balance of \$132,692 and an unencumbered balance of \$1,709,361 remain available by Financial Order. The encumbered balances generally represent ongoing contracts for consulting services.

C. PUC Reimbursement Fund (Filing Fees)

\$800 was brought forward from FY2004. In 2005 the Commission collected \$37,400 in filing fees. During FY2005, \$0 were expended.

D. PUC Miscellaneous Fund (Document Copy Costs, Fines)

Miscellaneous reimbursements consist of funds received for copies of documents such as monthly dockets, agenda and decisions and for other miscellaneous items, and Commission fines collected (e.g. Damage Prevention). \$36,793 was brought forward from FY2004. An additional

\$67,965 was received during FY2005. During FY2005, \$0 was expended. The unencumbered balance of \$104,758 was brought forward to be expended during FY2006.

- E. Public Law 1997, Chapter 691 and Chapter 302 of Commission Rules approved by the Legislature in 1998, establishes the Public Utilities Commission Education Fund.

This fund authorizes that a total of \$1.6 million dollars be collected from Electric Utilities and used to educate Maine's consumers as to choices they may make in selecting electricity providers beginning March 1, 2000. The fund is allocated as follows: \$200,000 for FY1998, \$600,000 for FY1999, \$600,000 for FY2000 and a final \$200,000 for FY2001. Pursuant to State Bureau of Purchases rules, a Request for Proposal process selected N.L. Partners of Portland, Maine, to carry out the Consumer Education Program under the direction of the Commission with assistance and input from the Public Advisory Panel. Expenditures are shown on Attachment 2. \$748 was available from the balance forward from FY 2004. During FY2005, \$0 was expended, leaving \$748 as the unencumbered balance remaining and available to FY 2006.

- F. During FY2000 the Commission received a grant of \$36,400 from the Office of Pipeline Safety, US Department of Transportation to fund Dig Safe Rulemaking and Enforcement. The Dig Safe Rulemaking and Enforcement grant account had a balance of \$3603 brought forward to FY2005. \$3603 was transferred to the PUC Regulatory Fund, to reimburse the fund for grant expenditures charged against it in prior fiscal years, leaving a balance of \$0.
- G. During FY2001 the Commission received a Dig Safe Public Education Grant in the amount of \$47,500 to develop and implement a targeted education campaign reaching excavators, designers, public works officials & others involved in excavation. The Dig Safe Education Grant account had a balance of \$10,588 brought forward to FY2005. \$10,588 was transferred to the PUC Regulatory Fund, to reimburse the fund for grant expenditures charged against it in prior fiscal years, leaving a balance of \$0.
- H. During FY2002 the Commission received a 2002 PUC One Call Grant to implement a targeted education campaign reaching excavators, designers, public works officials and other involved in excavation. An unencumbered balance of \$2,257 and the encumbered balance of \$8,868 were brought forward to FY 2005. \$2,257 was transferred to the PUC Regulatory Fund, to reimburse the fund for grant expenditures charged against it in prior fiscal years, and \$8,868 was expended, leaving a balance of \$0.
- I. During FY2003 the Commission received a 2003 PUC One Call Grant in the amount of \$43,250 to implement a targeted education campaign reaching excavators, designers, public works officials and others involved in excavation. \$43,250 is the unencumbered balance brought forward to FY2005. \$43,250

was transferred to the PUC Regulatory Fund, to reimburse the fund for grant expenditures charged against it in prior fiscal years, leaving a balance of \$0.

- J. During FY2004 the Commission received a 2004 One Call Grant in the amount of \$20,000 to implement a targeted education campaign reaching excavators, designers, public works officials and others involved in excavation. \$20,000 is the unencumbered balance brought forward to FY2005. \$14,519 was expended leaving an unencumbered balance brought forward to FY2006 of \$5,481.
- K. During FY2005 the Commission received a 2005 One Call Grant in the amount of \$28,231 to implement a targeted education campaign reaching excavators, designers, public works officials and others involved in excavation. \$1,995 was expended leaving an unencumbered balance brought forward to FY2006 of \$26,236.
- L. The Energy Programs - Efficiency Maine Conservation Administration Fund had an unencumbered balance of \$1,195,450 and an encumbered balance of \$13,308 brought forward from FY2004. \$0 was transferred into the account from the Energy Programs- Efficiency Maine Conservation Program Fund. \$606,263 was expended in FY 2005. An encumbered balance of \$47,117 and unencumbered balance of \$624,623 is available for use during FY 2006.
- M. The Energy Programs - Efficiency Maine Conservation Program Fund had an unencumbered balance of \$4,331,767 and an encumbered balance of \$2,219,054 brought forward from FY2004. \$7,101,608 was expended in FY 2005, leaving an unencumbered balance of \$7,069,182 and an encumbered balance of \$1,669,525 brought forward to FY2006.
- N. The Energy Programs- State Energy Fund receives grants from the Federal Department of Energy. The program was transferred to the Commission from the Department of Economic and Community Development on 7/1/04. In FY2005, \$671,542 was expended on energy conservation programs.
- O. The Emergency Services Communications Fund –E911 had an unencumbered balance of \$7,676,754 and an encumbered balance of \$57,692 brought forward from FY2004. \$6,857,083 was expended in FY2005. An unencumbered balance of \$7,776,239 and an encumbered balance of \$503,664 are available for use during FY2006. The program was transferred to the Commission from the Department of Public Safety on 10/1/03.

## 2. Fiscal Year 2006

Attachment 3 details the Commission's FY2006 Regulatory and other PUC funds' budgets. Encumbered and unencumbered balances brought forward from FY2004 are included. The right hand column represents the total funds available to the Commission in FY2005 by account and line category.

3. The Budget in Perspective

Attachment 2 details the Commission's budget for a 3-year period. The left hand column includes amounts actually expended in FY2005. Column 2 contains the FY2006 expenditure plan. Column 3 contains the FY2007 approved Budget.

4. The Regulatory Fund Assessment in Perspective

Attachment 4 details the Regulatory Fund assessments 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 revenues reported by Transmission & Distribution companies will produce the amount authorized by statute. Calculations are also made to determine what percentage of the revenues reported by other utilities will produce the amount authorized by statute. The factors derived that will raise the authorized amounts are 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.

Pursuant to Chapter 136, PL 2001, 35-A M.R.S.A. the assessment was modified. The Transmission and Distribution assessment was increased to \$3,772,000 during FY05. The assessment on all other utilities was increased to \$1,733,000 during FY05. This increase provided a total revenue of \$5,505,000.

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 FY2005 no audits were performed.

The Public Utilities Commission is required by 35-A M.R.S.A. § 120 to report annually to the Joint Standing Committee on Utilities and Energy 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.

**PUC FUND ACTIVITY BY ACCOUNT FOR FY2005**

**Attachment 1**

<b>PUC REGULATORY FUND</b>	<i>014-65A-0184-01</i>
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2004	1,791,084
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY2004	208,360
FUNDS RECEIVED DURING FY2005	5,610,891
LESS EXPENDED DURING FY2005	5,768,282
ENCUMBERED BALANCE BROUGHT FORWARD TO FY2006	132,692
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2006	1,709,361
<b>PUC REIMBURSEMENT FUND( Filing Fees)</b>	
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2004	800
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY2004	-0-
FUNDS RECEIVED DURING FY2005	37,400
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2006	38,200
<b>PUC MISCELLANEOUS FUND (Document Copy Costs, Fines)</b>	<i>014-65A-0184-04</i>
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2004	36,793
FUNDS RECEIVED DURING FY2005	67,965
LESS EXPENDED DURING FY2005	-0-
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2006	104,758
<b>PUC CONSUMER EDUCATION FUND</b>	<i>014-65A-0184-06</i>
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2004	748
FUNDS RECEIVED DURING FY2005	-0-
LESS EXPENDED DURING FY2005	-0-
BALANCE BROUGHT FORWARD TO FY2006	748
<b>PUC DIG SAFE GRANT</b>	<i>013-65A-0184-01</i>
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2004	3,603
FUNDS RECEIVED DURING FY2005	-0-
LESS TRANSFERRED OUT DURING FY2005	3,603
BALANCE BROUGHT FORWARD TO FY2006	-0-
<b>2001 PUC ONE CALL GRANT</b>	<i>013-65A-0184-02</i>



UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2004	10,588
FUNDS RECEIVED DURING FY2005	-0-
LESS TRANSFERRED OUT DURING FY2005	10,588
BALANCE BROUGHT FORWARD TO FY2006	-0-
<b>2002 PUC ONE CALL GRANT</b>	<i>013-65A-0184-03</i>
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2004	2,257
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY2004	8,868
FUNDS RECEIVED DURING FY2005	-0-
LESS EXPENDED DURING 2005	8,868
LESS TRANSFERRED OUT DURING FY2005	2,257
BALANCE BROUGHT FORWARD TO FY2006	-0-
<b>2003 PUC ONE CALL GRANT</b>	<i>013-65A-0184-04</i>
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2004	43,250
LESS TRANSFERRED OUT DURING FY2005	43,250
BALANCE BROUGHT FORWARD TO FY2006	-0-
<b>2004 PUC ONE CALL GRANT</b>	<i>014-65A-0184-05</i>
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2004	20,000
FUNDS RECEIVED DURING FY2005	
LESS EXPENDED DURING FY2005	14,519
BALANCE BROUGHT FORWARD TO FY2006	5,481
<b>2005 DAMAGE PREVENTION GRANT</b>	<i>014-65A-4005-01</i>
FUNDS RECEIVED DURING FY2005	28,231
LESS EXPENDED DURING FY2005	1,995
BALANCE BROUGHT FORWARD TO FY2006	26,236
<b>ENERGY PROGRAMS-</b>	
<b>EFFICIENCY MAINE CONSERVATION PROGRAM FUND</b>	<i>014-65A-0967-01</i>
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2004	4,331,767
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY2004	2,219,054
FUNDS RECEIVED DURING FY2005	9,289,494
LESS EXPENDED DURING FY2005	7,101,608
ENCUMBERED BALANCE BROUGHT FORWARD TO FY2006	1,669,525

UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2006	7,069,182
<b>EMERGENCY SVCS COMMUNICATIONS FUND – E911</b>	014-65A-0994-01
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2004	7,676,754
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY2004	57,692
FUNDS RECEIVED DURING FY2005	7,402,540
LESS EXPENDED DURING FY2005	6,857,083
ENCUMBERED BALANCE BROUGHT FORWARD TO FY2006	503,664
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2006	7,776,239

**COMMISSION BUDGET IN PERSPECTIVE**

**Attachment 2**

	<b>FY2005 ACTUALLY SPENT</b>	<b>FY2006 APPROVED BUDGET</b>	<b>FY2007 BUDGET</b>
<b>REGULATORY FUND</b>			
POSITIONS	(61)	(60.5)	(60.5)
PERSONAL SERVICES	4,563,097	5,173,581	5,412,603
PROFESSIONAL SVCS	437,542	410,016	409,613
ALL OTHER	767,643	966,020	1,003,156
CAPITAL	0	0	0
TOTAL	5,768,282	6,549,617	6,825,382
<b>RESOURCES</b>			
ASSESSMENT AUTHORITY		5,505,000	
UNENCUMBERED BALANCE FORWARD		1,709,361 (#1)	
ENCUMBERED BALANCES FORWARD		132,692 (#1)	
TOTAL REGULATORY FUND RESOURCES		7,347,053	
<b>REIMBURSEMENT FUND</b>			
PUC REIMBURSEMENT FUND (filing fees)	0	50,000	50,000
PUC MISC. FUND (document copy costs, fines)	0	15,000	15,000
<b>PUC CONSUMER EDUCATION FUND</b>			
ALL OTHER	0	748	
<b>PUC DIG SAFE GRANT</b>			
ALL OTHER			
TRANSFERRED OUT DURING FY2005	3,603 (#2)	0	
<b>2001 PUC ONE CALL GRANT</b>			
ALL OTHER			
TRANSFERRED OUT DURING FY2005	10,588 (#3)	0	
<b>2002 PUC ONE CALL GRANT</b>			
ALL OTHER	8,868		
TRANSFERRED OUT DURING FY2005	2,267 (#4)	0	
<b>2003 PUC ONE CALL GRANT</b>			
ALL OTHER			
TRANSFERRED OUT DURING FY2005	43,250 (#5)	0	
<b>2004 PUC ONE CALL GRANT</b>			
ALL OTHER	14,519	5,481 (#6)	
<b>2005 DAMAGE PREVENTION GRANT</b>			

	<b>FY2005 ACTUALLY SPENT</b>	<b>FY2006 APPROVED BUDGET</b>	<b>FY2007 BUDGET</b>
ALL OTHER	1,995	26,636 (#7)	
<b>ELECTRICITY CONSERVATION PROGRAM</b>			
ALL OTHER	7,101,608	6,326,726	6,984,894
<b>ELECTRICITY CONSERVATION ADMINISTRATION</b>			
POSITIONS	(6)	(6)	(6)
PERSONAL SERVICES	375,174	561,335	604,528
PROFESSIONAL SVS-CONSULTANTS	27,994	607,268	565,188
ALL OTHER	203,094	133,397	739,220
CAPITAL	0	0	0
TOTAL	606,262	1,302,000	1,908,936
<b>STATE ENERGY PROGRAMS</b>			
POSITIONS	(3)	(3)	(3)
PERSONAL SERVICES	169,730	198,802	
PROFESSIONAL SVS-CONSULTANTS	16,456	40,550	
ALL OTHER	485,356	380,130	
CAPITAL	0	0	0
TOTAL	6,715,542	619,482	1,636,890
<b>ENERGY PROGRAMS-SEP REVOLVING LOAN FUND</b>			
ALL OTHER		230,000	230,000
<b>SOLAR REBATE PROGRAM FUND</b>			
ALL OTHER		500,000	500,000
<b>EMERGENCY SVCS COMM (E-911)</b>			
POSITIONS	(5)		(5)
PERSONAL SERVICES		389,359	411,925
PROFESSIONAL SVS-CONSULTANTS		6,307,422	6,432,750
ALL OTHER	160,302		1,088,847
CAPITAL	0	0	0
TOTAL		6,857,083	7,933,522

#1 Encumbered Balance of \$1,709,361 and unencumbered balance forward from FY2005 of \$132,692.

#2 JV65A6003NG

#3 JV65A5004NG

#4 JV65A5005NG

- #5 JV65A5006NG
- #6 Unencumbered Balance of \$5,481 brought forward to be expended during FY2006.
- #7 Unencumbered Balance of \$26,236 brought forward to be expended during FY2006.

FY 2006 BUDGET & ADJUSTMENTS

Attachment 3

	BUDGET ADJUSTMENT		ADJUSTED BUDGET
<b>REGULATORY FUND</b>			
	POSITIONS	(60.5)	(60.5)
PERSONAL SERVICES		5,359,077 (185,496)*1	5,173,581
ALL OTHER			
CAPITAL		0	0
		- -	-
TOTAL		6,735,113 (185,496)	6,549,617
<b>REIMBURSEMENT FUND</b>			
<u>FILING FEES</u>		50,000 0	50,000
<u>MISC. REIMBURSEMENT</u>		15,000 0	15,000
PUC CONSUMER EDUCATION FUND		0 748*2	748
2004 PUC ONE CALL GRANT		0 5,481*2	5,481
2005 PUC DAMAGE PREVENTION GRANT		0 26,236*2	26,236
<b>ENERGY PROGRAMS – EFFICIENCY MAINE ADMIN FUND</b>			
	POSITIONS	(6)	(6)
PERSONAL SERVICES		561,335 9,883*1,*3	571,218
ALL OTHER		738,665 1,420 *3	740,085
CAPITAL			
TOTAL		1,300,000 11,303	1,311,303
<b>STATE ENERGY PROGRAM</b>			
POSITIONS		(3)	(3)
PERSONAL SERVICES		198,802	198,802

ALL OTHER		420,680	322,875 *4	743,555
CAPITAL				0
<b>TOTAL</b>		619,482	322,875 7,981,527	
<b>ENERGY PROGRAMS – EFFICIENCY MAINE PROGRAM FUND</b>				
ALL OTHER		6,326,726	6,000,000 *5, *6	12,326,726
<b>TOTAL</b>		6,326,726	6,000,000	12,326,726
<b>ENERGY PROGRAMS – SEP – REVOLVING LOAND FUND</b>				
ALL OTHER		0	230,000 *3	230,000
<b>TOTAL</b>		0	230,000	230,000
<b>SOLAR REBATE PROGRAM</b>				
ALL OTHER		0	500,000 *5	500,000
<b>TOTAL</b>		0	500,000	500,000
<b>EMERGENCY SVCS COMM (E911)</b>				
POSITIONS		(5)		(5)
PERSONAL SERVICES		411,925	(14,095) *1	397,830
ALL OTHER		7,521,597	62,100 *5, *6	7,583,697
CAPITAL			5,500 *6	5,500
		-	-	-
<b>TOTAL</b>		7,933,522	53,505	7,987,027

\*1 DEAPPROPRIATION VIA STATEWIDE FINANCIAL ORDER #1882F6,1884F6

\*2 Unencumbered Bal fwd available via Financial Order

\*3 FO#1932 F6

\*4 FO#2238 F6

\*5 FO#2136 F6

\*6 FO#2427 F6

\*7 FO#2262 F6

**PUC Regulatory Fund**

						Attachment 4			
						Water	Total		
Year	Electric	Telecom	Water	Gas	Water	Utilities	Amount	Amount	
	Revenues	Revenues	Revenues	Revenues	Carriers	Revenues	Billed	Authorized	
					Revenues				
-	-	-	-	-	-	-	-	-	-
FY80	1980	186,278,293	139,683,694	24,086,603	6,749,736		356,798,326	74,816	75,000
	1981	206,762,413	153,652,974	25,465,331	7,374,962		393,255,680	149,830	150,000
FY82	1982	216,243,682	165,108,544	28,421,070	8,932,172		418,705,468	449,779	450,000
	1983	462,967,673	182,850,133	32,220,884	14,428,444	803,933	693,271,067	1,299,996	1,300,000
FY84	1984	508,838,895	194,922,674	36,803,237	19,309,123	959,425	760,833,354	1,459,983	1,460,000
	1985	546,977,166	210,502,523	40,372,798	21,206,118	984,106	820,042,711	1,593,904	1,594,000
FY86	1986	630,565,108	210,877,202	42,290,155	20,517,627	1,080,600	905,330,692	2,143,913	2,144,000
	1987	670,908,924	238,902,099	43,400,274	19,213,032	1,211,241	973,635,570	2,328,989	2,329,000
FY88	1988	645,757,051	275,047,659	45,215,835	17,911,730	936,922	984,869,197	2,219,000	2,219,000
	1989	721,684,049	286,419,434	48,176,192	17,744,522	1,035,357	1,075,059,554	2,386,000	2,386,000
FY90	1990	783,537,776	312,154,685	50,659,705	18,555,805	1,214,007	1,166,121,978	2,642,845	2,696,000
	1991	837,377,145	349,185,418	52,855,076	21,928,319	1,536,596	1,262,882,554	3,235,117	3,378,000
FY91	1992	927,601,155	358,682,900	58,784,656	26,182,164	1,537,296	1,372,788,171	4,259,985	4,473,000
	1993	1,052,609,125	343,341,527	64,223,522	24,997,942	1,569,023	1,486,741,139	4,233,807	4,918,000
FY93	1994	1,064,245,073	354,876,542	68,315,387	28,108,038	1,919,595	1,517,464,635	4,257,758	4,918,000
	1995	1,097,614,456	371,037,052	74,793,749	30,505,910	1,284,905	1,575,236,072	4,590,198	4,918,000
FY95	1996	1,093,553,536	384,936,867	81,529,938	32,091,988	1,697,223	1,593,809,552	4,918,000	4,918,000
	1997	1,118,124,742	392,623,445	87,230,402	31,365,288	1,924,520	1,631,268,397	4,276,900	4,918,000
FY97	1998	1,131,080,875	410,824,795	87,549,280	36,068,309	2,098,648	1,667,621,907	4,283,000	4,918,000



	1999	1,153,567,578	415,265,192	91,340,130	42,553,204	2,187,844	1,704,913,948	5,553,000	5,553,000
FY99	2000	1,144,803,899	456,312,932	92,952,562	35,354,982	2,259,826	1,731,684,201	4,918,000	4,918,000
FY01	2001	1,181,804,581						3,370,000	
	2001		521,331,046	95,682,346	36,311,777	3,123,023	1,838,252,773	1,548,000	4,918,000
FY02	2002	547,912,962						3,588,000	
							1,206,859,048		
FY03	2002		500,763,978	98,835,956	55,824,836	3,521,316		1,647,156	5,236,000
	2003	535,509,552						3,772,000	
							1,232,542,904		
FY	2003		538,050,538	101,802,792	53,466,479	3,713,543		1,648,000	5,505,000
	2004	524,156,143						3,772,000	
							1,206,645,436		
FY04	2004	508,708,861	105,043,583	64,913,705	3,823,145		1,819,495	5,505,000	
FY05	2005	511,898,621					2,329,716		
							1,167,943,532		
FY05	2005	479,535,534	107,317,453	66,382,651	2,809,273		3,175,284	5,505,000	

## PAST COMMISSIONERS

### 1915 - 2005

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

## MAINE PUBLIC UTILITIES COMMISSION STAFF

<a href="#">Abbott, Jean</a> – TA Div. Secretary	7-1364	<a href="#">Morancie, Stephani</a> – Utility Analyst	7-1368
<a href="#">Adams, Kathryn</a> – CAD Specialist	7-3831	<a href="#">Paul, Jennifer</a> – Admin Assistant	7-1360
<a href="#">Adams, Kurt</a> – Chairman	7-3831	<a href="#">Peaslee, Laurel</a> – Legal Secretary	7-1386
<a href="#">Adamson, Joy</a> – Utility Analyst	7-8350	<a href="#">Pepper, Jenn</a> – Librarian II	7-1560
<a href="#">Austin, Thomas</a> – Utility Analyst	7-5901	<a href="#">Plante, Lorry</a> – Legal Secretary	7-1566
<a href="#">Bacon, Richard</a> – Utility Analyst	7-8349	<a href="#">Poetzsch, Kathy</a> – CAD Secretary	7-8328
<a href="#">Ballou, Peter</a> – Sr. Staff Attorney	7-1388	<a href="#">Randall, Myong</a> – Clerk III	7-1352
<a href="#">Bartlett, Shirley</a> – Planner	7-7495	<a href="#">Reishus, Sharon</a> – Commissioner	7-3831
<a href="#">Bergeron, Denis</a> – Director Energy Conservation	7-1366	<a href="#">Saban, Ann</a> – Agency Technical Officer	7-8519
<a href="#">Bero, Betty</a> – Sr. CAD Specialist	7-3831	<a href="#">Shifman, Joel</a> – Utility Analyst	7-1381
<a href="#">Berube, Cheryl</a> – Clerk III	7-1396	<a href="#">Simpson, Chris</a> – Legislative Liaison	7-1594
<a href="#">Bickerman, Karen</a> – Admin Secretary	7-3349	<a href="#">Smith, Lucretia</a> – Utility Analyst	7-1383
<a href="#">Bragdon, Trina</a> – Staff Attorney	7-1392	<a href="#">Spelke, Amy</a> – Utility Analyst	7-5945
<a href="#">Buckley, James</a> – Special Counsel/ER	7-1387	<a href="#">Steneck, Joanne</a> – General Counsel	7-1390
<a href="#">Bunker, Stephan</a> – E-911 Staff Development Coordinator	877-8068	<a href="#">Stratton, Mary</a> – CAD Specialist	7-3831
<a href="#">Cohen, Chuck</a> – Sr. Staff Attorney	7-1394	<a href="#">Sukaskas, Joe</a> – Utility Analyst	7-1375
<a href="#">Cyr, Paula</a> – Commission Clerk	7-6074	<a href="#">Tannenbaum, Mitch</a> – Staff Attorney	7-1391
<a href="#">Davidson, Derek</a> – Director CAD7-1596		<a href="#">Tourtelotte, Jason</a> – Info System Support Specialist	7-2999
<a href="#">Diamond, Stephen</a> – Commissioner	7-3831	<a href="#">Tremble, Donald</a> – CAD Specialist	7-3831
<a href="#">Dunn, Steve</a> – Sr. CAD Specialist	7-3831	<a href="#">Viens, Linda</a> – Utility Analyst	7-7327
<a href="#">Farmer, Gary</a> – Gas Pipeline Specialist	7-1385	<a href="#">Wood, Gunner</a> – CAD Specialist	7-3831
<a href="#">Fink, Lisa</a> – Sr. Staff Attorney	7-1389	<a href="#">Wright, Patricia</a> – CAD Supervisor	7-3831
<a href="#">French, Tammy</a> – Research/Planning	7-6075		
<a href="#">Gasper, Robert</a> – E-911 Public Service Coordinator-Special Projects	877-8063	Website: <a href="http://www.maine.gov/mpuc/">http://www.maine.gov/mpuc/</a>	
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<a href="#">Goodwin, Nancy</a> – Assistant Administrative Director	7-1357	Relay for Deaf 1-800-457-1220	
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<a href="#">Hagler, Andrew</a> – Staff Attorney	7-4524		
<a href="#">Howe, Ralph</a> – Utility Analyst	7-1373		
<a href="#">Huntington, Faith</a> – Director Technical Analysis	7-1373		
<a href="#">Information Resource Center</a> -	7-1560		
<a href="#">Jacques, Maria</a> – E-911 Data Base Manager	877-8061		
<a href="#">James, Mary</a> – Assistant Director CAD	7-3831		
<a href="#">Kania, Rich</a> – Utility Analyst	7-1379		
<a href="#">Keschl, Dennis</a> – Acting Administrative Director	7-1353		
<a href="#">Kivela, Rich</a> – Utility Analyst	7-1562		
<a href="#">Lewis, Stephen</a> – Utility Analyst	7-6704		
<a href="#">Lindley, Phil</a> – Utility Analyst	7-1598		
<a href="#">MacLennan, Carol</a> – Sr. Staff Attorney	7-1393		
<a href="#">Marquis, Rita</a> – Clerk Typist III	877-8050		
<a href="#">Mason, Cara</a> – Legal Secretary	7-1384		
<a href="#">Mayhew, Michael</a> – Energy Audit Engineer	7-7638		
<a href="#">McLaughlin, Marjorie</a> – Finance Director	7-1365		
<a href="#">Monroe, Angela</a> – Utility Analyst	7-1397		

## **ACRONYMS AND ABBREVIATIONS**

AFOR	Alternative Form of Regulation	MWUA	Maine Water Utilities Association
ASGA	Asset Sale Gain Account	NEB	Canadian National Energy Board
BHE	Bangor Hydro Electric Company	NECPUC	New England Conference of Public Utility Commissioners
CAD	Consumer Assistance Division	NEPOOL	New England Power Pool
CAP	Community Action Program	NOI	Notice of Inquiry
CMP	Central Maine Power Company	NU	Northern Utilities
DEP	Dept of Environmental Protection	OGIS	Maine Office of Geographic Information Systems
DHS	Department of Human Services	OPA	Office of Public Advocate
ERT	Emergency Response Team	PERC	Penobscot Energy Recovery Co
ESCB	Emergency Services Communication Bureau (E9-1-1)	PNGTS	Portland Natural Gas Transmission System
FAME	Finance Authority of Maine	PSAP	Public Safety Access Point
FCC	Federal Communications Commission	PUC/MPUC	Maine Public Utilities Commission
FERC	Federal Energy Regulatory Commission	QF	Qualifying Facility
FY	Fiscal Year	RFB	Request For Bid
GIS	Geographic Information System	RFP	Request for Proposal
HEAP	Home Energy Assistance Program	RPS	Renewal Portfolio Standard
ISO	Independent System Operator	RTO	Regional Transmission Organization
IXC	Interexchange Carriers	SEP	State Energy Program
LD	Legislative Document	SEPC	Staff Energy Policy Committee
LDC	Local Distribution Company	SMD	Standard Market Design
LIAP	Low Income Assistance Program	SQI	Service Quality Index
LIHEAP	Low Income Home Energy Assistance Program	SSI	Social Security Income
ISO-NE	Independent System Operator – New England	TA	Technical Analysis
LNG	Liquefied Natural Gas	TANF	Temporary Assistance For Needy
MEMA	Maine Emergency Management Agency	T&D	Transmission and Distribution
MHSA or MSHA	Maine State Housing Authority	TELRIC	Total Element Long-Run Incremental Cost
MPS	Maine Public Service	TRO	Triennial Review Order

MMBT	Million British Thermal Units	US DHS	United States Department of Homeland Security
US			
M&NP	Maritimes and Northeast Pipelines	WiFi or Wi-Fi	Wireless Fidelity
MRSA	Maine Revised Statutes Annotated	WPS-ESI	WPS Energy Services, Inc
MTEB	Maine Telecommunications Board		

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## GLOSSARY

- **Access Charges:** The rates that a long-distance carrier pays to local telephone companies for connecting to the local network. Access charges are a major cost component of toll rates.
- **Aggregator:** "Aggregator" means an entity that gathers individual customers together for the purpose of purchasing electricity, provided such entity is not engaged in the purchase or resale of electricity directly with a competitive electricity provider, and provided further that such customers contract for electricity directly with a competitive electricity provider.
- **All-In Rate:** The total price for electricity, including generation and delivery (transmission & distribution service).
- **Bill Unbundling (Itemized Billing):** The separation of Electricity Supply charges from Delivery Service charges on Maine consumers' electric bills beginning in January 1999.
- **Competitive Electricity Provider:** A marketer, broker, aggregator or any other entity selling electricity to the public at retail.
- **Cramming:** The practice of adding fees or charges to a consumer's bill for services that were either never provided or for services that the customer did not register for (see also Slamming).
- **Customer Classes for Electricity Consumers:** Residential/small non-residential; Medium non-residential; Large non-residential. Non-residential class determined by customer's kW demand peak.
- **Delivery Service:** The transmission and distribution of electricity to Maine consumers by a PUC-regulated Distribution Company.
- **Distribution Company:** A PUC-regulated utility that, after March 2000, provided only Delivery Service.
- **Electric Restructuring:** The redesign of the state's electric utility industry giving Maine consumers the right to choose their Electricity Supplier. The result of a law passed by the Maine Legislature in 1997.
- **Electric Supply:** Electricity that is sold or resold by a PUC-licensed Electricity Supplier, or provided under the Standard Offer.
- **Electricity Utility:** A monopoly utility that, until March 2000, provided both Electricity Supply and Delivery Service. In March 2000, Electric Utilities became Distribution Companies.

- **Eligible Telecommunications Carrier:** A basic service provider designated by the Commission as an eligible telecommunications carrier for purposes of section 254 of the Telecommunications Act of 1996, 47 U.S.C., § 151 *et seq.*
- **Federal High-Cost Funds:** Universal service support mechanisms that have helped make telephone service affordable for low-income consumers and consumers who live in areas, typically rural, where the cost of providing service is high.
- **Green Power:** Power generated from renewable energy sources, such as wind and solar power, geothermal, hydropower and various forms of biomass.
- **Independent Telephone Company:** This term is often used to refer to all incumbent local exchange carriers companies other than Verizon - Maine. There are 23 of these companies in Maine, although some are owned by the same parent holding company.
- **Independent Third Party Verifier:** A third party used to verify preferred carrier changes. The third party must be qualified and independent, and must obtain the customer's oral authorization to submit the preferred carrier change that includes appropriate verification data (e.g. the customer's date of birth or social security number).
- **Intrastate Access Rates:** "Access charges" and "access rates" are those charges and rates that an interexchange carrier must pay to a local exchange carrier in order to provide intrastate interexchange service in Maine.
- **Letter of Agency:** A "letter of agency" is a document containing a customer's signature that authorizes a change to a customer's preferred carrier selection.
- **LEC:** An acronym for Local Exchange Carrier. These companies provide basic local service. Subsets of LECs include incumbent local exchange carriers (ILECs) and competitive local exchange carriers (CLECs). The incumbents are the existing monopoly providers, and competitive carriers are the new entrants in those markets. An ILEC can be a CLEC in a region outside of its existing monopoly service area.
- **Lifeline & Link-Up:** These programs assist low-income consumers in obtaining and affording telecommunications services.
- **NPA / NXX:** NPA is an acronym that essentially stands for area code. In Maine's case, the entire state falls within the 207 NPA. NXX is the abbreviation for the three digit sequence following the area code. For instance, if a person's telephone number was (207) 555-1234, the NPA would be 207 and the NXX would be 555. If Maine runs out of NXX codes, then a new NPA may be needed.

- **Prescribed Toll Carrier “PIC”:** The carrier to which a customer is presubscribed for local, intrastate, interstate, or international telecommunications service.
- **Qualifying Facility:** A small power production or cogeneration facility that meets the Federal Energy Regulatory Commission’s ownership and technical requirements is a qualifying facility.
- **RBOC:** An acronym for Regional Bell Operating Company. In Maine’s case, the incumbent RBOC is Verizon - Maine.
- **Renewable Energy:** Energy from fuel cells, tidal power, solar energy, wind power, geothermal power, hydroelectric energy, biomass and municipal solid waste.
- **Retail Electric Competition:** A system under which more than one competitive electric provider can sell to retail customers, and retail customers are allowed to buy from more than one provider.
- **Section 271:** The section of Federal Telecommunications Act of 1996 that addresses the conditions for Regional Bell Operating Company entry into the interstate market. Section 271 is also sometimes known as the “competitive checklist.”
- **Slamming:** The illegal practice of switching a consumer’s telephone carrier or electrical supplier without obtaining proper consent (see also Cramming).
- **Standard Service Offer:** Electric generation service provided to any electricity consumer who does not obtain electric generation service from a competitive electricity provider.
- **Stranded Costs:** A utility's legitimate, verifiable and unmitigable costs made unrecoverable as a result of the restructuring of the electric industry required by 35-A M.R.S.A. Chapter 32 determined by the Commission pursuant to 32-A M.R.S.A. § 3208.
- **Unbundled:** Electric utility bills that state the current cost of electric capacity and energy separately from transmission and distribution charges and other charges for electric service.
- **Universal Service:** The principle that all Americans should be able to afford at least a minimal level of basic telephone service.
- **Wireless Fidelity:** A wireless local area network providing “hotspots” with high-speed internet access service.



## Map Location of Commission

### DIRECTIONS TO THE MPUC

FROM NORTH: I-95 Exit 109A, formerly 30A, (Augusta) to Western Avenue toward downtown Augusta.

FROM SOUTH: I-95 Exit 109, formerly 30, (Augusta/Winthrop) to Western Avenue toward downtown Augusta. Then east on Western Avenue (Routes 202/11/17/100) 1.3 miles to Augusta Rotary.

FROM EAST: Routes 3, 27 or 201 to Augusta - Cross Kennebec River to Augusta Rotary. From Augusta Rotary, go south on State Street (past State Capitol) (Routes 27 and 201) 0.3 miles to Manley Street (bottom of the hill). COMMISSION is on the right (242 State Street, tel. 287-3831), with ample parking and handicap accessible.



**PUC 2005 Annual Report Evaluation Form**

We ask you to give us feedback on the content and format of this annual report, by filling out the following short questionnaire and mailing it (postage already paid) back to us.

1. What is your overall evaluation of this report? (check one)

very informative\_\_\_ somewhat informative\_\_\_\_\_ not informative\_\_\_\_\_

2. Please rate each of the following report sections according to how they helped you further understand utility issues and events.

(1 = very helpful 2 = somewhat helpful 3 = not helpful)

Telecommunications		Acronyms		Public Access	
Electric		Consumer Assistance		Glossary	
Water		Maine Commission			
Natural Gas		Rulemakings			
Telephone List		Summary of Laws			
Map Location		Fiscal Information			

3. How can we improve this report to better meet your information needs? If appropriate, please specify particular sections.

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4. What did you like best about this report? (check those items that you liked)

format \_\_\_\_\_  
writing style \_\_\_\_\_  
cover \_\_\_\_\_  
content \_\_\_\_\_  
ease in reading \_\_\_\_\_  
other \_\_\_\_\_

**THANK YOU!**

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Augusta, Maine 04333-0018

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## **Maine Public Utilities Commission**

The Commissioners wish to thank the staff of the Commission for assisting in the preparation of this report, with special thanks to the editors and contributing writers.

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We welcome feedback on how we can improve next year's report. Send your comments to Patrick Damon at 207-287-1353 or <mailto:dennis.keschl@maine.gov>

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