

MAINE STATE LEGISLATURE

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STATE OF MAINE PUBLIC UTILITIES COMMISSION



2006 Annual Report

February 1, 2007

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State of Maine Public Utilities Commission

February 1, 2007

Commissioners

Kurt Adams
Chairman

Vacant
Commissioner

Sharon M. Reishus
Commissioner

Division Directors

Karen Geraghty
Administration

Derek Davidson
Consumer Assistance

Albert Gervenack
Emergency Services
Communications

Denis Bergeron
Energy Programs

Marjorie McLaughlin
Finance

Joanne Steneck
Legal

Faith Huntington
Technical Analysis

Economic development, climate change, electricity prices, and market stability brought energy issues to the forefront of the public's minds. In fact, we found that the interest in energy issues was greater than it had been in decades, and this renewed interest in combination with the PUC's innovative energy policies led to a number of remarkable achievements this year.

In 2006, the PUC's Energy Program completed its fourth year of promoting energy efficiency and conservation with notable success. Due to a combination of the heightened awareness of global warming and an extremely successful outreach and marketing campaign, the program was able to save more than 74,759 KWh of electricity with an estimated lifetime economic benefit of \$53,911,045. Just as impressive, the program's work was able to offset the production of 320,849 metric tons of carbon dioxide, which is the emission equivalent of 65 million gallons of gasoline, or 2,915 rail car loads of coal. The Energy Program also initiated a solar energy program, which provides rebates for solar energy systems. In just its infancy, the program saved 4,020 gallons of fuel oil, 3,141 gallons of propane and 33.2 MWh and averted the release of 87.7 tons of CO₂ – the equivalent of taking 17 cars off the road for a year.

Electricity policies required an increased level of review and expertise from the PUC as Maine found itself the center of both local and national debates. First the PUC led the fight to reject ISO New England's effort to spread the costs among all New England states for resolving congestion issues in southwest Connecticut and Boston. The PUC led the effort to negotiate a settlement that did not carry the same penalties for Maine and while we reject the price tag of nearly \$400 million for Maine, we are pleased with other aspects of the settlement, including conservation and demand response resources, which represent a dramatic improvement over the original proposal. We plan to continue the fight the settlement amount in court.

In addition to regional issues, on the national front, Congress passed the Energy Act of 2005, which afforded the DOE the authority to designate transmission corridors of "national interest." This designation would allow the federal government to trump any state decision to reject a new transmission line, even if the line violated state environmental laws or was not in the interest of consumers. The PUC with Maine's Congressional delegation took an active role in voicing its concerns with the DOE, citing the lack of transparency in the DOE's decision-making, and as a result, was successful in delaying a final decision by the DOE. The PUC will continue to work closely with Maine's senators and congressmen to protect Maine's interests.

Looking ahead, the PUC plans to continue its efforts to reduce energy consumption and promote efficiency as well as provide the best energy policies for Maine consumers.

Kurt Adams
Chairman

Sharon M. Reishus
Commissioner

COMMISSIONERS' BIOGRAPHIES

Kurt Adams was appointed Chairman of the Maine Public Utilities Commission in June 2005. 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 renewable energy development and energy markets. Current term expires in March 2011.

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. Since the PUC was created, its roles and responsibilities have changed dramatically. The PUC 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 PUC 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 PUC 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 PUC 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 PUC's staff includes accountants, engineers, lawyers, financial analysts, consumer specialists, and administrative and support staff. The PUC 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 PUC, with responsibilities for 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 PUC in coordinating its activities. The Emergency Services Communication Bureau (ESCB) manages the E-911 program development and implementation and is located within the Administrative Division.

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 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

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 PUC 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 PUC and assists in preparing and presenting Commission views on legislative proposals. This division also represents the PUC before federal and state appellate and trial courts.

The Technical Analysis Division (TA) is responsible for advising the PUC 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 PUC processed the following caseload:

Cases Closed in 2006	
CAD Appeals	16
Communications	383
Conservation	0
Damage Prevention	0
E-9-1-1	0
Electric	122
Gas	16
Multi-Utility	0
Rulemakings	1
Water	86
Water Common Carrier	2
Total	626

Cases Opened in 2006	
CAD Appeals	21
Communications	420
Conservation	1
Damage Prevention	0
Electric	178
Gas	22
Rulemakings	3
Water	102
Water Common Carrier	2
Total	755

Utilities Active in 2006	
Communications	293
Electric	13
Gas	3
Water	154
CCP	86
Total	567

REPORTS TO THE LEGISLATURE

[Electric Restructuring Report](#) (12/31/06)

[Efficiency Maine Annual Report](#) (12/15/06) [Technical Appendix](#)

[Annual Report on Gas Conservation Programs](#) (12/1/06) [Attachment 1](#) [Attachment 2](#)

[Annual Report on the Solar Energy Rebate Program](#) (12/1/06)

[Telephone Alternative Form of Regulation \(AFOR\)](#) (9/1/06)

[Regulatory Fund Resources Expended on Non-Regulated Activities](#) (3/1/06)

Attachment

[Public Fire Protection Issues](#) (2/16/06)

[Attachment 1](#) [Attachment 2](#) [Attachment 3](#)

[Prepaid Wireless Telephone Services](#) (2/6/06)

[Attachment 1](#), [Attachment 2](#), [Attachment 3](#), [Attachment 4](#)

[2005 Annual Report](#) (2/1/06)

[E-911 Annual Report](#) (1/31/06)

[Public Interest Payphones](#) (1/31/06)

[Notice of Rulemaking, Proposed Chapter 352](#)

[Rental Property Efficiency](#) (1/31/06)

[Disclosure Form](#), [Suggested Standards](#)

[Interpretation of "Incidental Sales" Limitation with Respect to COU Wholesale Electricity Service](#), [Attachment](#) (1/30/06)

[Reexamination of Provisional Rules on Incorporating Renewable Resources into Standard Offer Supply](#), [Attachment](#) (1/30/06)

[Maine Telecommunications Education Access Funding \(MTEAF\)](#) (1/30/06)

Attachment

[E-911 Calls Made by Persons who are Deaf, Hard-of-Hearing or Speech-Impaired](#) (1/15/06)

PUBLIC ACCESS TO THE PUC

The PUC 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 requires an informed and educated public. The PUC's vision – to make the PUC and its processes more open and accessible to citizens throughout Maine – requires both a personal commitment by the Commissioners and staff, and the expanded use of technology to reach every corner of the state.

The internet is a crucial tool for achieving the PUC's vision of openness and accessibility and a key component in ensuring citizen access to the PUC, 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.

Live Audio on the Web

The live audio (using Windows Media™) 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 PUC'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 feature continues to be used often by both the public and the utility industry.

Electronic Documents via the Web

The PUC website features separate pages 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.

In the Virtual Case File (<http://mpuc.informe.org/>), all documents for currently active and recently closed cases are available online. 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.

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. PUC 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.

The public has 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.

Utility companies can now access online all the forms necessary to file their annual reports and submit the forms electronically. The public can view each utilities completed report 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 aggressive use of the web has produced savings in time and travel costs, has reduced pollution related to travel to the PUC’s offices, and has saved reams of paper, not only for our agency, but for all of those who interact regularly with the PUC.

DEVELOPING GIS CAPABILITIES

In the PUC's review of utility performance during Ice Storm 1998, we noted that geographic information systems (GIS) proved a useful tool to a number of utilities as they recovered. Federal agencies assisting the State in its recovery from the Ice Storm disaster similarly highlighted the benefits of GIS for recovery from emergencies and protection of critical infrastructure. Accordingly, the PUC decided to expand our GIS capabilities and ability to coordinate GIS information with the state's public utilities.¹

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 PUC 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 2001, we adopted a Commission Rule that requires all major utilities to provide service area and infrastructure maps and data to the PUC 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 described 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. The PUC's 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 PUC 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 PUC, and to facilitate our support of emergency management planning activities."²

The PUC has 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 PUC. The PUC has also provided familiarization training to all Staff so that they may better take advantage of the PUC's expanding GIS resources. The PUC plans 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

¹ *Public Utilities Commission, Inquiry into the Response by Public Utilities in Maine to the January 1998 Ice Storm*, Docket No. 98-026, Order (Dec. 29, 1998) at 45-47.

² *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.

exploring and have even begun 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 PUC'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, 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.

This past year GIS was used in a number of different ways by the PUC. GIS analysis informed our work in a number of investigations, including efforts that focused on line extension rules and potential utility system vulnerabilities. GIS has also been an essential part of the support that the PUC provides to the ConnectME Authority.

UTILITY INFRASTRUCTURE SECURITY

Significant sectors of the 'critical infrastructures' identified nationally for special protection fall within the PUC's intrastate jurisdiction: electric power, natural gas, telecommunications, and drinking water. Public utilities that provide those services in this state are required by Maine law to provide safe, reasonable and adequate facilities and service.³ To satisfy that requirement, utility facilities must be secure. While public utilities have the primary responsibility to secure their own infrastructure, the PUC 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 PUC 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 maintain a statewide e-mail list of State Energy Emergency Information Coordinators to facilitate the dissemination and exchange of timely energy emergency information throughout different agencies of State government. The PUC facilitated the participation of four individuals to represent Maine in a secure emergency notification system established by the Office of Electricity Delivery and Energy Reliability 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.

Pursuant to an Executive Order of the Governor, the PUC 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 geographic information system (GIS) maps and data about key utility infrastructure to support the Governor, MEMA, and ERT during events that involve utility systems. During 2006 the PUC staff collaborated closely with state homeland security and law enforcement personnel on issues related to the security of critical utility facilities in the state.

Much of the information provided by utilities about their key infrastructure could pose security concerns if not protected. The PUC is keenly aware of the need to balance public access to utility information in general with the need to secure information that could be used to compromise the integrity of utility systems. Thus, in limited circumstances the PUC 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 PUC's role in warning and assessment support on utility issues if necessary. We have asked the Office of Information Technology to provide the PUC with mechanisms to ensure that electronic files containing sensitive utility infrastructure information, diagrams, and maps to which the PUC has access remains secure, whether at the PUC's offices or the State Emergency Operations Center.

³ 35-A M.R.S.A. § 301(1)

On a national level, the PUC staff actively participates on a committee chartered by national utility regulators⁴ to identify best practices and roles for utility regulatory commissions to protect critical infrastructure nationally. That committee⁵ 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 PUC staff liaisons with regional electric industry organizations that focus on system reliability and security issues.⁶

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

⁴ National Association of Regulatory Utility Commissioners (NARUC)

⁵ NARUC Committee on Critical Infrastructure

⁶ The Northeast Power Coordinating Council's Executive Committee, Task Force on Infrastructure Security and Technology, Cross-Border Regional Entity, and Government/Regulatory Advisory Group

CONSUMER ASSISTANCE

The Consumer Assistance Division (CAD) is the PUC'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.

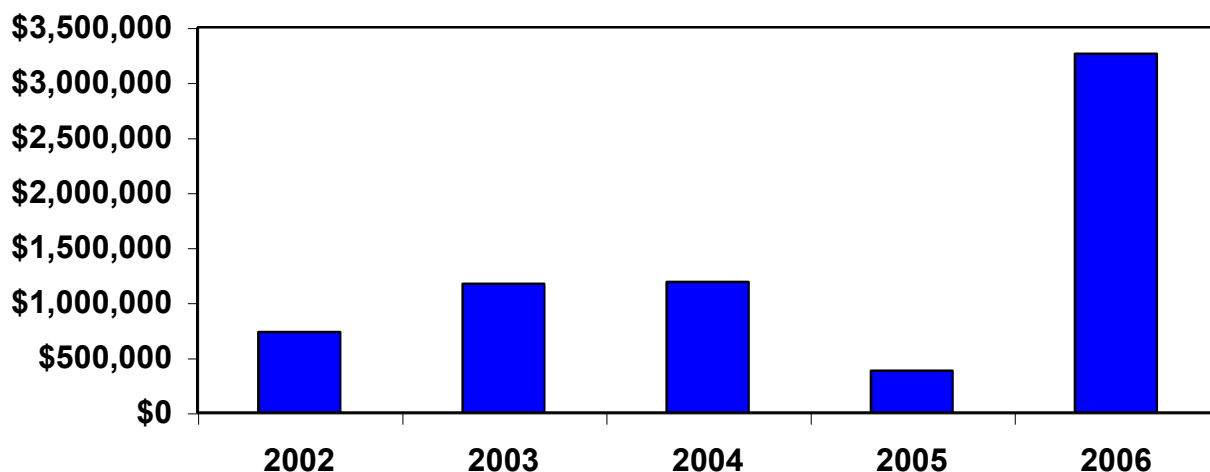
The CAD tracks its contacts with both consumers and utilities, whether the contact is to provide information and assistance, investigate a consumer complaint (a complaint is when a consumer has a dispute with a utility that the parties have been unable to resolve), or process a request by an electric or gas utility to disconnect a customer during the winter period (November 15 to April 15). The CAD recorded 6,887 contacts and 1,248 complaints in 2006.

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 2006, 98% of the calls to the Consumer Assistance Hotline were answered live.

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 2006, more than \$3.2 million was abated by utilities to almost 28,000 Maine consumers. This sum is the highest amount ever recovered for customers by the CAD.

Consumer Refunds 2002-2006



A potential reason for the significant size of total customer refunds for 2006 is an increased emphasis over the past several years by CAD staff on conducting high

quality, in-depth investigations of customer complaints. Investigations of single customer complaints by the CAD have uncovered larger-scale problems affecting thousands of customers. For example, as a result of a single customer complaint to the CAD, the PUC initiated an investigation into charges CMP was assessing for the construction of private line extensions. As a result of that investigation, the PUC ordered CMP to refund approximately \$2.75 million to more than 13,400 customers who had purchased a line extension for their homes or businesses after July 1, 2000. The refund resulted from a “profit adder” erroneously charged by CMP on new line construction and billed to the customer since 1999. As a result, credits were provided to all customers who paid for the construction of a line extension since that time. In addition to this investigation, a single CAD complaint led to the refund of over \$31,000 to 63 customers of Northern Utilities. Northern Utilities failed to reduce its Contribution in Aid to Construction Tax as directed by the Federal Government in September of 2001.

Customer Satisfaction Surveys

To ensure that the PUC is providing the highest quality of service possible, CAD has been conducting customer satisfaction surveys since July 1, 2004. In 2006, the CAD sent surveys to 1,402 customers who had filed complaints with the CAD to obtain feedback on the quality of service they received. Customers were asked the following questions:

- How did you learn about the Maine Public Utilities Commission and the services of its Consumer Assistance Division? (The choices were: your utility, the media, a social service agency, and other. If “other” was chosen, the customer was asked to provide more details.)
- If you spoke with a Consumer Assistance Division staff member on the telephone, was the person you spoke with knowledgeable? helpful? courteous? (The choices were: yes, somewhat, and no. If “somewhat” or “no” was chosen, the customer was asked for comments on what could be improved.)
- How quickly did we resolve your dispute? (The choices were: the same day, within 10 days, within 30 days, and more than 30 days.)
- Were you satisfied with the timeliness of the resolution? (The choices were: yes, somewhat, and no. If “somewhat” or “no” was chosen, the customer was asked for comments on what could be improved.)
- Overall, how would you rate the service you received from this office? (The choices were: excellent, good, fair, and poor. If either “fair” or “poor” were chosen, the customer was asked for comments on what could be improved.)

Over 17% customers responded to the survey. Customers said they learned about the PUC and the CAD from their utility (26%), the media (12%), or a social services agency (4%). Others (58%) learned of the CAD from friends or family, through

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the Internet or telephone book, or were aware of the CAD based on personal experience.

Nearly 92% of the respondents said the CAD staff member they spoke with was knowledgeable, 93% said they found staff to be helpful, and 96% said staff was courteous. Many customers commented that they were very pleased with the CAD's service, while other customers provided suggestions on how the CAD could improve its service.

Over 80% of the respondents said the CAD resolved their dispute within 30 days. Of those, 17% said their dispute was resolved on the same day and an additional 37% said their dispute was resolved within 10 days. And, 80% of the respondents said they were satisfied with the timeliness of the CAD's resolution of their complaint. One customer wrote "Once I called the PUC, a [staff person] called me every couple of days till the case was resolved." Another customer wrote "We are extremely grateful for the prompt and effective service we received from the PUC [CAD]." Other customers provided suggestions on the CAD can improve its service.

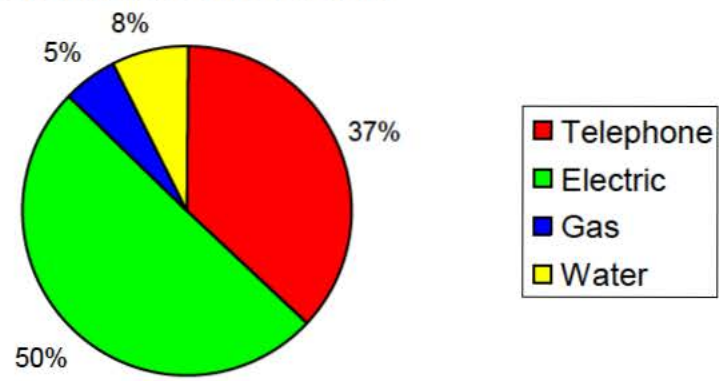
Over 91% of the respondents rated the service they received from the CAD as good or excellent. Many customers stated they were very pleased with the CAD's service, while other customers provided suggestions on how the CAD could improve its service.

The CAD has reviewed all of the comments submitted and is working to address consumers' concerns with its process and individual staff performance. Customer surveys will be sent out quarterly to assist the CAD in continually improving the service it provides to consumers.

Distribution of Complaints Received in 2006

As shown in the chart on the following page, electric complaints accounted for 50% of all complaints received by the CAD in 2006, an increase from 42% in 2005 and 26% in 2004. The increase in the percentage of electric complaints in 2006 is due to a decrease in telecommunications complaints over time. Telecommunications complaints accounted for 37% of all complaints received by the CAD in 2006, a decrease from 49% in 2005 and 66% in 2004. The percentages of gas and water complaints received in 2006 increased slightly compared to 2005.

Complaints Received in 2006



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 is intended to protect underground facilities thereby preventing the safety hazards associated with damaged utility facilities, interruption of services, and loss in revenues. 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 including penalty provisions within the law and assigned enforcement responsibility to the PUC.

Legislation and Rulemaking

Public Law 2005, Chapter 334 directed the PUC to develop rules for damage prevention procedures for newly installed underground facilities, and standards for when and at what level penalties must be assessed for violations of the Dig Safe law. In addition, the law allows the PUC 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.

During the second session of the 122nd Legislature, the Legislature approved the PUC’s recommended changes to the law that require that excavators obtain their own Dig Safe notifications. Additional changes were approved by the Legislature; however, the MPUC has granted a waiver for these changes to coincide with the implementation of an upgraded Dig Safe System mapping capability that will better define the location of excavations and the identification of any underground facilities that exist within the excavation area. This upgrade originally scheduled for implementation by the Dig Safe System in 2006 has been granted a waiver for developmental and implementation purposes until January 1, 2008. To coincide with this more efficient system; 30 day ticket renewals, 21 day mapping update requirements for newly installed facilities and discovered facilities, and a 21 day mapping update time frame for facility operators have been waived until January 1, 2008.

OK TO DIG

In response to legislation which took effect during 2004 (PL 2003, chapter 127), the MPUC has established a reference database that may be accessed online (www.OKTODIG.com) or via telephone (1-866-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. The OKTODIG system was made fully functional in 2006.

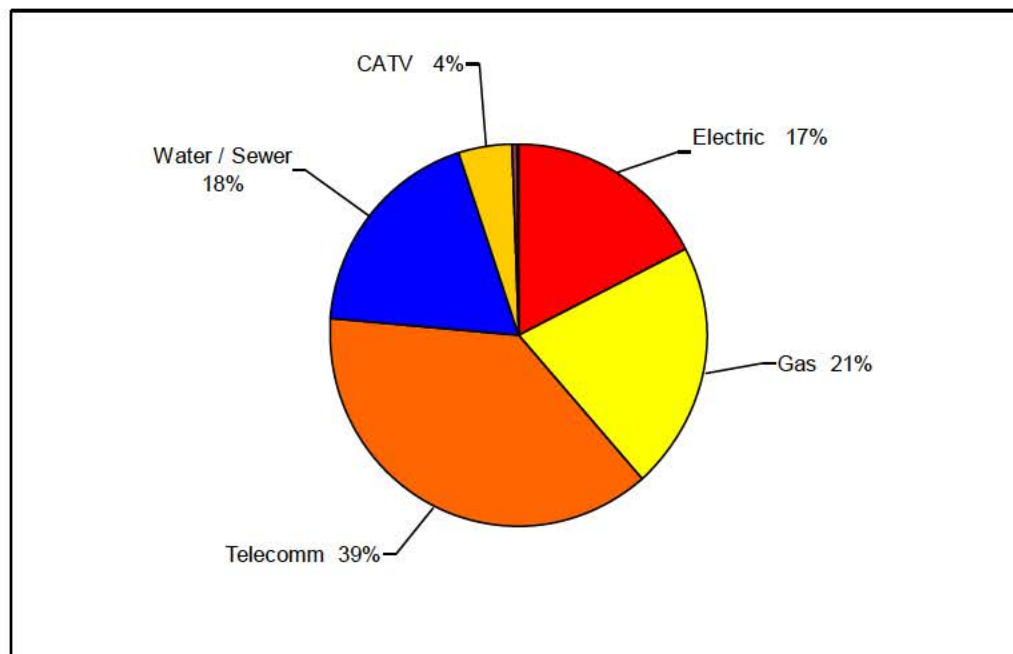
Public Awareness, Training & Education

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

In March of 2006, the PUC completed its third season of working directly with the Managing Underground Safety Team comprised of Maine Dig Safe members. Training seminars were held in Presque Isle, Orono, Augusta, Bethel and South Portland. Topics of discussions focused on safe work practices around underground facilities, compliant excavation site and underground facility markings, the makeup of various underground facilities and the risks involved when proper procedures are not followed in the Damage Prevention process. The PUC also sponsored 36 certified and/or informational educational sessions at various businesses, organizations and the PUC. The PUC remains committed to offering training and education to any individual or organization seeking assistance with understanding the roles and responsibilities of excavators, facility operators, Dig Safe System, Inc and the PUC, as defined within the law.

	2003	2004	2005	2006
MPUC Training Sessions	16	20	31	36
Attendees	460	905	1139	1170

5 Year Incident Activity by Industry Type



The following table provides additional details on the PUC's Damage Prevention enforcement activities.

	2002	2003	2004*	2005*	2006*
Reported Incidents By Industry Type	303	429	406	370	427
Electric	57	72	73	56	83
Gas	51	87	71	93	62
Telecomm	128	152	176	153	173
Water	46	88	57	40	59
Sewer		15	21	9	6
CATV	6	15	28	27	44
Other	9				
NOPVs Issues	218	283	208	161	298
Penalties with NOPVs	\$110,000	\$139,500	\$ 99,500	\$ 81,500	\$110,500
Penalties Waived With Training	\$ 53,500	\$ 29,500	\$ 29,000	\$ 23,000	\$ 34,500
Penalties Not Waived	\$ 54,500	\$110,000	\$ 70,500	\$ 58,500	\$ 76,500
Violations Found:					
Excavators	96	155	170	135	153
Facility Operator	40	163	148	111	145

* Includes outstanding damage incidents under investigation

ELECTRIC

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, in addition to the PUC's traditional regulatory role of ensuring that monopoly utility services are safe, adequate and reasonably priced, the PUC oversees Maine's retail electricity market, procures standard offer service, and participates in regional wholesale market activities that affect Maine's electricity consumers.

During 2006, the PUC opened 178 and closed 122 electricity-related cases. In addition, work was ongoing on a number of cases opened prior to 2006, as well as with respect to regional and federal matters not contained within PUC-jurisdictional cases. The following sections summarize major cases and issues with which the PUC was involved during the year.

Key Events and Issues

- Wholesale electricity prices moderated during 2006 relative to fourth quarter 2005, following similar trends in natural gas markets.
- At the New England regional market level, measures adverse to Maine consumers continued to be pursued, approved by federal regulators and implemented despite the PUC's strenuous opposition.
- In response to Legislative direction, the PUC (1) initiated a rulemaking to govern the acquisition of long-term capacity resources to mitigate consumer costs in the face of regional capacity rules and (2) conducted a study to examine potential alternatives to continued participation in ISO-NE.
- In Maine's retail market, large and medium sized commercial and industrial customers maintained a reasonable and steady level of migration to the retail supply market, while virtually all residential and small commercial customers continued to receive standard offer service.
- The number of retail suppliers serving Maine customers was stable, with several companies supplying load during 2006. However, a large share of the retail market continued to be served by a single set of affiliated suppliers.
- The northern Maine market continued to be served by a single company supplying all standard offer and non-standard offer loads during 2006. Upon soliciting standard offer bids for Maine Public Service Company and receiving bids from only that supplier, the PUC found the lack of competition to be unacceptable, and opened a proceeding to consider options for northern Maine.
- The PUC conducted six standard offer solicitations during 2006, including a solicitation seeking demand-side and efficiency measures.
- In partnership with an incumbent standard offer supplier, Constellation Energy, the PUC implemented the "Save-a-Watt 10% Challenge" during winter

2005/2006, pursuant to which Constellation contributed \$415,000 to efficiency programs for Maine residential and small commercial customers.

- Retail stranded cost and distribution rates remained relatively flat for CMP and BHE, although transmission rates increased in large part because of socialized transmission investment in other parts of the region. MPS's distribution rates increased by 10.6% pursuant to a stipulation in an MPS revenue requirements case.
- 2006 was the last year of multi-year Alternative Rate Plans for CMP and BHE. CMP proposed to extend its ARP, but the PUC found the terms of the extension to be unfavorable to ratepayers. BHE gave notice of its intent to file a distribution revenue requirements case in early 2007.
- The PUC retained an independent consulting firm to conduct an in-depth examination of CMP's distribution system operation and maintenance practices. A key finding of this examination indicated the need for improved maintenance practices, particularly related to vegetation management.

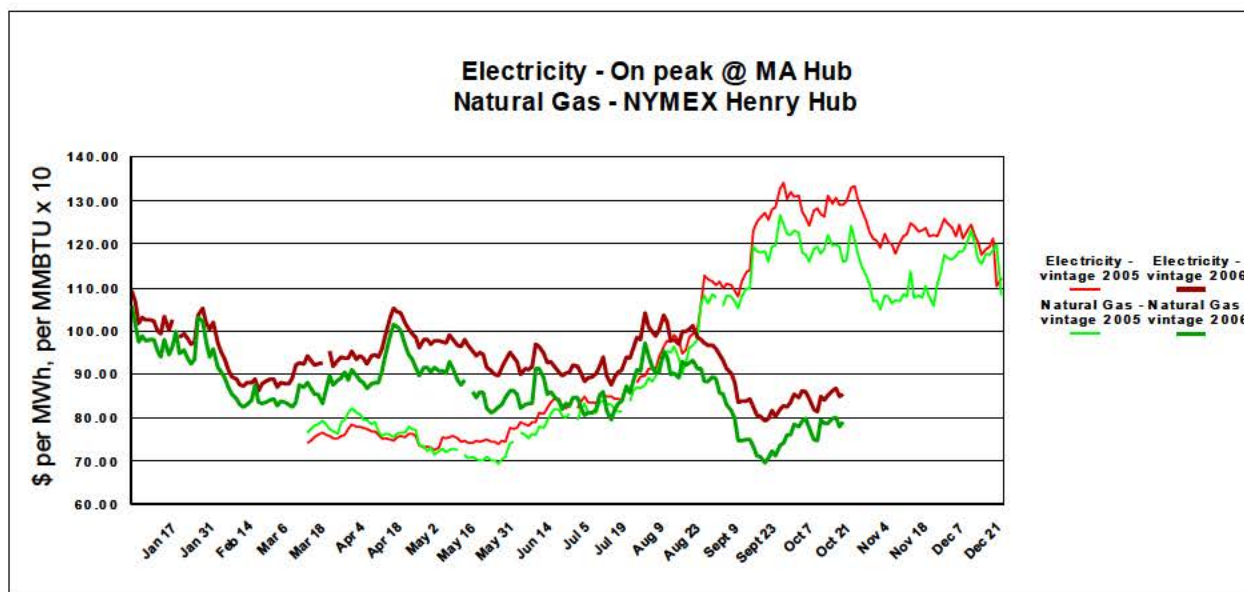
REGIONAL WHOLESALE MARKET AND RELATED ACTIVITY

With the restructuring of the electricity market, Maine became part of a broader regional market for wholesale electricity. In recognition of this, in 1997 the Legislature enacted 35-A MRSA §3215, which directs the PUC to participate in regional and national activities to protect "the interests of competition, consumers of electricity, or economic development of the state."

The Independent System Operator for New England (ISO-NE) has been the Regional Transmission Organization (RTO) for New England since February 1, 2005. As the RTO, ISO-NE is responsible for the day-to-day operation of the regional grid as well as for administering the regional markets pursuant to a set of tariffs and rules approved by the Federal Energy Regulatory Commission (FERC). The PUC participates actively in tariff and market rule development processes, and also intervenes and takes positions at FERC on matters affecting the competitiveness of the wholesale electric markets, reliability, and prices paid by Maine electricity consumers.

Market Prices

Wholesale electric energy prices declined during 2006, driven by declines in natural gas and oil prices. As shown on the graph below, by the fourth quarter of 2006, wholesale prices had declined by about 30% compared to fourth quarter 2005. However, even with these declines, wholesale electricity prices remain substantially above 2003 and 2004 levels.



Major Cases at FERC and Other Federal Initiatives

There has been a trend over the past year toward pushing the development of new generating and transmission resources in the region. The details are discussed more fully in the following sections. This trend raises important questions for Maine regarding where these new facilities will be sited, how they will affect the market price of electricity in Maine, and how their costs will be allocated.

Forward Capacity Market (FCM) Settlement

On June 15, 2006, FERC approved a contested settlement that establishes a capacity market and sets a schedule of payments to generators over a four-year transition period beginning December 2006. The case that resulted in the FCM settlement began with a dispute over the level of compensation to which generators would be entitled when their units were required to serve in the southwestern Connecticut load pocket. In ruling on the dispute FERC directed ISO-NE to establish a mechanism that appropriately valued and compensated New England capacity based on where the capacity was located. FERC wanted the mechanism to address the need for more generation in the southwestern Connecticut and northeastern Massachusetts load pockets, recognizing that Maine's surplus of generation resources could not always be exported from Maine due to transmission limitation.

ISO-NE filed a proposal, known as LICAP (Locational Installed Capacity) that would have sharply increased costs for all of the New England states without requiring new generation to be built, even in those southern New England locations where it was

needed. Maine could have seen an increase in costs by as much as 11.09%, or \$621 million. Maine, as well as every other New England state opposed the LICAP proposal. Because of the heavy opposition from the PUC and others to the LICAP proposal, FERC directed the parties to engage in settlement negotiations.

The PUC worked with other states and energy companies to come up with a comprehensive settlement but ultimately rejected the settlement because of the negative impact on near-term transition payments on Maine consumers. The PUC supported the long-term market proposal which it was instrumental in developing as part of the settlement. This long term market proposal, if properly implemented, would allow for a competitive market for new resources, including conservation and demand response resources, and a dramatic improvement over the ISO-NE's original LICAP proposal.

However, the settlement also included transition payments for a period of time beginning in December 2006. The PUC strongly opposed the transition rates approved by FERC. FERC's approval of the settlement is expected to result in transition capacity payments of more than \$400,000,000. FERC rejected the PUC's argument that given Maine's capacity surplus, the rate increases had not been justified for Maine consumers. The PUC has sought court review of FERC's decision.

Installed Capacity (IC) Requirements

Another important case at FERC during 2006 involves the determination of how much capacity is needed within a 12- month period to ensure reliability. One of the most significant issues to arise in this case is whether states or FERC should determine the appropriate level of reliability. Although 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. FERC's decision that it has sole authority to establish the IC requirement is being challenged in federal court. The PUC has intervened in this appeal as part of the New England Conference of Public Utility Commissions (NECPUC) and individually.

Request for Increased Return on Equity (ROE).

On November 4, 2003, a group 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 ISO-NE open access transmission tariff. The PUC took a lead role in developing NECPUC comments protesting the proposed increase. On October 31, 2006, FERC issued a decision in this case (over a year after the presiding judge issued her initial decision). FERC approved a lower rate than requested by the New England transmission owners but rejected a portion of the presiding judge's recommendation, instead approving the transmission owners' request for an ROE adder for new transmission construction. The PUC, individually and as part of NECPUC, municipal utilities and other consumers had strongly objected to the new transmission adder and may seek rehearing at FERC.

Energy Policy Act of 2005

The Energy Policy Act of 2005 (“EPAAct 2005”) triggered two related proceedings that may affect Maine consumers. First, EPAAct required the Department of Energy (“DOE”) to undertake a nationwide study of electric transmission congestion by August 7, 2006, and every three years thereafter. Following the issuance of the congestion study, EPAAct authorizes the DOE to designate any geographic area experiencing electric energy transmission capacity constraints or congestion that adversely affects consumers as a National Interest Electric Transmission Corridor (“NIETC”). Of crucial significance, the consequence of an NIETC designation is that EPAAct give FERC backstop siting authority. This means that if a state either rejects or fails to approve within a year a transmission project that is within a national corridor, FERC may override the state siting authorities and grant a permit for the siting of the line. This could lead to the construction of transmission lines in Maine even when such lines were not in the economic interest of Maine consumers or when such lines had adverse environmental effects.

As a result of these EPAAct 2005 provisions, DOE issued a congestion study in August 2006 and requested comments on the study. DOE categorized broad areas experiencing congestion into one of three categories which denoted DOE’s evaluation of the severity of congestion within the broad area. The categories identified by DOE were: critical congestion area, congestion area of concern, and conditional congestion area. New England and specifically Maine, were designated a congestion area of concern. The DOE indicated in its request for comments on the study and on possible designation of corridors that it might designate corridors in areas that fell into any of the three categories.

The PUC filed comments both individually and as part of NECPUC and the National Association of Regulatory Commissioners (“NARUC”) strongly opposing the designation of corridors based on the DOE congestion study. The comments underscored the deficiencies of the congestion study, the lack of the requisite consultation with the affected states and in New England the lack of any evidence that the state siting process had prevented the construction of any transmission project recommended by ISO-NE. On November 10, 2006, DOE decided that it would issue draft designations and provide an opportunity for additional comment before final NIETC designations are made. The PUC will continue to be actively involved in this proceeding.

The second proceeding is the FERC rulemaking governing its backstop siting authority. On June 16, 2006 FERC issued its proposed rule to implement its backstop siting authority under EPAAct 2006. Through NARUC, the PUC developed comments on the proposed rule. The comments address deficiencies in the proposed rule and provide proposals for addressing these deficiencies. The PUC will continue its participation in this proceeding.

State Legislative Initiatives

Resolve, To Direct the Public Utilities Commission to Examine Continued Participation by Transmission and Distribution Utilities in this State in the New England regional Transmission Organization

In response to the developments discussed above, in particular the significant cost increases that will result from the FCM settlement, during its 2006 session the Legislature enacted a Resolve, To Direct the Public Utilities Commission to Examine Continued Participation by Transmission and Distribution Utilities in this State in the New England regional Transmission Organization. Pursuant to the Resolve, the PUC opened an inquiry on June 29, 2006 to produce findings and recommendations to the Utilities and Energy Committee of the Legislature regarding the costs and benefits of CMP and BHE continuing to participate in the New England RTO. The PUC has received comments on the scope of the inquiry and Commission staff has issued two draft sections for comment. These sections explore current costs of remaining part of the New England RTO and the legal implications of CMP and BHE withdrawing from the RTO.

The PUC will provide preliminary findings to the Utilities and Energy Committee in January 2007 as required by the Resolve.

An Act To Enhance Maine's Energy Independence and Security (Energy Act)

At least in part because of concerns about the regional market, during its 2006 session the Legislature enacted an Act To Enhance Maine's Energy Independence and Security (Energy Act). P.L. 2005, ch. 677. Part B of the Energy Act provides the PUC with the authority to incorporate cost-effective demand response and energy efficiency (collectively "demand-side resources") into standard offer supply and explicitly recognizes the PUC's authority to consider standard offer supply arrangements of varying lengths and terms. To address the cost of regional capacity requirements and to ensure grid reliability, Part C of the Energy Act authorizes the PUC to direct large investor owned utilities to enter into long-term contracts for capacity resources and requires the PUC to develop a long-term plan for electric resource adequacy. The Act requires that the PUC adopt the standards and procedures governing long-term contracting and establish the resource plan through major substantive rulemaking procedures.

To gather the input of interested parties on the implementation of the Energy Act, the PUC solicited public comment through a Notice of Inquiry (Docket No. 2006-314, issued June 7, 2006), and a Request for Comments (Docket No. 2006-411, issued July 26, 2006). The PUC received a large number of comments expressing varying viewpoints on how the PUC should proceed to implement the provisions of the Energy Act.

In response to the standard offer provisions of the Energy Act, on October 20, 2006, the PUC solicited bids for terms of one, three, six and nine years for the residential and small commercial classes in the Central Maine Power Company and Bangor Hydro-Electric service territories. The RFP sought bundled demand/supply bids

as well as supply-only bids. Initial proposals were received in mid-November and negotiations are ongoing.

To implement the long-term contract and resource adequacy plan portions of the Act, the PUC, on October 3, 2006, issued a Notice of Rulemaking and proposed rule for public comment. The PUC will adopt provisional rules and, pursuant to the major substantive rulemaking requirements, will submit them to the Legislature for review and approval.

MAINE RETAIL MARKET

During 2006, the retail market in most of Maine continued to exhibit a reasonable level of competitive activity in the medium and large commercial and industrial (C&I) customer sectors, although a set of affiliated companies continued to have a large market share. The retail market continued to provide few if any options to standard offer service for residential and small commercial customers, although competition for the standard offer loads of small customers remained robust.

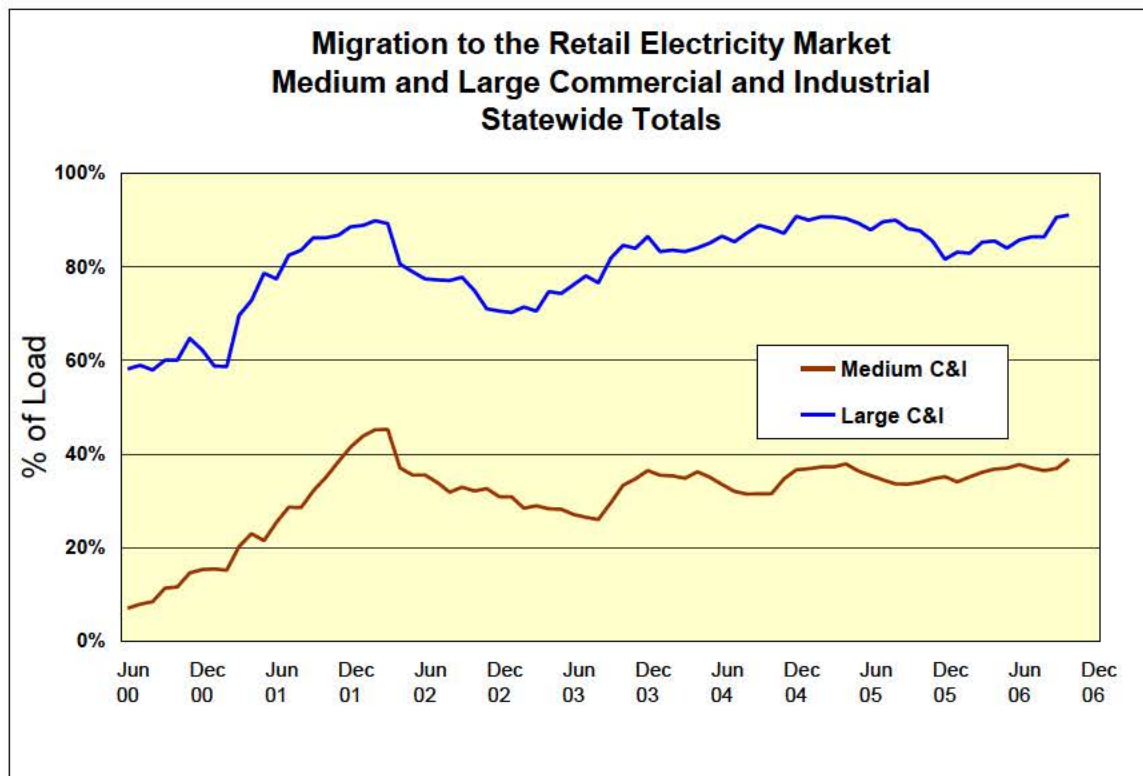
Sixteen retail providers were licensed in 2006, bringing the number of licensed providers in Maine to seventy-six. Many of these, however, are not active in the market. A complete list of licensed suppliers is available at <http://www.maine.gov/mpuc/industries/electricity/ElectricSupplier/ceplist.htm>

Medium and Large C&I Sectors

Since the beginning of restructuring, many medium and large C&I customers have acquired supply directly in the retail market. Terms of service and prices are negotiated directly between customers and suppliers, or, in some cases, with the assistance of aggregators or brokers. Depending upon customer preference and supplier product offerings, prices may be fixed for multi-year terms, or, at the other end of the spectrum, prices may change hourly in accordance with real time or near real time wholesale markets.⁷

Although 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 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.

⁷ Because an increasing number of customers began selecting real-time and other forms of indexed pricing, during 2006 the Commission adopted a rule requiring suppliers to disclose the risks of these products to potential customers.



Residential and Small Commercial Sectors

There is little retail market activity in these small customer sectors in Maine or other states. However, because Maine's standard offer providers are chosen through competitive bidding, residential and small commercial customers are receiving competitively-procured supply, albeit at the bulk level.

During 2006 "green" products, featuring hydroelectric, biomass, wind, low-impact hydro generation, and "green tags" continued to be 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.

Northern Maine

Competition in northern Maine continued to be weak during 2006. The small size of the market, coupled with its dis-integration from New England and the lack of competition in New Brunswick, has hindered market development here since retail access began in 2000.

During 2006 only one retail supplier, WPS-ESI, served load in northern Maine. In September 2006, after issuing an RFP for standard offer service for the MPS service territory and receiving bids from only WPS-ESI, the PUC found the lack of competition to be unacceptable, and the PUC also opened a proceeding to consider options for northern Maine and expects to bring a report of recommendations to the Legislature during the 2007 session.

STANDARD OFFER SERVICE

Overview of 2006

During 2006, the portion of Maine's electric load that receives standard offer service remained steady at about 60%. By customer class, standard offer service supplies about 65% of the load of Medium C&I customers and 10% of the load of Large C&I customers in Maine. Standard offer service continues to supply virtually all residential and small commercial customers, as has been the case since retail access began.

The standard offer suppliers during 2006 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 PUC's web page at http://www.state.me.us/mpuc/new%20standard%20offer/standard_offer_rates.htm.

Average Standard Offer Prices in 2006						
	Residential/Small Commercial		Medium C&I		Large C&I	
	Price ¢/kWh	Supplier(s)	Price ¢/kWh	Supplier(s)	Price ¢/kWh	Supplier(s)
CMP						
Jan-Feb	6.95	CPS Maine	10.05	Independence	10.0	Suez
Mar-Apr	8.38	Constellation	9.54	FPL, Dominion	10.18	Constellation
Sept-Dec	8.38	Constellation	10.0	FPL, Dominion	10.15	BP
BHE						
Jan-Feb	7.14	Select, Independence	10.2	FPL	9.6	Suez
Mar-Apr	8.71	Constellation	9.78	FPL	9.82	Constellation
Sept-Dec	8.71	Constellation	10.2	FPL	9.79	BP
MPS						
Jan-Dec	5.46	WPS	5.81	WPS	6.4	WPS

Procurement Processes

CMP and BHE Residential and Small Commercial

The PUC continued to procure standard offer supply in accordance with the hedging program it began in 2005. The process began with the release of RFPs in September 2004 to initiate a “laddering” structure whereby the PUC 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, thereby setting up for subsequent procurement of one-third segments annually as the initial terms expired.

For the March 2006 term one-third segment, the PUC issued RFPs in September 2005. Upon receiving and evaluating final binding bids in December 2005, the PUC designated Constellation Energy Commodities Group-Maine, LLC as the standard offer provider for the CMP and BHE loads. Although the bid prices for this one-third segment were high (11.8 cts/kWh for CMP and 12.2 cts/kWh for BHE), reflecting prevailing market conditions at the time, the fact that two-thirds of the load continued to be served with previously procured supply and lower prices mitigated the effect on consumers. The resulting prices on March 1, 2006 were 8.4 cts/kWh and 8.7 cts/kWh for CMP and BHE, respectively.

In October 2006 the PUC issued an RFP for the March 2007 term. Pursuant to recently-granted Legislative authority, the PUC sought proposals that bundled demand and supply resources into standard offer service. Initial proposals were received in mid-November and negotiations are ongoing.

CMP and BHE Medium and Large C&I

The PUC completed two solicitations for medium and large class standard offer service during 2006, and began a third in late 2006 for the term beginning March 1, 2007.

On December 8, 2005, the PUC issued RFPs for standard offer service for the CMP and BHE medium and large classes for the six-month term beginning March 2006. Suppliers submitted indicative bid prices in January 2006 and after negotiating negotiated and resolved non-price terms with Commission staff and utilities, suppliers submitted final binding bids later that month. After evaluating the final proposals, the PUC designated suppliers and prices as follows:

Class	Supplier	Average Price (cts/kWh)
CMP Medium	FPL 80%/ Dominion 20%	9.54
CMP Large	Constellation	10.18
BHE Medium	FPL	9.78
BHE Large	Constellation	9.82



The solicitation for CMP and BHE medium and large classes for the September 2006 term began when the PUC issued RFPs in early June 2006. After receiving indicative bids, negotiating contract and other non-price terms, and receiving final bids, the PUC designated suppliers and prices as follows:

Class	Supplier	Average Price (cts/kWh)
CMP Medium	FPL 80%/ Dominion 20%	10.04
CMP Large	BP	10.15
BHE Medium	FPL	10.19
BHE Large	BP	9.80

MPS – All Classes

As noted above, the market in this area of Maine has been weak for some time. In September 2006, the PUC issued an RFP seeking standard offer service for all MPS customer classes. Because only one retail supplier bid, the PUC found the lack of competition to be unacceptable.

“Save-a-Watt”

In response to anticipated supply shortages and high prices during the winter of 2005/2006 in the wake of Hurricanes Katrina and Rita, the PUC negotiated an MOU with an incumbent standard offer supplier, Constellation Energy Commodities Group, Inc., pursuant to which Constellation would provide financial support for stepped-up conservation efforts and incentives. In particular, the PUC expanded the Efficiency Maine residential lighting program and implemented a new program designed to give customers incentives to conserve during the winter. The new program, called “The Save-a-Watt 10% Challenge”, permitted eligible CMP and BHE residential and small commercial customers to enter drawings to win a \$1,000 appliance rebate toward the purchase of a qualified ENERGY STAR appliance. Constellation contributed \$415,000 toward these programs.

Other key elements of these conservation efforts are summarized below:

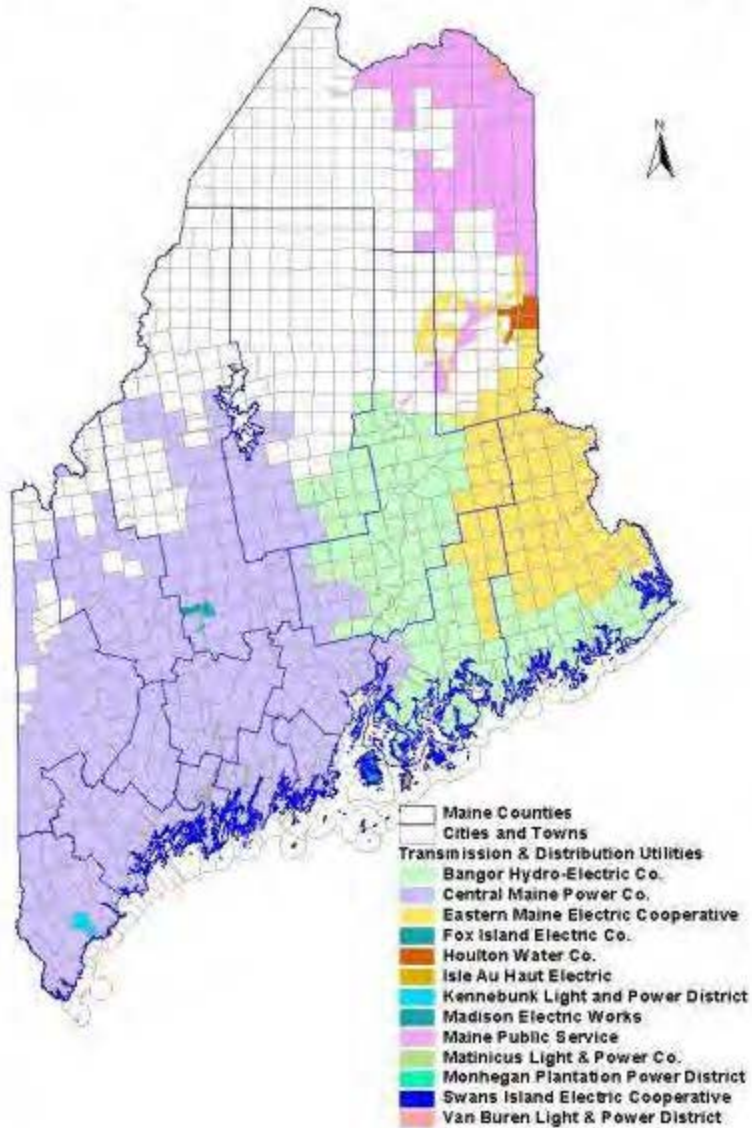
- During the winter period, 52% of CMP and BHE residential/small commercial customers reduced usage by an average of 22% (148 million kWh) compared to last season.
- Of that, 118 million kWh, or 80%, were saved by customers who qualified for the Save-A-Watt 10% Challenge.
- About 150,000 customers (28%) qualified for Save-A-Watt each month by reducing usage by 10% or more. On average, these customers reduced usage by 28%.
- Over the course of the winter, the PUC randomly selected 50 winners in the Save-A-Watt 10% Challenge and awarded each a \$1,000 rebate toward the purchase of an ENERGY STAR qualified product.
- Through the PUC’s Efficiency Maine program, the Residential Efficient Lighting Rebate program was expanded. This included developing and running ads twice weekly in major daily newspapers, including ads that provided cut-out coupons.
- From November through March, 223,188 light bulb rebate coupons were redeemed at a value of \$2 per coupon for a total of \$446,376.

REGULATED SERVICES AND PRICES

There are thirteen electric or T&D utilities in Maine – three investor-owned (IOU) and ten consumer owned (COU). The three IOU’s serve most of the State, and among them Central Maine Power (CMP) is the largest, serving about 80 % of all Maine’s load in 2006. BHE and MPS served most of the remaining load, with the COUs serving, in the aggregate, a few percent.

The map below shows the geographic areas each utility serves:

Maine Transmission & Distribution Utilities



The table below provides a summary of residential electricity sales and rates by utility.

RESIDENTIAL RATES IN MAINE

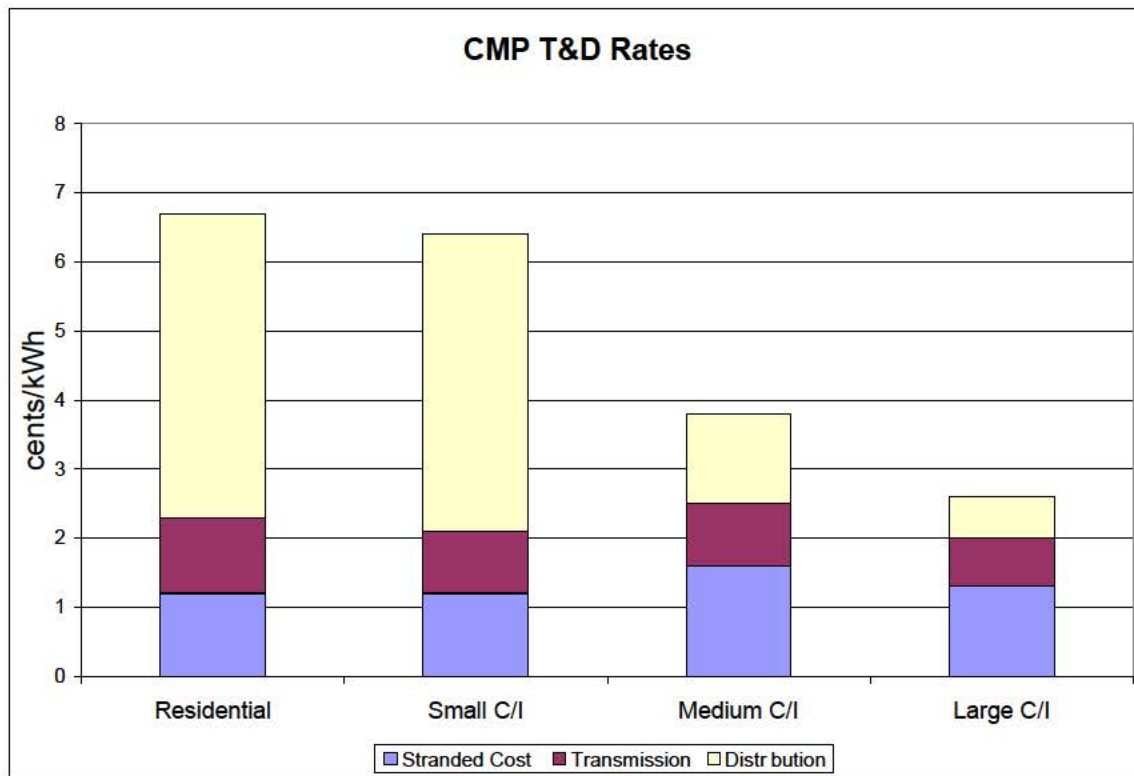
(As of Q4 2006)

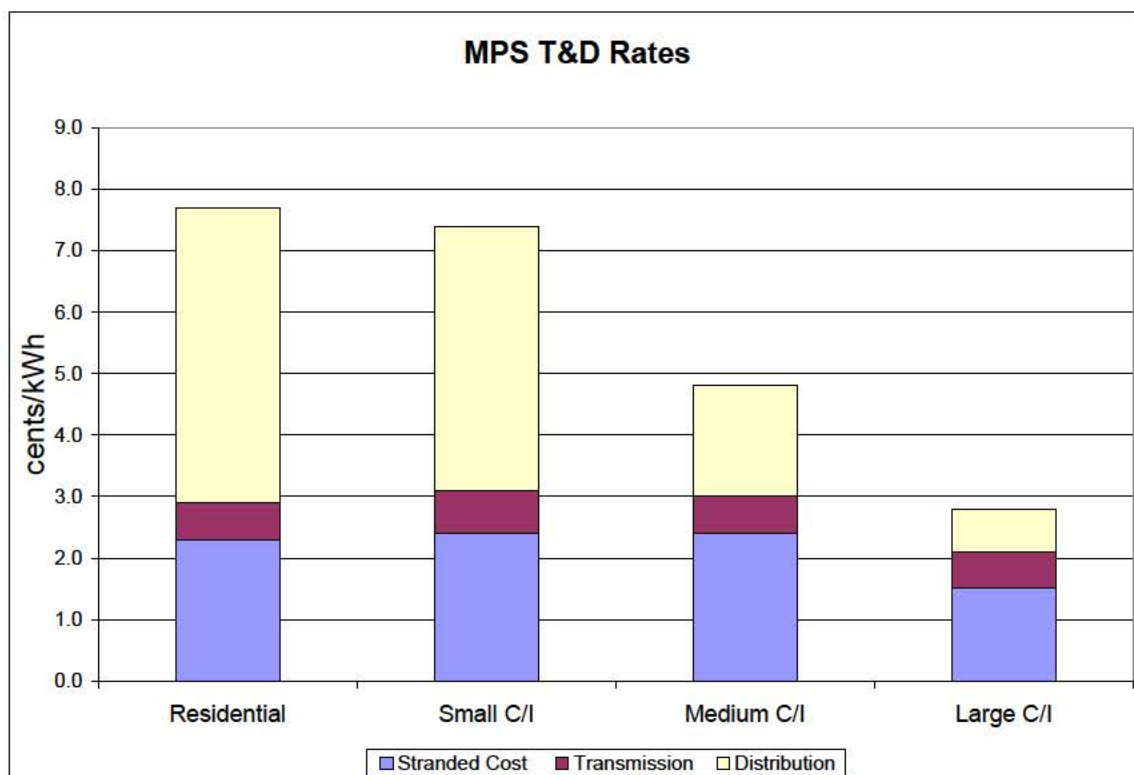
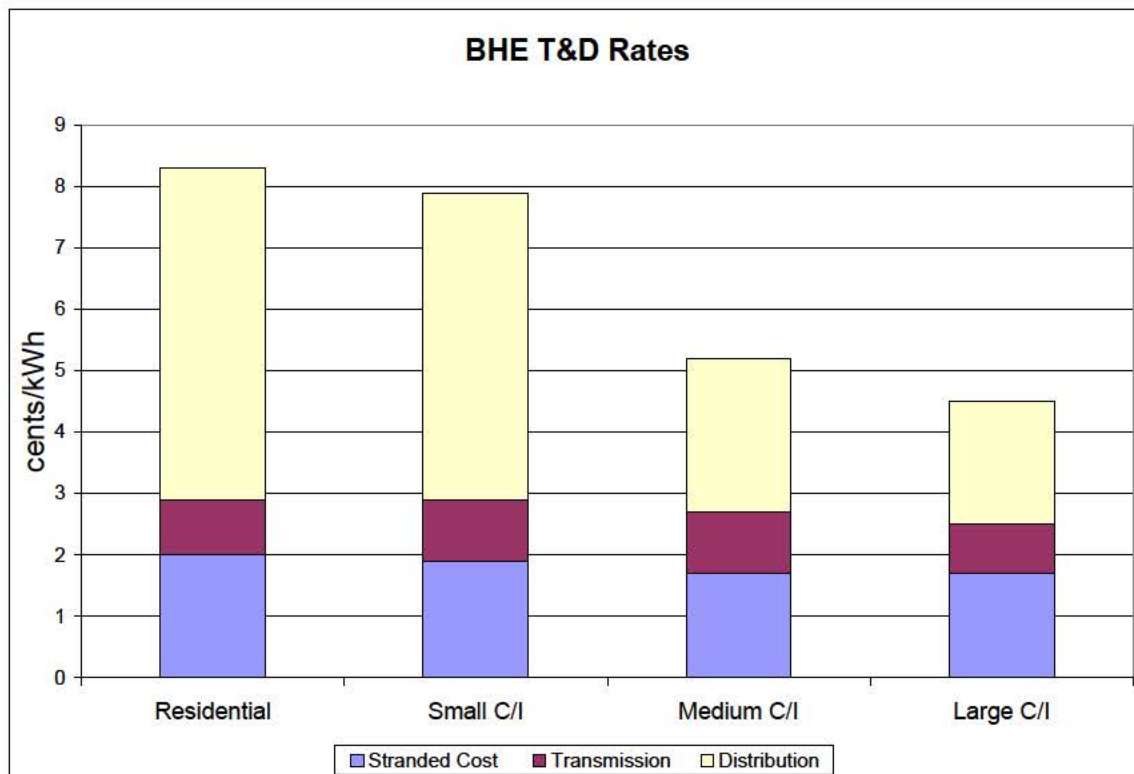
	% of State Residential Load	kWh	T&D Delivery Rate ¢/kWh	Standard Offer Rate ¢/kWh	Total Rate ¢/kWh
<u>INVESTOR-OWNED UTILITIES</u>					
CMP	79.6%	3,502,355,270	6.56	8.38	14.94
BHE	13.6%	598,648,495	8.52	8.71	17.23
MPS	4.2%	183,229,422	7.75	5.46	13.21
<u>COOPERATIVES & MUNICIPAL-OWNED UTILITIES</u>					
EMEC	1.2%	52,643,499	7.63	5.80	13.43
Houlton	0.6%	27,819,402	3.16	5.37	8.53
Van Buren	0.2%	7,349,986	2.77	6.60	9.37
KL & P	0.0%			10.50	N/A
MEW	0.4%	16,967,236	4.30	4.57	8.87
Matinicus	0.0%	278,959	Exempt from Standard Offer requirements		43.50
Monhegan	0.0%	294,700	Exempt from Standard Offer requirements		55.87
Fox Island	0.1%	5,990,288	18.89	12.65	31.54
Isle au Haut	0.0%		Exempt from Standard Offer requirements		N/A
Swans Island	0.1%	2,360,330	16.33	10.00	26.33
STATE TOTAL/ AVERAGE		4,397,937,587	6.87	8.24	15.12

The T&D delivery rates shown above include three components - transmission, distribution, and stranded costs. Transmission rates cover the cost of constructing and operating the transmission system in Maine, as well as costs allocated to Maine for regional pool transmission facilities (PTF). Transmission rates are regulated by FERC. Distribution rates cover costs incurred by the T&D utility to construct and operate the local distribution system and are regulated by the PUC.

Stranded cost rates reflect the net, above-market costs for generation obligations that utilities incurred prior to industry restructuring, and are also regulated by the PUC.

The following charts illustrate T&D rates for CMP, BHE and MPS:





Distribution

As shown above, distribution rates vary by utility and customer class. For example, residential customers typically pay more than industrial customers to reflect differences in the underlying costs to serve them, such as the fact that residential customers take service at the distribution system level while many industrial customers take service directly at the high voltage, transmission system level. During 2006, distribution rates for CMP and BHE were stable, although distribution rates for MPS increased by 10.6% pursuant to a stipulation approved by the PUC in Docket 2006-24.

The following sections summarize major distribution-related issues and cases for 2006.

Grid Study

On February 23, 2004, the Joint Standing Committee on Utilities and Energy (U&E Committee) sent a letter to the Public Utilities Commission directing the PUC to examine the practices of Maine's transmission and distribution (T&D) utilities that affect the safety and reliability of the electric grid. On June 17, 2005, the PUC issued its Final Report in response to the U&E Committee's request.

As noted in the Final Report the PUC found that, in most respects, the utilities were adequately operating and maintaining the grid. In certain respects, however, the examination revealed signs of potential shortcomings that warranted further and more in-depth review. In particular, although CMP was maintaining its distribution system to meet the system-wide average targets of its Alternative Rate Plan (ARP), there was a disparity between CMP's worst performing circuits and its overall level of performance. The nature and scope of CMP's distribution system maintenance and improvement program raised concerns as well. These concerns were heightened by CMP's previous suspension of its distribution inspection program, the aging of CMP's plant, the increase in the number of outages, and what appeared to be inadequate record-keeping in CMP's distribution planning and maintenance operations. The PUC, therefore, concluded that a more detailed study of CMP's system was warranted.

On December 13, 2005, the PUC initiated an inquiry to serve as the vehicle to conduct this further review. *Maine Public Utilities Commission, Review of Central Maine Power Company's Distribution System and Distribution Practices and Procedures*, Docket No. 2005-705, Notice of Inquiry (Dec. 13, 2005). As discussed in the NOI, this review is being conducted by an independent entity, William Consulting, Inc. (WCI). As part of its review, WCI is examining the operation and maintenance of CMP's distribution system including, but not limited to: the Company's distribution circuit inspection program; the loading of distribution circuits and planning to address or prevent overload situations; and the Company's distribution vegetation management program. As part of its review, WCI is also evaluating the condition of CMP's distribution facilities and equipment and will determine the adequacy of operation and maintenance practices and procedures to meet current, as well as future, needs.

The PUC expects WCI to issue its final report near year end and will forward a copy to the U&E committee upon its completion.

CMP ARP Extension

On November 16, 2000, the PUC approved a second alternative rate plan (ARP) for Central Maine Power Company (CMP). *Central Maine Power Company, Request for Approval of Alternative Rate Plan (Post Merger) "ARP 2000"*, Docket No. 99-666, Order Approving Stipulation (Nov. 16, 2000). Under the terms of the Order, ARP 2000 took effect on January 1, 2001 and will run through December 31, 2007. ARP 2000, which applies only to CMP's distribution delivery service, provides for annual rate changes to occur on July 1 of each year during the course of the ARP.

On December 7, 2005, the OPA filed a Stipulation entered into between the OPA and CMP to extend ARP 2000 by three years, or until December 31, 2010. According to the letter filed with the PUC, the Stipulation was the result of bilateral negotiations between CMP and the OPA and was the end product of discussions that began on October 14, 2005.⁸

On April 28, 2006, the PUC's Advisory Staff filed its Bench Analysis in this matter. In its analysis, the Staff concluded that the overall result of the Stipulation was not reasonable, nor in the public interest, and that the rates which would result from the implementation of the ARP Extension Stipulation far exceeded those needed to provide CMP with a reasonable return on its investment and, thus, the Stipulation also failed to meet the criteria of 35-A M.R.S.A. § 3195. The Staff, therefore, recommended that the ARP Extension Stipulation be rejected by the PUC.

During the PUC's June 2, 2006 deliberative session, the PUC concluded that the ARP Extension Stipulation, as proposed, would not produce just and reasonable rates during the term of the ARP and, therefore, would not be in the public interest. Specifically, the PUC found that over the course of the extension period, the Stipulation would result in CMP over-earning in the range of \$20 million, accepting CMP's assumptions, to approximately \$80 million, accepting the Advisory Staff's assumptions which the PUC generally found to be reasonable. The PUC found particularly troubling the fact that the Stipulation, as proposed, would extend the ARP and the ARP's existing service quality protection provisions prior to the completion of the review currently being conducted of CMP's distribution system and maintenance practice and procedures in the current CMP grid study and would also provide a mechanism for the recovery of costs which result from implementing the grid study's results without knowing what the amount or cause of such costs are. The PUC stated that the other purported benefits of the Stipulation were either minimal or non-existent. Thus, while the Stipulation would produce a certain level of rate stability, which

⁸ The IECG filed an executed signature page joining the Stipulation on January 5, 2006.

ordinarily can be seen as being beneficial to ratepayers, in this particular instance, this benefit would be achieved at too great a cost.

Rather than reject the Stipulation outright, the PUC proposed a set of conditions which, if accepted by the parties, would allow approval of the Stipulation. On June 7, 2006, the Stipulating Parties filed a request that this matter be dismissed without prejudice which was subsequently granted by the PUC.

CMP Annual Price Change

Under the terms of the ARP 2000 Stipulation, CMP is required to submit specific information each year on March 15th to be used to compute the annual allowable (in the case of an increase) price change to go into effect in July 1st of that year. During 2006, the PUC approved a Stipulation which authorized CMP to increase its distribution rates by 0.21% as part of the sixth annual price change under the Company's current alternative rate plan. See *Central Maine Power Company, Annual Price Change Pursuant to Alternative Rate Plan (Post-Merger) "ARP 2000,"* Docket No. 2006-166, Order Approving Stipulation (June 28, 2006).

CMP Line Extension Cases

On June 30, 2006, the PUC issued a Part I Order in *Maine Public Utilities Commission, Investigation of Central Maine Power Company's Application of a 10% "Profit Adder" to Private Construction Projects*, Docket No. 2005-520, which found that CMP had incorrectly applied its Terms and Conditions regarding its charges for single phase line extensions and had inappropriately included a "profit adder" or "contribution margin," of 10% since February 2004 and of 5% prior to that date, in the Administrative and Support Adder (ASA) charged to its single phase line extension customers. CMP was ordered to cease charging the profit adder to its single phase customers as of July 1, 2006 and to refund, pursuant to the provisions of 35-A M.R.S.A. § 1308, the amounts included in the charge to such customers as a profit adder/contribution margin back to July 1, 2000. On July 17, 2006, CMP filed a Notice of Appeal with the PUC, appealing the PUC's June 30, 2006 Order to the Maine Supreme Judicial Court, sitting as the Law Court.

On October 20, 2006, the PUC received a Stipulation entered into between CMP and the OPA which resolved the outstanding issues in this matter as well as the outstanding issues in Docket No. 2002-491, and investigation of CMP's line extension policy for polyphase service. On December 11, 2006, the PUC issued an Order approving the Stipulation. As a result, CMP will reduce the amount of ASDA charged to its polyphase line extension customers for construction projects from 26% to 21% and will refund back to polyphase customers this difference for projects billed since February 10, 2004. In addition, CMP will modify its polyphase line extension policy and will thus decrease polyphase line extension customer's responsibility for system upgrades, or "upstream costs," necessitated by the line extension customer taking service. Finally, under the terms of the Stipulation, CMP will dismiss its Law Court appeal of the PUC's June 30, 2006 Order in Docket No. 2005-520 and thus will immediately begin processing refunds for ASA charges made to single phase line extension customers which the PUC had found to be inappropriate since July 1, 2000.

BHE Annual Price Change

In *Bangor Hydro-Electric Company, Request for Approval of Alternative Rate Plan, Order Approving Stipulation*, Docket No. 2001-410 (June 11, 2002), the PUC approved an Alternative Rate Plan to be in effect from the date of the order through December 31, 2007. Under the terms of the BHE ARP, the Company's rates are scheduled to change each July 1 during the term of the ARP pursuant to the Annual Percentage Price Change formula. Other than the changes allowed by the formula, BHE's distribution rates and revenue requirement are not to be changed pursuant to the provisions of 35-A M.R.S.A. § 307 during the term of the ARP.

On July 5, 2006, the PUC approved a Stipulation entered into by the parties to the 2006 annual price change proceeding and thus required BHE to reduce its core distribution rates by 1.83% effective July 1, 2006 pursuant to the terms of its ARP.

MPS

MPS is currently the only IOU still operating under traditional cost of service/rate of return regulation for its distribution rates. On March 13, 2006, MPS filed a request for an increase in distribution rates of \$3.24 million, or 19.7%. On June 23, 2006, MPS filed a Stipulation signed by MPS and the OPA which provided that MPS should be permitted to increase its distribution rates by \$1,750,000, resulting in a revenue requirement of \$18,221,503. The parties agreed that the revenue requirement was based upon a rate of return on common equity of 10.2% and a capital structure having a 50% equity component. On July 11, 2006, the PUC issued an Order approving the Stipulation effective July 15, 2006. In conjunction with rate changes for transmission and DSM (conservation) assessments effective that same day, MPS's total delivery increased by 3.84% on July 15, 2006.

Transmission

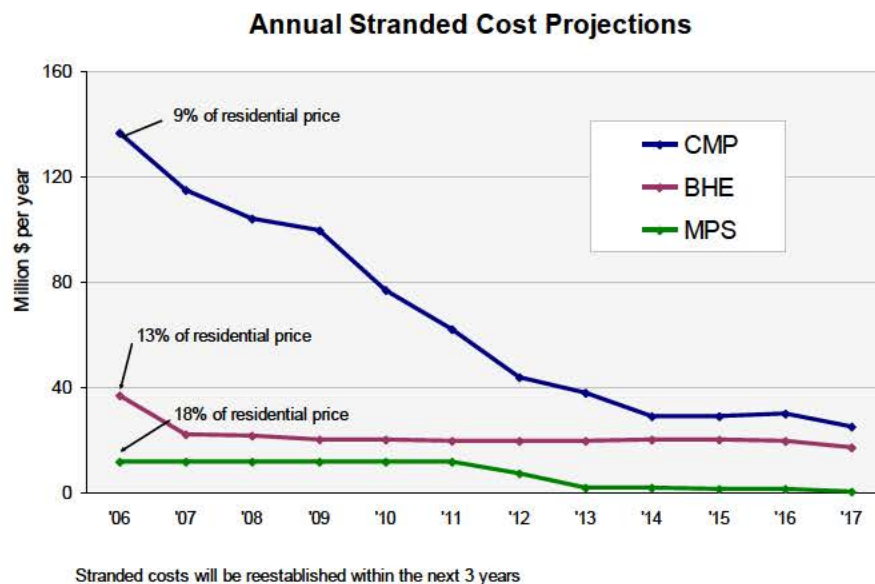
As a result of Maine's deregulation of generation service and providing Maine consumers with direct access to generation services, FERC, through its Order No. 888, has asserted jurisdiction over retail transmission services. Currently, CMP, BHE and MPS have formula rates in effect with FERC which allows for annual price changes based on the filing of prior year's cost data.

Transmission rates increased during 2006, primarily as a result of the regional allocation of Pool Transmission Facilities (PTF). In particular, the amounts Maine consumers are paying for new and upgraded transmission in southern New England increased in 2006 – a trend which is likely to continue. For example, during 2006, CMP's transmission revenue requirement increased by about \$20 million or 30%, with about 70% of that increase being related to increases in regional costs.

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 re-set for CMP, BHE and MPS every two to three years, typically to coincide with the sale terms of the utilities' QF entitlements and may also be reconciled annually to capture difference between projected and actual expenses and revenues.

As shown below, over time stranded costs will decline to zero. The most significant changes in stranded costs occur when utilities' QF contracts expire.



Low Income Assistance

On July 31, 2001, the PUC adopted Chapter 314, which established the standard design, administration and funding mechanism for the Statewide Low Income Assistance Plan (Statewide Plan) to make electric bills more affordable for qualified low-income consumers. Chapter 314 requires each of Maine's transmission and distribution

utilities to create and maintain a Low Income Assistance Program (LIAP) for its customers. Eligibility to participate in a utility's LIAP is based on a customer's eligibility for LIHEAP.⁹ Chapter 314 also creates a central fund to finance the Statewide Plan and apportions the fund to each utility based on the percentage of LIHEAP eligible households residing in that utility's service territory, which ensures that funds are available in the areas where the need exists. Chapter 314 further provides that the Maine State Housing Authority will administer the fund.

Chapter 314 § 5(C) states that the PUC will monitor the needs of Maine's low-income electric customers and evaluate the funding level of the Statewide Plan and will by March 1 of each year adjust the overall assessment, as well as each utility's assessment, to ensure that the assistance provided by the LIAPs is consistent with the provisions of 35-A M.R.S.A. § 3214. Consequently, in March of 2006, the PUC increased the funding for the Statewide Plan by 20% to help Maine families keep pace with rising electricity rates. The increase, which took effect on October 1, 2006, reflects the weighted average increase in total electricity prices since 2001 and results in a funding increase of \$1,176,096. This increases the total funding amount of the Statewide Plan from \$5,790,221 to \$6,966,317. There were 29,902 LIAP participants in 2006.

In addition to the funding increase for the Statewide Plan, the PUC also adopted revisions to Chapter 314 that created an assistance program for customers who must use an oxygen pump for at least 8 hours a day. During its 2005 session, the Legislature directed the PUC to establish a program to provide financial assistance to low-income customers who, for health reasons, must use an oxygen pump. Under the applicable statute, 35-A M.R.S.A. § 3214(5), the benefits must be reasonably equivalent in each transmission and distribution utility territory and there must be no reduction in the benefits provided under existing assistance programs. The statute also required that the PUC establish a simple and inexpensive method of administering the program and provided that reasonable costs incurred by a transmission and distribution utility in implementing its program will be considered just and reasonable expenses for ratemaking purposes.

On March 22, 2006, the PUC adopted revisions to Chapter 314, creating the oxygen pump assistance program (program). The program took effect on October 1 of 2006, coinciding with the start of the 2006 -2007 LIHEAP program. As with the LIAPs, eligibility to participate in the program is based on a customer's eligibility for LIHEAP. Customers may apply to participate in the program when they apply for LIHEAP at their local CAP agency. Customers eligible to participate in the program will receive a benefit equal to the total cost of operating the oxygen pump for the period they are determined eligible to participate in the program. Again, as with the LIAPs, the program is administered by the Maine State Housing Authority.

GENERATION RESOURCES

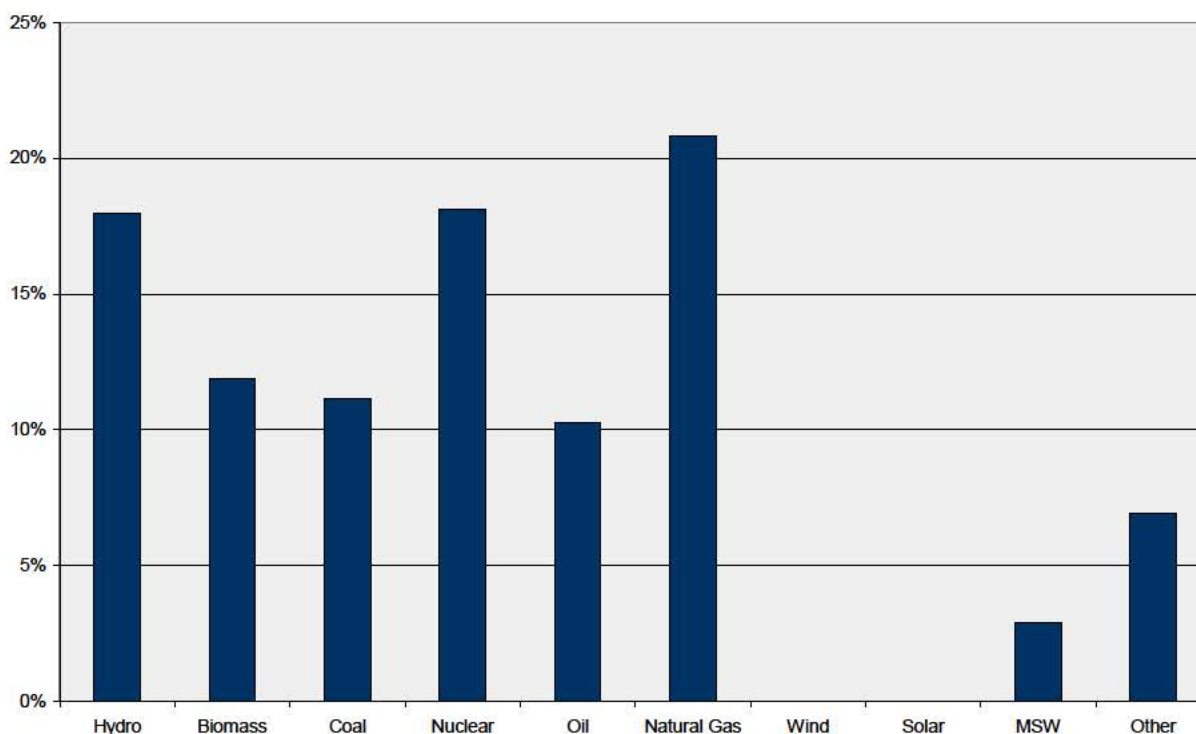
⁹ LIHEAP is a federal program that offers energy assistance to people who fall within the established poverty guidelines. The LIHEAP programs are administered by MSHA. A T&D utility customer must be LIHEAP eligible to qualify for a LIAP benefit.

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 2005,¹⁰ approximately 33% 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 2005



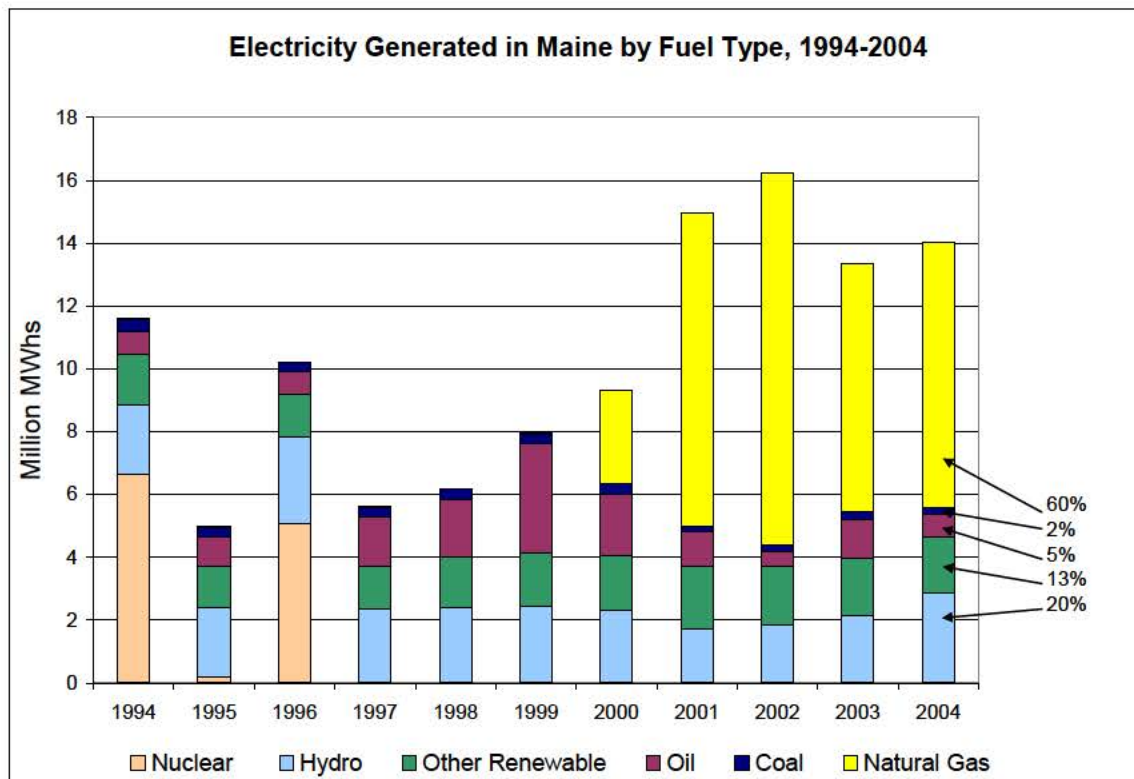
The generation that fulfills the 30% RPS may come from a variety of locations. The generation that suppliers assign to load in Maine may be generated in Maine, in another New England state, in Canada, or (less frequently) in the Middle Atlantic States. Since 2002, competitive providers in the ISO-NE 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

¹⁰ The Commission will receive information about suppliers' 2006 resource mix when suppliers file their annual reports in June 2007.

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 Maine, five electric generating plants are fueled by natural gas. 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 shift in Maine's generation mix over time. At this time, generation data is not available beyond 2004.



EMERGENCY SERVICES COMMUNICATIONS

The Legislature assigned responsibility for this Bureau to the PUC in 2003 and we have continued to fully integrate them into the organizational structure of the PUC.

Public Access and Communication

The PUC engages in a strong effort to keep the public safety community and general public informed. This year the Emergency Services Communication Bureau (ESCB) website was redesigned and expanded to include VoIP telephone service and a training calendar of scheduled classes. The Bureau also continued its education program to enhance awareness of the availability of E9-1-1 and to ensure proper use of the system by creating a new brochure “How To Use Maine’s New E9-1-1 System”. The brochure was distributed by the ESCB and PSAPs and is available online at www.maine911.com.

The ESCB continues to meet regularly with the Maine Chiefs of Police, Maine Sheriffs, Maine Fire Chiefs Associations, Emergency Medical Services providers, county EMA directors, and the State Deaf Advisory Council to ensure a strong liaison with the public safety community and other stakeholders.

The E9-1-1 Council meetings are another opportunity for stakeholders to receive information and updates by ESCB staff and make program recommendations in keeping with 25 MRSA §2925.

E9-1-1 Service Contract (Verizon)

With a requirement to replace manufacturer discontinued hardware and software platforms at the PSAP, implementation of PSAP consolidation plans, and a requirement for new technology functionality to support Federal Communications Commission (FCC) rules (wireless, mapping and VoIP) a five year contract extension was negotiated with the service provider.

PSAP upgrades started in October 2006 and will continue for approximately 16 months.

E9-1-1 for Voice over the Internet Protocol (VoIP)

During 2006, the ESCB successfully activated VoIP E9-1-1 service statewide. VoIP E9-1-1 service now provides the same level of subscriber information as wireline telephones and meets the basic requirements set forth by the FCC for VoIP E9-1-1 calls.

Public Safety Answering Point (PSAP) Consolidation

The PUC continued to work towards the legislative requirement to reduce the number of PSAP’s from 48 to between 16 and 24. (25 M.R.S.A. §2926, 2-A). By December 2006 26 PSAPs were approved by the PUC. The Kennebec County PSAP has yet to be determined. Appendix 3 identifies PSAP’s that have been consolidated and those that will be consolidated.

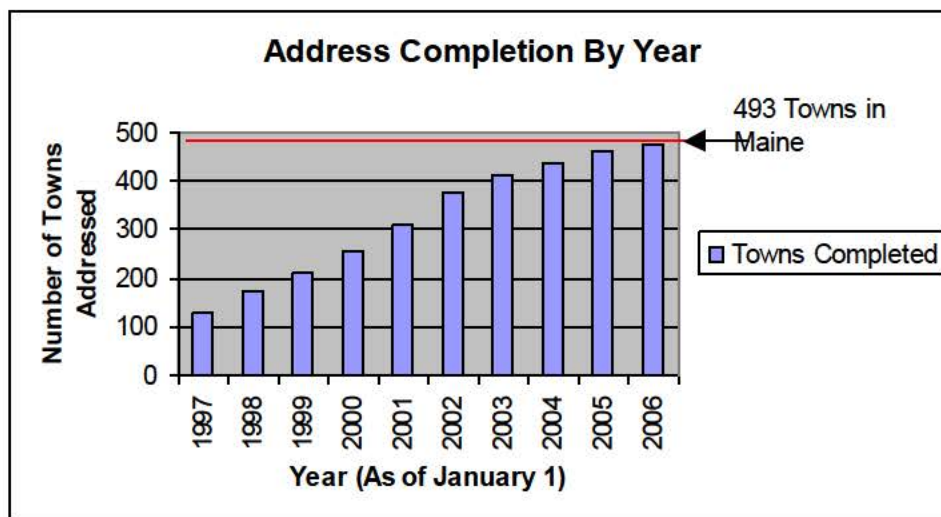
As expected, consolidation has been controversial, and the issues are many and complex. They include the degree of local control afforded communities, the quantification of savings from consolidation, the transition to a more consolidated system, and the coordination of PSAP consolidation with issues raised by the Federal Communications Commission requirement for narrow banding of radio frequencies.

Please see Appendix 2 for more detailed information.

Addressing

The ESCB continued to provide technical support to a number of towns to allow the completion of the process of fully converting to the street addressing system. This is needed to provide the maximum benefit of the E9-1-1. Street addresses allow PSAP's to automatically locate the E9-1-1 caller and respond to emergencies more quickly and efficiently. It is the single most important public safety benefit of E9-1-1.

Virtually all Maine towns have now completed addressing. Of the 13 municipalities remaining (out of 493 towns), most are small and many will still require intensive one-on-one assistance to finish. Additionally, there are about 42 townships that are yet to be addressed. These two groups represent about 8,000 people without E9-1-1 addresses Appendix 3. Additionally, there are 20 towns that historically had street addressing that have not completed the address range development necessary to support mapping in the PSAP.



Training

The ESCB has trained 598 new PSAP calltaker/dispatchers, supervisors and system administrators in 8 courses. As technology advances the training required for PSAP calltakers must also change. This year a new 4-hour TTY course was offered, and the addition of VoIP into the marketplace to allow a 9-1-1 call from a computer is a major training challenge for the coming months.

Initial training for newly hired PSAP calltakers consists of a 2-day equipment and certification course, which must be completed within 90 days of assignment¹¹.

The ESCB is scheduling delivery of a new training curriculum to transition previously trained calltakers (700-800 people) to the new technology being installed state-wide over the next 16 months. The transition course in VESTA technology is a one-day session, with administrators to complete a two-day advanced course in system administration.

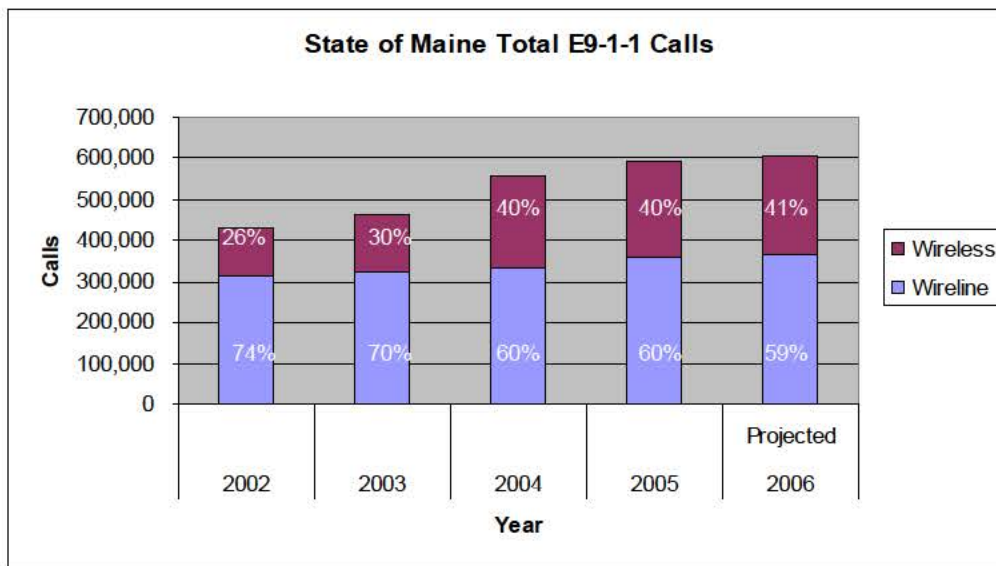
The ESCB continues to host specialized training in Emergency Medical Dispatch (EMD), certifying dispatchers in the protocols to coach callers in managing serious medical emergencies while the ambulance is in route. With the passage of LD 1373, all PSAP calltakers are required to be EMD trained and certified as of January 1, 2007. The Bureau and Maine EMS office are working jointly to implement expanded training and certification opportunities.

Wireless Activation Phase II (Appendix 4)

FCC rules for Phase II require the same information as Phase I with the addition of the caller's location, typically in the form of latitude and longitude coordinates. Phase II location is commonly determined using a handset with either a GPS (global positioning system) chip or network (triangulation or time of arrival) methodology. Phase II has been deployed by all wireless service providers in Maine.

As part of the current equipment upgrade, the ESCB will be installing mapping software at all PSAPs. The latitude and longitude of the Phase II call is automatically plotted by this mapping software solution. This information is essential for timely emergency response to the caller's request for help.

Providing accurate E9-1-1 location information for wireless subscribers has become increasingly important in Maine. The following graph shows the dramatic increase in cellular E9-1-1 calls over the last four years. By contrast, there has been very little change in the number of wireline E9-1-1 calls for help. For total system call statistics see Appendices 5 and 6.



Network

The Maine E9-1-1 network continues to perform at a very high level of reliability. As part of the 2006 service provider contract extension the ESCB was able to negotiate additional improvements in the reliability and system availability provisions of the network.

Database Quality Efforts

The ESCB started a major project in March 2004 to scrub the database records with the help of Verizon database management staff and the Maine Office of GIS (MEGIS). The process involves comparing the street address ranges created by E9-1-1 addressing with the street address ranges currently in the E9-1-1 database. The differences are resolved between the municipality and the local exchange carrier. This effort has increased the percentage of numbered records in the database from 91.2 to 96.43 percent in twenty months. At the same time, MEGIS is using the information to update community maps for wireless E9-1-1 deployments. The project will continue in 2007.

Telephone company database compliance

The ESCB has had difficulty with the accuracy of some telephone companies' records within the E9-1-1 database. Without an accurate E9-1-1 database, the system's public safety benefits are significantly diminished. The Bureau plans to clarify the companies' responsibilities through rulemaking in 2007. We have been working with the telephone companies individually, and been successful in reducing the number of address error reports and increasing the accurately numbered records in the E9-1-1 database.

TTY

During 2006, the ESCB formed a stakeholders group in order to address the issues identified in Legislative Resolve 2005, Chapter 63, resolve, to Ensure Proper Handling By The E9-1-1 System Of Calls Made By Persons Who Are Deaf, Hard-Of-Hearing Or Speech Impaired. Their recommendations formed the basis for the proposed ESCB rules amendment which are expected to be finalized in January 2007.

E-911 Information required by 25 M.R.S.A. §2927 (5)

Use of funds for FY 06 and planned expenditures for FY 07

(See Attachments 1, 2, and 3 of Fiscal Information)

Program funding/Surcharge recommendation

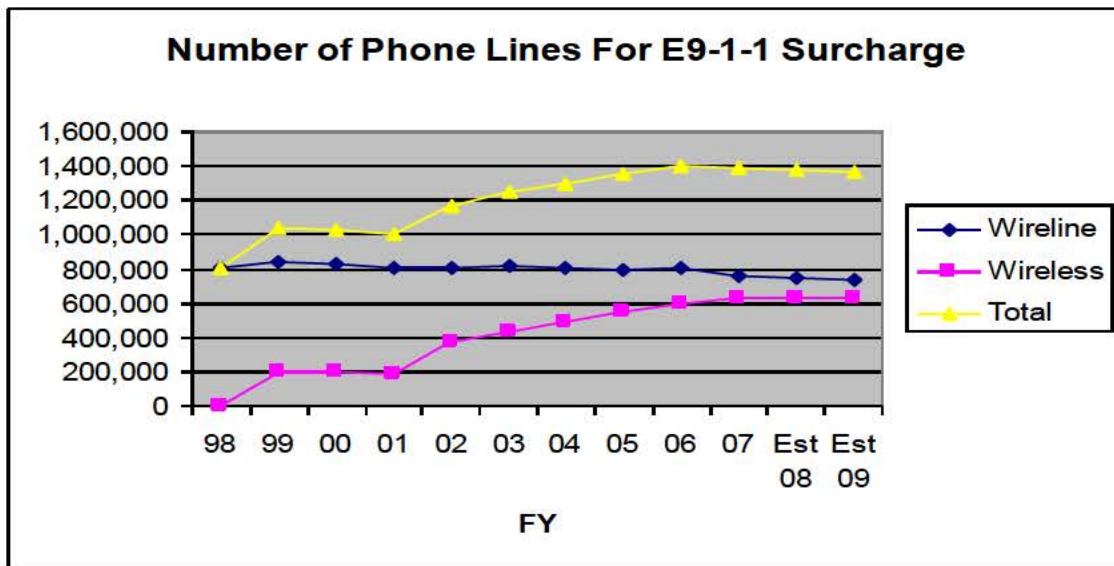
Surcharge revenue is held in a dedicated interest bearing account and is tracked within the State MFASIS accounting system. Periodic reports on revenues and expenditures are available from the State Budget Office or the Public Utilities Commission accounting office.

Absent unexpected costs, the PUC believes that the current surcharge level will produce sufficient revenues, when combined with the existing E9-1-1 fund balance, to continue the implementation for FY08/09.

It should be noted that the FY06 surcharge revenue, for the first time, declined from wireline companies. Approximately \$80,000 (13,300 lines) in revenue was lost. The major increase in wireless activations seen in past years appears to have flattened with only a modest increase in subscribers.

VoIP service raises difficult questions for E9-1-1, both regarding caller location and payment of the surcharge. Consequently, as more VoIP telephones are placed in use the amount of surcharge revenue generated to support the state E9-1-1 system will decrease, potentially necessitating a future surcharge increase.

The following graph shows past years surcharge line counts with 2008/2009 projected lines.



Amendments to Existing or Enacting New Legislation

Prepaid wireless subscribers do not currently contribute to the operation of the E9-1-1 system through the \$.50 surcharge. During the Second Regular session of the 122nd Legislature, the ESCB was asked to convene a stakeholders group as an attempt to resolve the level of fairness. Currently postpaid wireless subscribers subsidize the prepaid users. Legislation will be recommended during the First Regular Session of the 123rd Legislature.

The ESCB will monitor proposed legislation, submitted by the Maine EMS Bureau, relative to enhancements to the original EMD program legislation.

ENERGY PROGRAMS

Efficiency Maine

Maine's statute "An Act to Strengthen Energy Conservation," P.L. 2001, ch. 624 (the Act) in 2002, directs the Commission to plan and deliver 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 directs the Commission to develop and implement cost effective conservation programs consistent with an overall strategy to be developed by the Commission. It also contains 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.

Beginning in 2002, the Commission immediately implemented six interim conservation programs. An additional six interim programs that required more planning were implemented during 2003. During 2004, the interim programs were modified and converted to seven full-scale programs. During calendar year 2005, the full scale programs were marketed and achieved approximately three times the level of savings as they did in their first year. Increasing consumer awareness of Efficiency Maine and expanded advertising activities resulted in continued program growth through 2006. Annual energy savings from the measures installed during the 2006 programs are estimated to be 74,759 MWh, with estimated lifetime cost savings to Maine consumers of \$ 53.9 million. More about each of the programs and a detailed annual report on the program can be obtained from Efficiency Maine's website: www.efficiencymaine.com.

In 2006, the Commission also concluded its first year of operating the Solar Energy Rebate Program. This program provides for training of solar system installers along with rebates for appropriately installed solar thermal and electric systems. Lifetime electric energy savings from solar electric systems installed in 2006 are estimated to be 1,524 MWh. Over their lifetime, solar hot water systems installed are expected to save 80,406 gallons of fuel oil, 62,626 gallons of propane and 663.2 MWh.

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 from the Department of Economic Development to the Maine Public Utilities Commission. The law states 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 \$500,000 in

funding to grant to the Maine Home Performance program – which is being operated by the Maine Office of Energy Independence and Security. With some of the oldest housing stock in the nation, the overall objective of this program is to build a home energy auditor/retrofitter trade in Maine.

GAS SAFETY

The mission of the Gas Safety Program is to monitor the construction, operation, and maintenance of all natural gas distribution facilities and certain liquid petroleum gas (propane) systems. This is accomplished by determining and enforcing compliance with the federal gas safety regulations (49 CFR Part 192) and the PUC's gas safety rules (Chapter 420).

New gas mains are inspected at the time of installation. Operational and maintenance records of existing gas systems are audited throughout the year. Over 90 inspections of natural gas distributors were performed during 2006. Also this year, a comprehensive inspection was performed on Maine's only liquefied natural gas facility.

In 2005, the PUC ordered Northern Utilities to begin a four-year program to replace all cast iron pipe in the Lewiston-Auburn area. At the end of the second year of this program, Northern has completed the replacement of over 90% of this pipe in Lewiston.

Over 750 propane facilities are being operated by over 45 distributors. More than 200 propane facilities and 20 operators were reviewed for compliance with operating, maintenance, and personnel qualification regulations. Additional LPG facilities and operators continue to be identified within the state.

During 2007, we will continue to inspect new installations, perform compliance audits of existing facilities and monitor the implementation of additional gas safety regulations.

NATURAL GAS

- Last winter's historically high natural gas market prices of approximately \$9.00 to \$15.50 per MMBtu have retreated to more manageable levels, ranging from around \$5.00 to \$7.50 per MMBtu, as Gulf Coast production and national gas storage levels reached robust levels in 2006.
- Completing initiatives begun in 2005, the PUC adopted Chapter 480 governing conservation and efficiency programs for gas utilities. Northern Utilities offers energy efficient equipment rebates to Maine gas consumers for the second year.
- Both Bangor Gas Company and Maine Natural Gas will again offer Fixed Price Options to customers this fall.
- Northern Utilities was required to credit customers \$12,600 for failing to meet its service quality standards under its Service Quality Plan in 2005, an improvement from its performance in 2004 when it incurred a penalty of \$26,550 under the Plan.
- Maine Natural Gas implemented the second phase of its 3-phased base rate increase in November of 2006, resulting in an average residential bill increase of approximately 3% per year.
- The PUC initiates an investigation into Northern Utilities' Integrated Resource Plan and gas portfolio procurement practices for its Maine and New Hampshire Divisions.
- On behalf of Maine natural gas consumers, the PUC monitors the Federal Energy Regulatory Commission's review of the Maritimes & Northeast Pipeline's proposed Phase IV expansion and two proposals for siting Liquid Natural Gas (LNG) facilities in eastern Maine.

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 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 using natural gas continues to grow steadily as consumers find economies in converting to gas. The PUC 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. 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. This proceeding employed joint conferences and settlement discussions among the staffs and public advocates of each jurisdiction, along with competitive gas supply marketers.

In 2006, the PUC initiated an investigation into Northern Utilities's Integrated Resource Plan and gas portfolio procurement practices for its Maine and New Hampshire Divisions, again engaging in joint proceedings to facilitate consistent policies between neighboring states that share a service utility. In this investigation, we will engage in dialogue with Northern and our New Hampshire counterparts to develop a reasonable regulatory road map for Northern's future gas procurement.

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. Two 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. The Downeast LNG and Quoddy Bay LNG projects have been undergoing pre-filing review during 2006 with the participation and oversight of various state and federal agencies. Filing of formal applications for certificates of public need and convenience from the FERC for both projects is anticipated in late 2006. While interstate facilities may be governed solely by federal authorities, the PUC 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. The first refunds were made this year to gas utilities and other consumers taking service from MN&P.

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 and pandemic planning efforts being coordinated throughout the state and region. Our role is to ensure that utilities that are vulnerable to winter fuel shortages, lost work force due to pandemic, 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 PUC 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.

This year, Northern improved its service performance under the plan, reducing its penalty to \$12,600. 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 2006, Northern completed its second year of this program and is on track to complete the replacement program for the Lewiston/Auburn area in 2007. In 2008, we will review whether a similar program should be adopted for Northern's Portland/Westbrook service area.

Consumer Prices

For the first time in four years, average annual spot market natural gas prices went down after posting three years of successive all-time highs.¹² 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. The fourth quarter of 2005 brought sustained price levels of approximately \$10.00 to \$15.00 per MMBtu. In 2006, spot market prices have ranged from approximately \$4.00 to \$8.50 per MMBtu, averaging approximately \$6.50 for the year. While this is welcome news, gas prices still are susceptible to spiking if extreme weather events or other supply disruptions occur. Therefore, we will continue to actively monitor regional supply and market conditions, and gas utility pricing programs, with an eye toward mitigating adverse impacts on natural gas consumers or implementing beneficial policy changes where appropriate. The 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 in 2005. Northern'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 continue to help 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 PUC approved the first base rate increase for Maine Natural Gas in 2005; an average residential bill increase of

¹² Gas prices for the nation doubled from long-standing levels of approximately \$2.00 to \$4.00 per MMBtu at Henry Hub between 1999 and 2001.

approximately 3% per year will be implemented in November of 2005, 2006, and 2007.

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 PUC approved a monthly cost of gas rate adjustments for both Maine Natural Gas and Bangor Gas to eliminate the accrual of large seasonal gas cost balances. The PUC 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. Our annual review of Maine Natural Gas's and Bangor Gas's monthly cost of gas changes revealed that this rate-setting mechanism continues to perform satisfactorily in maintaining rates that provide a closer price signal to market rates and that reduce rate-distorting gas revenue imbalances throughout the year. Enrollment continues each year in Bangor Gas's and Maine Natural Gas's Fixed Price Option programs confirming the value of price certainty to some customers. With no hurricane disruptions this year, both utilities were able to lock in necessary gas volumes to support these price options in time to offer enrollment in early fall.

Natural Gas Conservation Programs

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. Historically high natural gas market prices due in part to Hurricanes Katrina and Rita, prompted the PUC 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 2006, the PUC developed a new rule, Chapter 480, governing the selection of programs that are cost-effective. Northern Utilities is currently the only Maine gas utility to which this law applies. In 2005, the PUC approved terms and conditions for several interim conservation programs that Northern proposed for implementation for during the 2005-2006 winter season, pending development of permanent programs. These programs provided 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 will continue to offer these rebates this winter. In addition, Northern offered comprehensive weatherization for eligible residential low-income heating customers, in conjunction with Community Action Program (CAP) agencies. On November 30, 2005, the PUC 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. Northern will offer these programs again in 2006. In addition, in 2005, the PUC approved a residential low-income benefit to limit the 2005-2006 winter gas rate increase to 6% over the prior 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 was \$231 for the winter season. Statutory authority for this program is found at 35-A M.R.S.A. §4706-A (1999).

TELECOMMUNICATIONS

- The PUC continued its efforts to support the development of local competition in Maine through implementation of both federal and state law
- The PUC issued orders in the *Wholesale Tariff Proceeding*, Docket No. 2002-682; the *Dark Fiber Investigation*, Docket No. 2002-243; and the *Oxford Networks Request for an Investigation in to Verizon's Line Extension Policy*, Docket No. 2005-486.
- The PUC initiated investigations into the possibility of exempting certain carries from tariffing requirements and requirements for wireless Eligible Telecommunications Carriers.
- The PUC continued the two-phase Alternative Form of Regulation (AFOR) proceeding for Verizon begun in 2005 and investigated ways to expand pricing flexibility to other local carriers.
- The PUC implemented a statewide Public Interest Payphone program.
- The PUC participated on the Governor's newly formed ConnectME Authority aimed at furthering deployment of broadband and wireless technologies in Maine.

Local Competition and Wholesale Issues

During 2006, the PUC continued to devote much of its time and many of its telecommunications resources to matters involving competition in the local exchange market. Again, action (or inaction) at the federal level has had a major influence on the PUC's activities. In July, when the Federal District Court of Maine upheld the PUC's decisions in the *Wholesale Tariff Proceeding*, Docket No. 2002-682, it appeared that there might be more certainty regarding the PUC's authority to review and approve a wholesale tariff for Verizon. (A wholesale tariff sets out the terms, conditions, and prices under which Verizon makes pieces of its network available for leasing by competitive carriers.) The certainty was short-lived, however, because Verizon immediately appealed the decision to First Circuit Court of Appeals in Boston, claiming that the District Court had erred and that the PUC's actions were preempted by federal law. This Proceeding, both the Appeal and the review of Verizon's wholesale tariff, will continue to require concentrated Commission resource in 2007.

Because efforts by Verizon to temporarily enjoin the PUC from enforcing its September 2004 and September 2005 Orders in the Wholesale Tariff proceeding were denied by the District Court in November 2005, we were able to continue our review of Verizon's wholesale tariffs. Much of 2006 was spent litigating wholesale tariff pricing issues and Verizon's designation of non-impaired wire centers. (If a wire center is classified as "non-impaired", i.e., it is determined that a minimum level of competition exists, Verizon's responsibilities to provide wholesale services are reduced).

On October 6, 2006, we issued another order in the Wholesale Tariff Proceeding. We ordered Verizon to provide data that would allow the PUC to make findings on the justness and reasonableness of rates for certain wholesale services. We immediately suspended the investigation, however, pending resolution of the appeal in the First Circuit. The wire center issues have been fully litigated and we anticipate issuing an order in early 2007.

While the court case continues to be litigated, the PUC's previous work in the *Line Sharing Proceeding*, Docket No. 2004-809 has also been suspended because many of the issues raised in the case will be impacted by the First Circuit decision.

On March 31, 2006, the PUC issued its long awaited order in the *Dark Fiber Proceeding*, Docket No. 2002-243. In it, we made several findings requiring Verizon to modify its policies and practices regarding the administration of its dark fiber and the process by which it is made available to competitive carriers. Dark fiber (unlit fiber optic cable used to transport traffic) is a scarce commodity and expanding the terms under which it is available should maximize the use of the dark fiber in Maine to allow more services to be made available to more customers.

In August 2005, Oxford Networks filed a complaint and a request for the PUC to investigate Verizon's administration of pole attachments. In September 2005, we initiated an investigation into the rates, terms and conditions that govern Oxford's attachment of facilities to the telecommunications space on utility poles administered by Verizon. The case was conducted largely in 2006, including several days of hearings. On October 26, 2006, we issued an order in the proceeding that directed Verizon to adopt revised policies and procedures for providing Oxford with access to the communication space of utility poles. Oxford presented testimony during the case stating that if these revised policies and practices were ordered by the PUC, it would allow Oxford to more rapidly and efficiently deploy advanced services to Maine customers.

Verizon Alternative Form of Regulation (AFOR)

On January 26, 2005, the Law Court issued its decision remanding to the PUC its Order Reinstating AFOR, which was issued on September 25, 2003, in Docket No. 99-851. The Law Court found that the PUC had failed to comply with the AFOR statute (35-A M.R.S.A. §9103), in that the PUC had not conducted the five-year evaluation of rates under an AFOR as compared to rates under traditional rate of return regulation. The Court decided that the PUC must do more than make a finding that the comparison could not be done with sufficient reliability, but that the PUC 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 PUC launched an investigation into Verizon's AFOR. Because the AFOR that the PUC initially ordered in June 2001 and reinstated by the PUC's September 25, 2003 Order was to have a five-year term, and thus would expire in 2006, the PUC 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 was broken into two phases, which are proceeding on parallel tracks, with Phase I proceeding somewhat ahead of Phase II. The first phase examines Verizon's revenue requirements issues, including the five-year rate comparison required by Section 9103(1). The second phase addresses the issues related to the design of a new AFOR. The PUC intends to combine the results of each phase into a unified order that complies with the Law Court's remand decision and the requirements of the AFOR statute.

Public Interest Payphone Program

In 2005, the Legislature enacted legislation that requires the PUC to develop and implement a public interest payphone (PIP) program. Title 35-A M.R.S.A. § 7508. To fund the PIP program, the legislation allocated up to \$50,000 annually from the Maine Universal Service Fund (MUSF). During 2006, the PUC completed a rulemaking that established the parameters for installing PIPs in qualifying locations. The PUC sought, received, evaluated, and approved approximately 50 requests for PIPs throughout the state and is currently awaiting responses to a Request For Proposals (RFPs) for a provider to install and maintain the PIPs.

Telecommunications Relay Service

During 2006, the PUC transferred funding of the state's Telecommunications Relay Service (TRS) program from incumbent local exchange carriers' (ILEC) revenue requirements to the MUSF, as required by a statutory change enacted in 2005. This change will require that contributions into the MUSF increase by approximately \$500,000 - \$600,000 annually. ILECs' rates were adjusted to reflect this transfer.

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 PUC consider implementing an AFOR for the companies. On June 22, 2005, the PUC 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 (OPA) engaged in an informal examination of the companies' financial situation, changes in the competitive environment that would affect the companies' future revenues and earnings, and options for providing the companies with additional price-setting and promotional flexibility to allow them to meet competitive threats more effectively and in a timely manner.

On January 12, 2006, the PUC 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.

During 2006, Commission staff also began working with Maine's ITCs to develop a flexible regulatory scheme for the remainder of those carriers. The result of this work will be reported to the Legislature in 2007.

Detariffing

Pursuant to 35-A M.R.S.A. §307-A, the PUC may adopt by rule standards and procedures for granting exemptions from all or portions of §304's requirement that utilities file rates, terms and conditions prior to providing service. Based on our knowledge of the evolving telecommunications markets and the growing number of intermodal competitors for those services and an examination of the amount of staff time spent processing telecommunications tariffs, we concluded it was time to consider the potential benefits, for the market and for the PUC, that could be gained by granting such exemptions. On May 25, 2006, we initiated Docket No. 2006-297, *Inquiry into Eliminating Tariff Requirements for Telecommunications Carriers*. We sought comments and information that would inform our development of a rule that could detariff some or all telecommunications carriers or retail services. We expect to issue a proposed and then a final rule in 2007.

Wireless Eligible Telecommunications Carrier Requirements

Currently, two wireless communications carriers have been granted eligible telecommunications carrier (ETC) status by the PUC. Under the terms of the Telecommunications Act of 1996 (TelAct), ETC designation allows a carrier to receive federal USF support. During 2006, the PUC opened an inquiry into the standards that should be required of all ETCs in Maine.

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 PUC to seek out ways of implementing the statutory policy, including using the Maine Telecommunications Education Assessment Fund (MTEAF) network to provide broadband access to governments in smaller municipalities that otherwise could not afford it. The PUC has monitored the deployment of broadband capabilities across the State and will continue to seek and implement ways to encourage further deployment. The PUC hosts a Broadband Availability web site where users may determine which providers offer service in their municipalities. The PUC staff has also worked with the Governor's Office on the Telecommunications Infrastructure Steering Committee and the newly formed ConnectME Authority.

Wholesale policies approved by the PUC 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. As a condition on the Verizon-MCI merger approved in late 2005, Verizon provides quarterly reports on the

address locations where DSL is available both as a bundled product and as a stand alone product, allowing the PUC to monitor the progress of that company's broadband expansion. The PUC intends to continue taking all reasonable steps to encourage expansion of broadband service.

ConnectME

In late 2005, the Telecommunications Infrastructure Steering Committee issued a report to the Governor's Office, containing several recommendations to expand broadband and wireless technology to rural Maine. The Governor's office then proposed legislation (LD 2080) which was enacted by the Legislature and became effective on August 23, 2006.

The Legislation created the ConnectME Authority and includes a provision designating the Chairman of the PUC and the Maine Chief Information Officer to serve as one of five members of the Authority. Three additional members are also appointed by the Governor. The other members of the Authority are Dan Breton, Mitchel Davis, and Jean Wilson.

The Authority first met in August, drafting two rules that will allow it to carry out its duties. The rules define the operation of the Authority. One rule describes the process and procedures of the Authority and the other describes the process to apply for sales and use tax reimbursements.

If approved by the legislature, tax reimbursements will be available for infrastructure investments made in areas that are presently unserved. Initially the Connect ME Authority will receive \$500,000 from the Maine Universal Service Fund to assist Maine people in expanding broadband services, with ongoing funding from an assessment on communications bills. The Authority will assist projects in obtaining USDA rural development money as well as from other sources to advance broadband deployment in Maine and will track investments made in Maine and continually assess the availability of services in the state.

WATER

In 2006, the PUC denied proposed changes to several water utilities' terms and conditions as these changes would result in changes in revenues outside of a rate case. The PUC will reject any similar changes in the future where the changes are not made in conjunction with a rate case.

In 2006, the PUC ruled that a water utility could require individual metering. This decision has been appealed to the law court and Commission staff is currently working on the required briefs. In addition, this decision required that the utility recalculate its system development charge and file the revised charge with the PUC. A separate case has been opened for this review.

During 2006, the PUC 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 PUC staff, in conjunction with Maine Rural Water Association, were presenters at several training seminars during the year.

The PUC allowed rate increases 27 water districts and departments. Twenty four of these cases were filed pursuant to 35-A M.R.S.A. §6104. One consumer owned water utility filed for and was granted emergency temporary rates pursuant to §1322. That utility and one water district also had rate increases under §307. The parties reached settlement in both cases.

Five §6104 rate cases failed because of customer petitions requesting PUC review of the rate increase. All five have been settled. Two other cases were withdrawn at the request of the filers, who have indicated that the cases would be refiled in the future.

One large investor owned utility filed for changes in its terms and conditions and filed for rate increases in several of its divisions. It also filed for a change in the methods used to allocate costs to each division. The parties reached stipulations in these cases which the PUC approved.

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 PUC staff, along with members of the water utilities and associations, has been active in the rulemaking process. On November 1, 2006, the PUC issued an inquiry into the fiscal impact the rule might have on water utilities.

Summary of Relevant New Laws Enacted in the 1st Regular Session of the 122nd Legislature

SUMMARY OF LAWS CREATED FROM THE 2ND SESSION OF THE 122ND LEGISLATURE (2005-2006)

LD	LAW	SUMMARY	AMEND 35-A	EFFECTIVE DATE
<i>ELECTRIC/ENERGY/CONSERVATION/BLDG CODES</i>				
1379	PL 2005, ch. 646	Creates tax incentives to encourage community wind projects. Requires the PUC to certify community wind power generators after making threshold finding.	§ 3210, 3402, 3404	8/23/2006
1891	P&SL 2005, ch. 29	Provides \$5M to the Low Income Home Energy Assistance Program to be used only for fuel purchases.		1/5/2006
1897	Resolve 2005, ch. 187	Directs the PUC to undertake an inquiry to determine the legal options for, and costs/benefits of, directing or otherwise causing T&Ds in Maine to withdraw from the New England Regional Transmission Organization. The PUC must issue an interim report of its findings with recommendations to the Utilities & Energy Committee by 1/1/07 and a final report by 1/1/08.		8/23/2006
1902	PL 2005, ch. 499	Raises the allowable contract cost for improving school energy conservation or combined energy conservation and air quality improvements from \$1M to \$2M and decreases the length of the allowable contract from 20 years to 15 years.		8/23/2006

1931	PL 2005, ch. 569	1) Requires Efficiency Maine (EM) to encourage school facility managers to receive energy efficiency training, develop a plan and recommended increases in the EM assessment and submit it to the Utilities & Energy Committee by 1/1/07 (PUC to report annually on meeting these goals and, if possible energy savings achieved). 2) Requires EM to arrange for an independent program analysis every five years and have the independent analysis of three specified programs completed by 12/31/07. 3) Requires the PUC to consider conservation programs that reduce peak demand and develop a plan for using revenues from any increase in T&D's assessments; directs the PUC to consider using funds resulting from any increased assessments to increase the per-business incentive cap imposed on large businesses. The PUC must submit its plan with any recommendations for increased assessments consistent with that plan and any proposed legislation by 1/1/07 to the Utilities & Energy Committee. 4) requires Energy Independence and Security to compile a report on home heating assistance.	§ 3211-A	8/23/2006
2019	P&SL 2005, ch. 46	Raises the debt limit of the Kennebunk Light & Power District, if approved at a local referendum.		4/3/2006
2041	PL 2005, ch. 677	1) Provides for a one-year reduction in sales & use tax on biofuels and directs Motor Vehicles to convene a study group to consider revenue impacts. 2) Requires the PUC to report back by 1/15/08 on contracts of different lengths and terms into standard offer service. 3) Authorizes the PUC to order T&Ds to enter into long-term contracts and conduct a competitive bid process every three years. 4) Requires the PUC to adopt a long-term resource plan (outline due 3/1/07 and final plan due 3/1/08). 5) Creates the Maine Energy Council and requires the PUC to staff it.	§ 3210, 3212	8/23/2006
2074	PL 2005, ch. 534	Requires landlords to provide tenants with an energy efficiency disclosure statement and directs the PUC & MSHA to prepare and distribute this form to landlords; the PUC & MSHA are to develop suggested standards for tenants. The PUC must report back to the Utilities & Energy Committee by 1/1/08 of the effectiveness of the disclosure statement.	§ 10006	8/23/2006

TELEPHONE/TELECOMMUNICATIONS/E-911/INTERNET

637	Resolve 2005, ch. 141	Directs the PUC to allocate \$75,000 from the Maine Universal Service Fund to hire a consultant to conduct a needs assessment and to assist federally qualified facilities to apply for federal USF funds to meet their telecommunications needs. The PUC is to report back to the Utilities & Energy Committee by 3/1/07.		8/23/2006
1743	PL 2005, ch. 566	Allows the Department of Health & Human Services to submit a list of child support obligors to wireless service providers in order to conduct computerized matches with the wireless providers' account holders. Wireless providers must provide, if available, birth dates, social security numbers, addresses and employers of those matched. The Department may submit the list for matching no more than once every calendar quarter. Wireless providers may assess a reasonable fee to the Department, not to exceed the actual costs incurred by the wireless provider.		4/11/2006
1840	Resolve 2005, ch. 144	Directs DEP to report on the effectiveness of current cellular recycling collection programs in Maine		8/23/2006
1884	PL 2005, ch. 506	Facilitates the use of prepaid minutes in the State's prisoner telephone system		3/24/2006
2038	PL 2005, ch. 582	Prohibits a person from selling, disclosing or offering to sell or disclose records of telephone numbers called or telephone numbers from which calls were received and other information relating to the wireless telephone service account of a Maine resident.		4/13/2006
2080	PL 2005, ch. 665	1) Creates the ConnectME Authority. 2) Directs the Authority to submit a plan with implementing legislation. 3) The Authority must report annually on the availability of communication services, advanced communications technology infrastructure and market conditions. 4) Requires the Authority to adopt a variety of major substantive rules. 5) Authorizes the Authority to use up to 3 full time employees from various expert agencies. 6) Allows the Authority to use up to \$500,000 from the Maine USF, but must reimburse that fund (contingent upon approval of major substantive rule). 7) Establishes an assessment on communications service providers to fund the Authority contingent upon approval of major substantive rule.	§ 9201-9215	8/23/2006

2086	PL 2005, ch. 668	Provides that a member of the MSRS whose previous membership was based upon employment as a public safety dispatcher with a participating local district and whose employment was terminated as a result of the consolidation of PSAPs and who then becomes employed as a public safety dispatcher for Public Safety may elect to include previous earned creditable service with service earned as a state employee under certain conditions.		8/23/2006
2088	Resolve 2005, ch. 162	Directs the PUC to form a stakeholder group to define an appropriate amount of and means of collecting and remitting an E-911 surcharge on prepaid wireless service with recommendations to the Utilities & Energy Committee by 1/1/07.		8/23/2006
2105	PL 2005, ch. 605	Implements the recommendations of the Education Committee pursuant to its review of the Telecommunications Relay Services Advisory Council (Council) under the GEA. It gives the Council authority to enter into contracts with telecommunications relay service providers for the purpose of providing telecommunication services to persons who are deaf, hearing or speech impaired. It also changes the committee having jurisdiction over the review of the Council to the Utilities & Energy Committee and shall be reviewed in 2013.	§ 8704	8/23/2006

GAS/DIG SAFE/UNDERGROUND FACILITIES

1768	PL 2005, ch. 491	Requires aboveground motor fuel storage tanks that have underground piping to be registered with DEP, assesses an annual \$35 registration fee and requires annual inspections in the same manner as is currently required for underground oil storage tanks.		8/23/2006
2060	Resolve 2005, ch. 184	Authorizes the PUC to adopt portions of Chapter 895, so long as certain changes are made relating to PUC enforcement proceedings. Requires the PUC to hold a preliminary investigation prior to issuing NOPVs.		4/12/2006

WATER/SEWER/SANITARY

635	PL 2005, ch. 556	Authorizes the creation of community sanitary districts.		8/23/2006
1708	P&SL 2005, ch. 40	Authorizes the Buckfield Village Corporation to be dissolved & combined with the Town of Buckfield.		3/22/2006
1736	P&SL 2005, ch. 34	Extends the territory of the Boothbay Harbor Sewer District and increases the District's debt limit.		3/2/2006

1740	P&SL 2005, ch. 32	Establishes the Athens Standard Water District and clarifies that the management and allocation of contribution of funds by DEP under Title 38, section 1364, sub-§ 5 and that the income from those funds is not subject to PUC review or investigation, except upon request by DEP.	8/23/2006
1744	P&SL 2005, ch. 41	Establishes the Washburn Water & Sewer District.	8/23/2006
1774	P&SL 2005, ch. 44	Removes the height restriction for the dam at the outlet of Phillips Lake and provides that a water level regime can be established by DEP pursuant to Title 38, chapter 5, subchapter 1, article 3-A, sub-article 4.	3/30/2006
1776	PL 2005, ch. 559	Creates the Maine Agricultural Water Management Board and the sustainable agricultural water source program.	4/10/2006
1833	P&SL 2005, ch. 33	Amends the charter of the Saint Francis Water District.	8/23/2006
1970	P&SL 2005, ch. 43	Amends the charter of the Lisbon Water Department.	3/24/2006
2018	P&SL 2005, ch. 50	Consolidates the Winterport Water District and the Winterport Sewerage District; authorizes the Winterport Water District to disconnect water service for nonpayment of sewer service. This provision has a sunset of 90 days after the 2nd regular session of the 123rd Legislature and the PUC must monitor and report back to the Utilities & Energy Committee on the district's use of this authority.	4/13/2006
2070	Resolve 2005, ch. 190	Directs DEP to work with stakeholders to develop rules related to water withdrawals, and any necessary statutory amendments, that reconcile the objectives of protecting aquatic life and other designated uses and the ability of community public water systems to use their existing water supplies for the purpose of providing water service.	8/23/2006
2078	P&SL 2005, ch. 49	Establishes the Island Falls Water District.	8/23/2006
2100	P&SL 2005, ch. 51	Amends the charter of the Anson Water District.	8/23/2006
2117	P&SL 2005, ch. 63	Amends the charter of the Starboard Water District.	8/23/2006

STATE GOVERNMENT/MISCELLANEOUS

192	PL 2005, ch. 555	Establishes the Pine Tree Recreation Zone as the area of the State north and east of the Androscoggin River.	4/10/2006
1713	Resolve 2005, ch. 136	Directs the Department of Audit to create a working group to develop a proposed model chart of accounts. The Department of Audit must report its findings to the Intergovernmental Advisory Commission by 11/1/06.	8/23/2006

1796	Resolve 2005, ch. 170	Directs Revenue Services to review factors affecting the assessment of affordable housing property for property tax purposes. Also, it directs the Bureau to provide an informational program and materials for municipal assessors and requires a report to the Taxation Committee.	8/23/2006
1825	PL 2005, ch. 571	Repeals current directive to the Commissioner of Public Safety to adopt the National Fire Protection Code #211 and replaces it with more general rulemaking authority that directs the Commissioner to adopt routine technical rules pertaining to construction, installation, maintenance and inspection of chimneys, fireplaces, vents and solid fuel burning appliances. It also authorizes the Commissioner to adopt major substantive rules pertaining to the inspection & maintenance of chimneys, fireplaces, vents and solid fuel burning appliances upon the sale or transfer of property. It also adds a penalty provision that specifies that a person who violates a rule adopted pursuant to Title 25, section 2465 commits a civil violation for which a fine of not less than \$200 and not more than \$500 may be adjudged. This penalty does not apply to a rule requiring an annual chimney inspection for a single-family home.	4/12/2006
1846	Resolve 2005, ch. 146	Directs Health & Human Services to establish a working group to examine ways for municipalities to distribute more heating assistance to residents eligible for Low-Income Heating Assistance and report its findings and suggested legislation to the State & Local Government Committee by 12/15/06.	8/23/2006
1849	P&SL 2005, ch. 30	Updates the articles of incorporation of the Lewiston & Auburn Railroad Company.	8/23/2006
1870	PL 2005, ch. 579	Clarifies laws governing eminent domain.	8/23/2006
1892	PL 2005, ch. 580	Repeals and replaces the current "profiteering in necessities" statute to protect consumers from "unconscionably" high prices for necessities during abnormal market disruptions and ties such profiteering to the Maine Unfair Trade Practices Act.	8/23/2006
1957	PL 2005, ch. 599	Establishes a redevelopment authority for the Brunswick Naval Air Station.	4/27/2006
1968	PL 2005, ch. 519	Budget Bill - FYE 6/30/06 and 6/30/07.	3/29/2006
2044	PL 2005, ch. 634	Addresses many issues relating to the State's emergency preparedness including Section 20 of the law that directs MEMA to consult with the PUC to determine the feasibility of adding a disability indicator to the current E-911 system.	5/9/2006

2055	PL 2005, ch. 683	Corrects errors & inconsistencies. Section A-59 corrects error in § 7104(5) regarding MUSF and the Communications Equipment Fund. Section D-2 corrects error in references to the Consolidated Emergency Communications Bureau.	§ 7104	6/2/2006
2102	PL 2005, ch. 586	Changes the date for agency submission of provisionally adopted major substantive rules from 45 days prior to statutory adjournment to the close of business on the 2nd Friday in January of the year in which the rules are to be considered.		8/23/2006

SUMMARY OF COMMISSION RULEMAKINGS FOR 2006

Chapter 252, Public Interest Payphones

The rulemaking established the criteria the PUC will use to approve requests for Public Interest Payphones. It also defines the requirements that must be met for a telephone to be considered a Public Interest Payphone, the procedures for applicants to request a Public Interest Payphone, and the means by which Public Interest Payphone Providers and local exchange carriers will be compensated for their costs associated with Public Interest Payphones.

Chapter 305, Licensing Requirements, Annual Reporting, Enforcement and Consumer Protection Provisions For Competitive Provision of Electricity

This rulemaking added a market risk disclosure requirement and revised the definition of “broker.”

Chapter 314, Statewide Low-Income Assistance Plan

This rulemaking added provisions to provide financial assistance to low-income electric customers who must use an oxygen pump for at least eight hours each day.

Chapter 480, Natural Gas Conservation Programs

This rule describes how natural gas utilities serving more than 5,000 residential customers must implement natural gas energy conservation programs.

Chapter 895, Underground Facility Damage Prevention Requirements

This rulemaking amended the rule related to alternative notice requirement procedures for excavation, newly installed underground facilities in active excavation areas, penalties, discovered facilities and investigation processes.

FISCAL INFORMATION

The Public Utilities Commission (PUC) 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 PUC's budget.

The PUC had two principal sources of funding in FY2006 – a Regulatory Fund of \$5,504,689 as authorized by 35-A M.R.S.A. Section 116, and a balance forward of \$1,842,052 pursuant to 35-A M.R.S.A. Section 116, § 5, which allows any accumulated unencumbered balance to be used in succeeding fiscal years.

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

The PUC was authorized 74.5 full-time equivalent positions in FY2006.

1. A. Fiscal Year 2006

In FY2006, the PUC spent approximately \$5.9 million, regulating 567 utilities with gross revenues exceeding \$1.2 billion. Attachment 1 summarizes Regulatory Fund activity and activity in other funds administered by the PUC. Attachment 2 details FY2006 expenditures by line item.

B. Regulatory Fund

The authorized Regulatory Fund assessment for FY2006 was \$5,505,000. In addition to the assessment, an unencumbered balance of \$1,709,360 and encumbrances of \$132,692 were brought forward from FY2005. The PUC spent \$5,912,566 in FY2006. Expenditure details are presented in Attachment 2. An encumbered balance of \$289,818 and an unencumbered balance of \$1,185,422 were brought forward to be expended during FY2007. The encumbered balances generally represent ongoing contracts for consulting services.

C. PUC Reimbursement Fund (Filing Fees)

\$38,200 was brought forward from FY2005. In FY2006, the PUC collected \$2,300 in filing fees.

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 PUC fines collected (e.g. Damage Prevention). \$104,758 was brought forward from FY2005. An additional \$80,975 was received during FY2006. During FY2006, \$0 was expended in FY2006. The unencumbered balance of \$185,732 was brought forward to be expended during

FY2007.

- 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 authorized 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 was 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 2005, \$0 was expended in FY2006, leaving \$748 as the unencumbered balance remaining and available to FY 2007.

- F. 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. \$5,481 is the unencumbered balance brought forward to FY2006. \$0 were expended in FY2006 leaving an unencumbered balance brought forward to FY2007 of \$5,481.
- G. 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. \$26,236 is the unencumbered balance brought forward to FY2006. \$0 were expended in FY2006 leaving an unencumbered balance brought forward to FY2007 of \$26,236.
- H. During FY2006, the PUC received a 2006 Damage Prevention Grant in the amount of \$50,000 to implement a targeted education campaign reaching excavators, designers, public works officials and others involved in excavation. \$0 was expended in FY2006. \$50,000 is the unencumbered balance brought forward to FY2007.
- I. The Energy Programs - Efficiency Maine Conservation Administration Fund had an unencumbered balance of \$301,589 and an encumbered balance of \$370,151 brought forward from FY2005. \$1,070,677 was transferred into the account from the Energy Programs- Efficiency Maine Conservation Program Fund. \$666,619 was expended in FY 2006. An encumbered balance of \$145,460 and unencumbered balance of \$995,083 is available for use during FY 2007.

- J. The Energy Programs - Efficiency Maine Conservation Program Fund had an unencumbered balance of \$7,069,182 and an encumbered balance of \$1,669,525 brought forward from FY2005. \$8,853,615 was expended in FY 2006, leaving an unencumbered balance of \$4,858,409 and an encumbered balance of \$4,190,480 brought forward to FY2007.
- K. The Energy Programs- State Energy Fund receives grants from the Federal Department of Energy. In FY2006, \$958,447 was expended on energy conservation programs.
- L. Solar Rebate Program - Public Law 2005, chapter 459 provides rebates for the purchase and installation of solar water heating and solar air heating systems and solar electric, or "photovoltaic," systems for residential or commercial buildings. \$179,909 was expended in FY2006. An unencumbered balance of \$205,781 and an encumbered balance of \$20,298 were brought forward to FY2007.
- M. The Emergency Services Communications Fund –E911 had an unencumbered balance of \$7,776,239 and an encumbered balance of \$503,664 brought forward from FY2005. \$6,744,675 was expended in FY2006. An unencumbered balance of \$9,933,379 and an encumbered balance of \$183,585 are available for use during FY2007.

2. Fiscal Year 2007

Attachment 3 details the PUC's FY2007 Regulatory and other funds' budgets. Encumbered and unencumbered balances brought forward from FY2005 are included. The right hand column represents the total funds available to the PUC in FY2007 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 FY2006. Column 2 contains the FY2007 expenditure plan. Column 3 and 4 contain the FY2008 and FY2009 approved Budget.

4. The Regulatory Fund Assessment in Perspective

Attachment 4 details the Regulatory Fund assessments since 1980. 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 PUC. The assessments are due on July 1. Funds derived from this assessment are for use during the fiscal year beginning on the same date.

The Transmission and Distribution assessment in FY2006 was \$2,329,716. The assessment on all other utilities was \$3,175,284 in FY2006, for a total of \$5,505,000.

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.

Attachment 1

PUC FUND ACTIVITY BY ACCOUNT FOR FY2006

PUC REGULATORY FUND	<i>014-65A-0184-01</i>
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2005	1,709,361
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY2005	132,692
FUNDS RECEIVED DURING FY2006	5,545,754
LESS EXPENDED DURING FY2006	5,912,566
ENCUMBERED BALANCE BROUGHT FORWARD TO FY2007	289,818
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2007	1,185,422
 PUC REIMBURSEMENT FUND(Filing Fees)	 <i>014-65A-0184-03</i>
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2005	38,200
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY2005	-0-
FUNDS RECEIVED DURING FY2006	2,300
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2007	40,500
 PUC MISCELLANEOUS FUND (Document Copy Costs, Fines)	 <i>014-65A-0184-04</i>
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2005	104,758
FUNDS RECEIVED DURING FY2006	80,975
LESS EXPENDED DURING FY2006	-0-
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2007	185,732
 PUC CONSUMER EDUCATION FUND	 <i>014-65A-0184-06</i>
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2005	748
FUNDS RECEIVED DURING FY2006	-0-
LESS EXPENDED DURING FY2006	-0-
BALANCE BROUGHT FORWARD TO FY2007	748
 2004 PUC DAMAGE PREVENTION GRANT	 <i>013-65A-184-05</i>
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2005	5,481
FUNDS RECEIVED DURING FY2006	-0-
LESS EXPENDED DURING FY2006	-0-
BALANCE BROUGHT FORWARD TO FY2007	5,481
 2005 DAMAGE PREVENTION GRANT	 <i>013-65A-4005-01</i>
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2005	26,236
FUNDS RECEIVED DURING FY2006	-0-
LESS EXPENDED DURING FY2006	-0-
BALANCE BROUGHT FORWARD TO FY2007	26,236

2006 DAMAGE PREVENTION GRANT	<i>013-65A-4006-01</i>
FUNDS RECEIVED DURING FY2006	50,000
LESS EXPENDED DURING 2006	-0-
BALANCE BROUGHT FORWARD TO FY2007	50,000
 ENERGY PROGRAMS-EFFICIENCY MAINE CONSERVATION ADMIN FUND	 <i>014-65A-0966-01</i>
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2005	624,623
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY2005	47,117
FUNDS RECEIVED DURING FY2006	1,135,422
LESS EXPENDED DURING FY2006	666,619
ENCUMBERED BALANCE BROUGHT FORWARD TO FY2007	145,460
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2007	995,083
 ENERGY PROGRAMS-EFFICIENCY MAINE CONSERVATION PROGRAM FUND	 <i>014-65A-0967-01</i>
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2005	7,069,182
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY2005	1,669,525
FUNDS RECEIVED DURING FY2006	9,163,798
LESS EXPENDED DURING FY2006	8,853,615
ENCUMBERED BALANCE BROUGHT FORWARD TO FY2007	4,190,480
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2007	4,858,409
 STATE ENERGY PROGRAM (FEDERAL GRANT PROGRAM)	 <i>013-65A-0966-01</i>
EXPENDED DURING FY2006	958,447
 SOLAR REBATE PROGRAM	 <i>014-65A-Z012-01</i>
FUNDS RECEIVED DURING FY2006	405,987
LESS EXPENDED DURING FY2006	179,909
ENCUMBERED BALANCE BROUGHT FORWARD TO FY2007	20,298
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2007	205,781
 EMERGENCY SVCS COMMUNICATIONS FUND – E911	 <i>014-65A-0994-01</i>
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2005	7,776,239
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY2005	503,664
FUNDS RECEIVED DURING FY2006	8,581,736
LESS EXPENDED DURING FY2006	6,744,675
ENCUMBERED BALANCE BROUGHT FORWARD TO FY2007	183,585
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2007	9,933,379

PUC BUDGET IN PERSPECTIVE

	FY2006 Actually Spent	FY2007 Approved Budget	FY2008 Proposed Budget	FY2009 Proposed Budget
Regulatory Fund				
Positions	(60.5)	(60.5)	(57.5)	(57.5)
Personal Services	4,754,299	5,405,997	5,540,537	5,772,942
Consultants	381,787	699,431		
All Other	776,480	1,227,226	1,842,259	1,842,259
Capital	0	0		
Total	5,912,566	7,332,654	7,382,796	7,615,201
Resources				
Assessment Authority		5,505,000		
Unencumbered Balance Forward		1,185,422		
Encumbered Balance Forward		289,818		
Deappropriated – Cash Transfer to General fund		-262,793(#1)		
Total Regulatory Fund Resources		6,717,447		
PUC Reimbursement Fund	0	50,000	50,000	50,000
PUC Miscellaneous Fund	0	15,000	15,000	15,000
PUC Consumer Education Fund		748		
PUC Damage Prevention Grant 2004		5481		
PUC Damage Prevention Grant 2005		26,236		
PUC Damage Prevention Grant 2006		50,000		
Energy Programs-Efficiency Maine Conservation Administrative Fund				
Positions	(6)	(6)	(6)	(6)
Personal Services	429,427	707,118	613,048	645,599
Consultants	150	51,040	0	0
All Other	237,042	675,148	686,952	654,401

	FY2006 Actually Spent	FY2007 Approved Budget	FY2008 Proposed Budget	FY2009 Proposed Budget
Capital	0	0	0	0
Total	666,619	1,433,306	1,300,000	1,300,000
Energy Program- Efficiency Maine Conservation Program Fund				
Consulting	3,405,333	739,908	0	0
All Other	5,448,282	10,435,467	13,075,594	15,167,739
Total	8,853,615	11,175,375	13,075,594	15,167,739
Energy Programs-State Energy Programs (SEP)				
Positions	(3)	(3)	(3)	(3)
Personal Services	167,563	211,971	204,858	208,012
Consultants	17,500	0	0	0
All Other	773,384	917,619	424,919	424,919
Capital	0	0	0	0
Total	958,447	1,129,590	629,777	632,931
Energy Programs-Solar Rebate Program Fund	179,909	520,298	500,000	250,000
Energy Programs – SEP Revolving Loan Fund		230,000	230,000	230,000
Emergency Svcs Comm (E-911)				
Positions	(5)	(5)	(6)	(6)
Personal Services	409,883	405,975	498,184	510,141
Consultants	0	0	0	0
All Other	6,334,843	7,920,759	7,737,174	7,737,174
Capital		0		
Total	6,744,675	8,326,734	8,235,358	8,247,315
#1 Statewide Financial Orders 2695F7 & 2697F7				

FY2007 BUDGET & ADJUSTMENTS

Attachment 3				
Regulatory Fund	Budget	Adjustment		Adjusted Budget
Positions	(60.5)			(60.5)
Personal Services	5,675,396	-269,399	*1,2,3	5,405,997
Consulting	409,613	289,818	*4	699,431
All Other	1,003,156	224,070	*3	1,227,226
Capital	0	0		0
Total	7,088,165	244,489		7,332,654
PUC Reimbursement Fund (Filing Fees)	50,000	0		50,000
PUC Miscellaneous Fund (Document Copy Costs,Fines)	15,000	0		15,000
PUC Consumer Education Fund	0	748	*5	748
PUC Damage Prevention Grant 2004	0	5,481	*5	5,481
PUC Damage Prevention Grant 2005	0	26,236	*5	26,236
PUC Damage Prevention Grant 2006	0	50,000	*5	50,000
Energy Programs-Efficiency Maine Conservation Admin Fund				
Positions	(6)			(6)
Personal Services	632,849	74,269	*1,2	707,118
Consulting	0	51,040	*4	51,040
All Other	699,880	-24,732	*2,4	675,148
Capital	0			0
Total	1,332,729	100,577		1,433,306
Energy Programs-Efficiency Maine Conservation Program Fund				
Consulting		739,908	*4	739,908
All Other	6,984,894	3,450,573	*4	10,435,467
Total	6,984,894	4,190,481		11,175,375
Energy Programs-State Energy Program (SEP)				
Positions	(3)			(3)
Personal Services	211,971			211,971
All Other	674,919	242,700	*4,6	917,619
Capital	0			0
Total	886,890	242,700		1,129,590

Regulatory Fund	Budget	Adjustment		Adjusted Budget
Energy Programs-SEP-Revolving Loan Fund				
	230,000	0		230,000
Energy Programs-Solar Rebate Program Fund				
	500,000	20,298	*4	520,298
Emergency Svcs Comm (E911)				
Positions	(5)			(5)
Personal Services	426,271	-20,296	*1	405,975
All Other	7,737,174	183,585	*4	7,920,759
Capital	0			
Total	8,163,445	163,289		8,326,734
Total of All Funds	25,251,123	5,044,299		30,295,422
1 Deappropriation via Statewide Financial Orders 2695F7 & 2697F7 2 Line Category Transfer via Statewide Financial Orders 2694F7 3 Allocation Increase via Statewide Financial Order 2891F7 4 Includes Encumbered Balance Brought Forward 5 Unencumbered Balance Brought Forward to FY2007 6 Increase in Allotment Department Financial Order 3033F7				

	PUC Regulatory Fund						Attachment 4		
						Water	Total		
	Year	Electric	Telecom	Water	Gas	Carriers	Utilities	Amount	Amount
		Revenues	Revenues	Revenues	Revenues	Revenues	Revenues	Billed	Authorized
-	-	-	-	-	-	-	-	-	-
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	
	2002		500,763,978	98,835,956	55,824,836	3,521,316	1,206,859,048	1,647,156	5,236,000
FY03	2003	535,509,552						3,772,000	
	2003		538,050,538	101,802,792	53,466,479	3,713,543	1,232,542,904	1,648,000	5,505,000
FY04	2004	524,156,143						3,772,000	
	2004		508,708,861	105,043,583	64,913,705	3,823,145	1,206,645,437	1,819,495	5,505,000
FY05	2005	531,365,202						2,329,716	
	2005		492,780,390	110,130,702	71,921,702	2,949,997	1,209,148,099	3,175,284	5,505,000

PAST COMMISSIONERS

1915 - 2006

* 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	1998-2006
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

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[Adams, Kathryn](#) – CAD Specialist 7-3831
[Adams, Kurt](#) – Chairman 7-3831
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[Austin, Thomas](#) – Utility Analyst 7-5901
[Bacon, Richard](#) – Utility Analyst 7-8349
[Ballou, Peter](#) – Sr. Staff Attorney 7-1388
[Bartlett, Shirley](#) – Planner 7-7495
[Bergeron, Denis](#) – 7-1366
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[Berube, Cheryl](#) – Clerk III 7-1396
[Bickerman, Karen](#) – Admin Secretary 7-3349
[Bragdon, Trina](#) – Staff Attorney 7-1392
[Brooks, Shawn](#) – CAD Specialist 7-3831
[Buckley, James](#) – 7-1387
 Special Counsel/ER
[Bunker, Stephan](#) – E-911 Staff
 Development Coordinator 877-8068
[Chamberlain, Tammy](#) – Research/Planning 7-6075
[Clegg, Nicole](#) – Press Liaison 7-8519
[Cohen, Chuck](#) – Sr. Staff Attorney 7-1394
[Cyr, Paula](#) – Commission Clerk 7-6074
[Davidson, Derek](#) – Director CAD 7-1596
[Dunn, Steve](#) – Sr. CAD Specialist 7-3831
[Farmer, Gary](#) – 7-1385
 Gas Pipeline Specialist
[Fink, Lisa](#) – Sr. Staff Attorney 7-1389
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[Galvin, Toben](#) – Deputy Director 7-7343
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[Gasper, Robert](#) – E-911 877-8063
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[Geraghty, Karen](#) – 7-1353
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[Gervenack, Albert](#) – 877-8052
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[Goodwin, Nancy](#) – 7-1357
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[Hagler, Andrew](#) – Staff Attorney 7-4524
[Hall, Danielle](#) – Clerk III 877-8050
[Hayden, Dennis](#) – Utility Analyst 7-5494
[Howe, Ralph](#) – Utility Analyst 7-1373
[Huntington, Faith](#) – Acting Director 7-1373
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[James, Mary](#) – Assistant Director 7-3831
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[Kivela, Rich](#) – Utility Analyst 7-1562
[Kyle, David](#) – Utility Analyst 7-7327
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[McLaughlin, Marjorie](#) – 7-1365
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[Monroe, Angela](#) – Utility Analyst 7-1397
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Fax: 7-1039

CAD Hotline 1-800-452-4699

**For all staff phone lines – Prefix 7 = 287
The area code for Maine is (207)**

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 US	Million British Thermal Units	US DHS	United States Department of Homeland Security
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		

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 PUC 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 Offer Service:** 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 PUC 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.

APPENDICES

- 1 PSAP by county - Consolidation PSAP list
- 2 PSAP data
 - A. History of PSAP closures
- 3 9-1-1 Addressing incomplete by town
- 4 Wireless implementation
 - A. 100% statewide
- 5 Statistical data
 - A. Wireless percent of total E9-1-1 calls by year
- 6 Statistical data
 - A. Total system E9-1-1 calls
 - B. Total E9-1-1 call by year

-

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Appendix 1

Maine PSAPs by County Location List

County	PSAP Activated	PSAP Deactivated
Androscoggin	Androscoggin County SO Lewiston/Auburn 9-1-1	Lisbon PD (12/21/06)
Aroostook	DPS – Houlton	
Cumberland	DPS-Gray Brunswick PD Cape Elizabeth PD Cumberland County SO Portland PD Scarborough PD South Portland PD Westbrook PD Windham PD	Cumberland PD (5/18/05) Gorham PD (9/7/05) Falmouth PD (12/21/06) Freeport PD (12/15/06) Yarmouth PD (12/15/06)
Franklin	Franklin County SO	
Hancock	Hancock County RCC	Bar Harbor PD (9/13/06)
Kennebec	Augusta PD Kennebec County SO Waterville PD DPS – CMRCC	Gardiner PD (12/29/05)
Knox	Knox County RCC	
Lincoln	Lincoln County 9-1-1	
Oxford	Oxford County RCC	
Penobscot	DPS – Orono Bangor PD Penobscot County RCC Town of Lincoln (No Action)	Old Town PD (5/5/05)
Piscataquis	Piscataquis County SO	
Sagadahoc	Sagadahoc County	
Somerset	Somerset County RCC	
Waldo	Waldo County RCC	
Washington	Washington County SO	
County	PSAP Activated	PSAP Deactivated

York	Biddeford PD Kennebunk PD Kennebunkport PD Kittery PD Old Orchard PD Saco PD Sanford PD South Berwick PD Wells PD York County Communications York PD	
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Appendix 2

History OF PSAP Closures

12.21.06	40 PSAPs (Lisbon P.D. consolidated to Androscoggin S.O.)
12.21.06	41 PSAPs (Falmouth P.D. consolidated to Westbrook P.D.)
12.15.06	42 PSAPs (Yarmouth P.D. consolidated to Brunswick P.D.)
12.15.06	43 PSAPs (Freeport P.D. consolidated to Brunswick P.D.)
09.13.06	44 PSAPs (Bar Harbor PD consolidated to Hancock County PSAP)
12.22.05	45 PSAPs (Gardiner PD consolidated to CMRCC)
09.07.05	46 PSAPs (Gorham P.D. consolidated to Cumberland County)
05.18.05	47 PSAPs (Cumberland P.D. consolidated to Yarmouth P.D.)
05.05.05	48 PSAPs (Old Town P.D. consolidated to Penobscot County)
02.11.03	49 PSAPs (Hancock County activated)
10.03.00	48 PSAPs (Final initial deployment plan)
05.14.99	55 PSAPs
12.28.98	57 PSAPs
12.10.98	58 PSAPs
10.01.98	61 PSAPs
02.01.92	92 PSAPs

Appendix 3

Incomplete E9-1-1 Addressing by Municipality as of December 30, 2006¹

Brighton Plantation
Chester
Cranberry Isles
Crawford
East Machias
Eustis
Frenchboro
Harrington
Isle Au Haut
Kingsbury Plantation
Machias
Mercer
Starks
Woodville

¹Includes all towns that have either not started addressing or not progressed far enough through the E911 addressing process to have reached the post office for processing. It does not include unorganized townships.

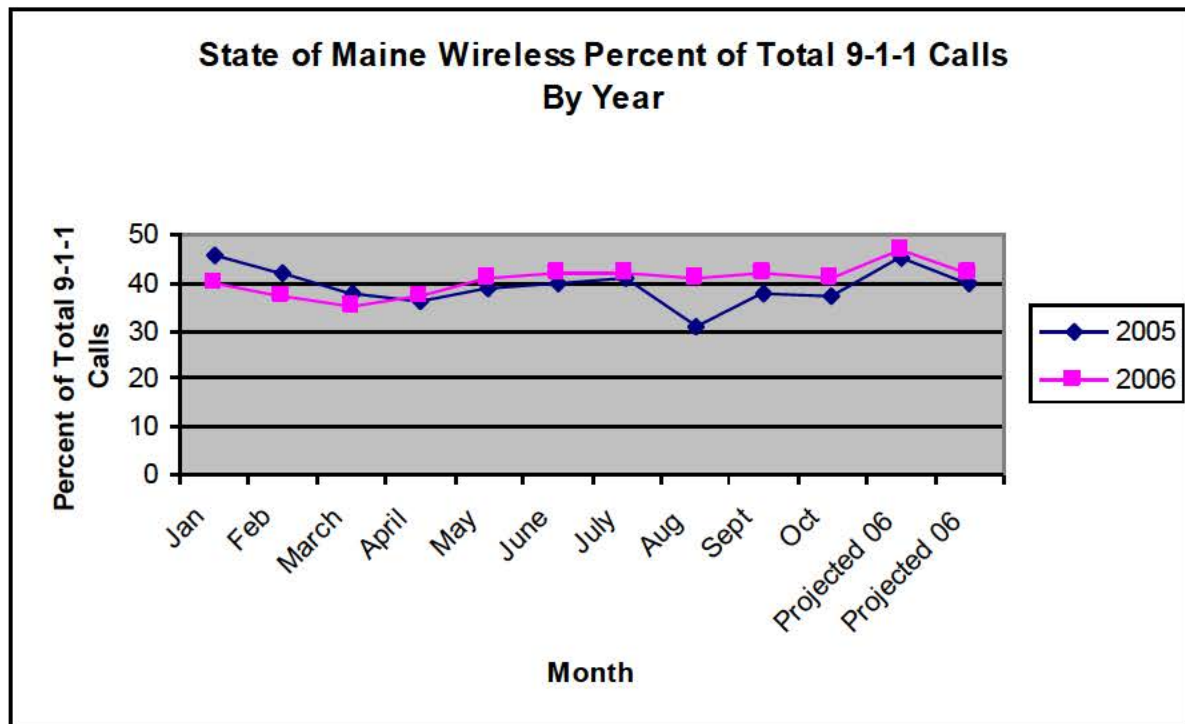
Appendix 4

Wireless Implementation

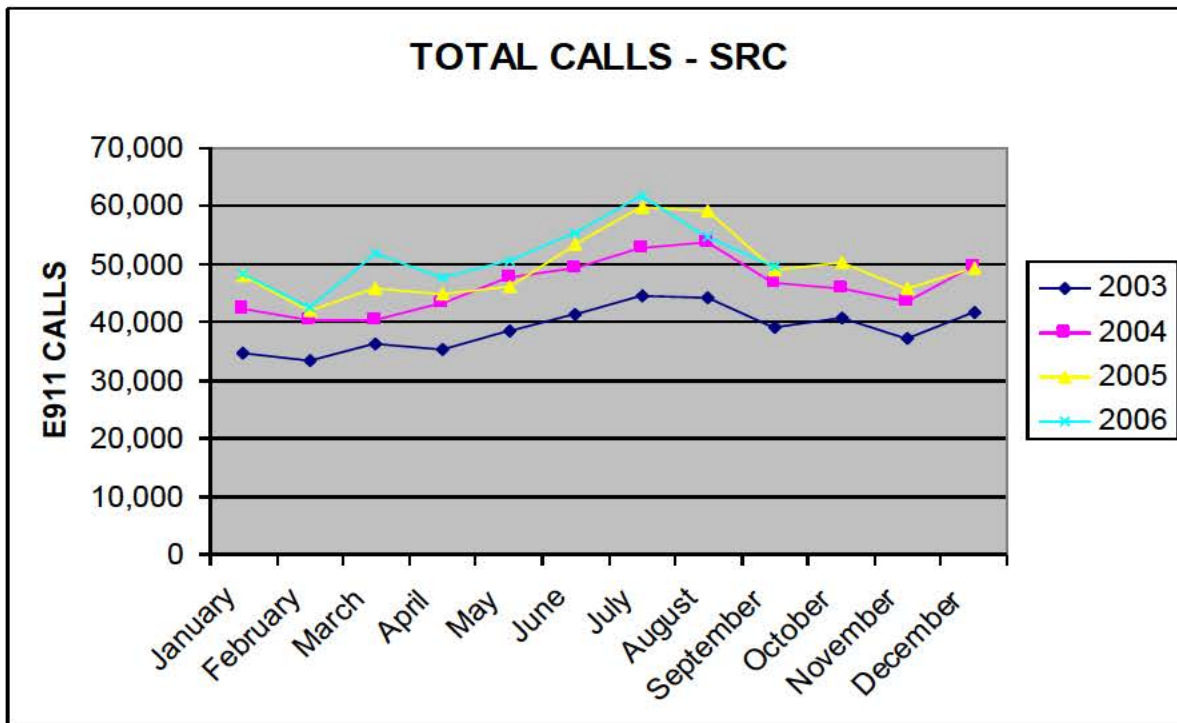
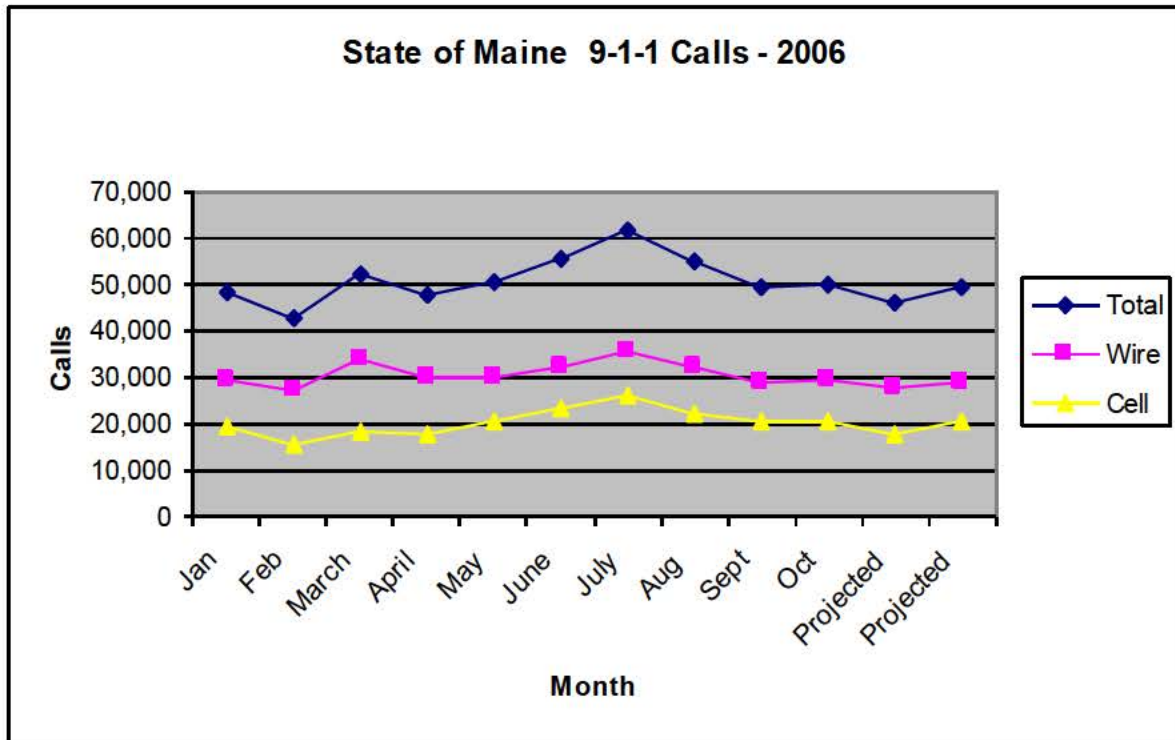
Wireless Enhanced 9-1-1 implementation is 100% complete in Maine.

Phase I:			
Company	Letter Date	Geographic Area	Status
US Cellular Corporation	September 24, 2003	Statewide	Activated Statewide
Unicel/Rural Cellular Corp.	September 24, 2003	Statewide	Activated Statewide
Cingular Blue (AT&T Wireless)	November 10, 2003	Statewide	Activated Statewide
Verizon Wireless	November 26, 2003	Statewide	Activated Statewide
T Mobile	January 12, 2004	Statewide	Activated Statewide
Phase II:			
Company	Letter Date	Geographic Area	Status
US Cellular Corporation	September 24, 2003	Lincoln County	Activated
Unicel/Rural Cellular Corp.	September 24, 2003	Lincoln County	Activated
Sprint PCS	November 10, 2003	Statewide	Activated
Cingular Blue (AT&T Wireless)	July 7, 2004	Statewide	Activated
Nextel	July 22, 2004	Statewide	Activated
US Cellular Corporation	August 10, 2004	Statewide (except Lincoln County)	Activated
Verizon Wireless	September 1, 2004	Statewide	Activated
T Mobile	September 23, 2004	Statewide	Activated
Unicel/Rural Cellular Corp.	January 10, 2005	Statewide (except Lincoln County)	Activated

Appendix 5



Appendix 6



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 2006 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.

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 PUC 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 Karen Geraghty at 207-287-1353 or <mailto:karen.geraghty@maine.gov>

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