STATE OF MAINE
PUBLIC UTILITIES COMMISSION

2014 Annual Report

February 1, 2015

Maine Public Utilities Commission

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This Annual Report provides a brief overview of the significant work conducted by the Maine Public Utilities Commission in 2014 administering the laws concerning public utilities in Maine. This past year was marked by the submission of several significant traditional rate filings in all utility sectors, and a continuation of the Commission's efforts to carry out major new legislation concerning energy infrastructure. There was also a substantial build-out of local gas facilities that fully engaged the gas safety division.

The Emergency Services Communication Bureau completed the installation of its new next generation 911 (NG911) system. This is one of the nation's first statewide end-to-end NG911 system deployment based on the Detailed Functional and Interface Standards for the National Emergency Number Associations i3 Solution. The Commission's Consumer Assistance Division addressed a record number of calls in 2014 dealing primarily with consumers concerns about competitive electricity providers.

The Commission also hosted a delegation of utility regulators from Moldova through a program funded by the United States Agency for International Development and the National Association of Regulatory Utility Commissioners. Issues discussed included open markets, evaluating utility costs and Moldova's regulatory framework.

Natural Gas

During most of 2014, natural gas continued to be less expensive than oil, spurring a strong interest in natural gas conversion among Maine residential, commercial and industrial customers. As a result, Maine's natural gas utilities have added more than 6,000 (18%) new customers across the state during 2014.

The Omnibus Energy Legislation passed in 2013 gave the Commission the authority to execute an energy cost reduction contract to procure capacity on a natural gas pipeline to increase the flow of natural gas into New England. Continued high natural gas prices into New England have confirmed the impact of constrained supply. The Commission has, consistent with the legislation, opened a proceeding and in December 2014 received three proposals. These proposals are currently being evaluated by an expert consultant and the Commission staff to determine if they address the gas constraint challenges in New England and add value for the people of Maine, and the Commission will continue to evaluate the proposals in the new year.

Electricity

Retail electricity supply prices increased in 2014 reflecting higher wholesale electricity prices in the New England market, which were in turn driven by higher prices for natural gas. Retail rates for electricity delivery service were generally more stable, with increases in some components being offset with decreases in others. Central Maine Power Company and Emera Maine (formerly Bangor Hydro Electric Company) received rate increases in 2014 largely due to routine increases in operations and maintenance costs including storm restoration.

The Commission remains very active in regional matters, as ISO-NE continues to reform its markets and planning processes. Our efforts have been directed principally at increasing the degree of transparency, predictability and sensitivity to costs borne by customers.

Telecommunications

The trends in the telecommunications industry have continued, with increased use of wireless and cable for voice communications and decreased use of traditional telephone company wireline facilities. Since 2008, the use of traditional access lines for basic service has declined by 35%.

FairPoint filed a request for an increase to support its cost of providing Provider of Last Resort (POLR) service and the Commission approved a $2 per month per customer increase through the Maine Universal Service Fund (MUSF). However, the Commission denied FairPoint's request for an additional $62.8 million of support from the MUSF to help defray their costs of providing the required POLR service throughout Maine. At the request of the Legislature, the Commission will file a report in January 2015 that will provide detailed information and analysis on whether FairPoint should be subsidized for providing POLR service and alternative approaches to subsidizing the provision of basic telephone service.

Water

Several water utilities asked for and received relatively modest rate increases in 2014. The most significant reason for the increases was to allow these utilities to help replace their aging infrastructure. In April 2014, the Legislature enacted An Act to Reform the Regulation of Consumer-owned Water Utilities authorizing the Commission to grant exemptions of certain portions of Title 35-A to consumer-owned water utilities. The Commission opened a rulemaking proceeding in fulfillment of the Legislature's direction. Consumer-owned water utilities and industry groups participated in this proceeding which culminated in the adoption by the Commission of Chapter 615, Exemptions from Regulatory Requirements for Consumer-owned Water Utilities.

Conclusion

In all aspects of its work, the Commission continues to diligently exercise its regulatory, adjudicatory and public policy responsibilities to ensure that utility services provided to Maine residential and business consumers are provided at rates that are just and reasonable and consistent with good utility practice. We look forward to working with the Legislature in the coming year on energy and utilities issues.

The Commission would also like to congratulate former Chairman Thomas L. Welch on his retirement having served as Chairman for more than 15 years, the second longest in the history of the Commission.

With regards,

Mark A. Vannoy
Chairman

David P. Littell
Commissioner

2. THE MAINE COMMISSION

The Maine Public Utilities Commission regulates electric, gas, telephone and water utilities to ensure that Maine citizens have access to safe and reliable utility services at rates that are just and reasonable for residential and business consumers.

The Commission, created by the Maine Legislature in 1913, has broad powers to regulate public utilities in Maine including electricity, telephone, water, and gas providers. The Commission also responds to customer questions and complaints, grants utility operating authority, regulates utility service standards and monitors utility operations for safety and reliability and has limited authority over rates and service of ferry transportation.

Like a court, the Commission adjudicates cases and may take testimony, subpoena witnesses and records, issue decisions or orders, hold public and evidentiary hearings. The Commission encourages participation by all affected parties, including utility customers. The Commission also conducts investigations and rulemakings, investigates allegations of illegal utility activity and responds to legislative directives.

The three full-time Commissioners are nominated by the Governor, reviewed by the Legislature's Joint Standing Committee on Energy, Utilities and Technology and confirmed by the full Senate, for staggered terms of 6 years. The Governor designates one Commissioner as Chairman. The Commissioners make all final Commission decisions by public vote and action of the majority.

The Commission's staff includes accountants, engineers, lawyers, financial analysts, economists, consumer specialists, and administrative and support staff. It is divided into six operating areas (See Figure 1) according to industry area or function.

The Telephone and Water Division and the **Electric and Gas Division** are designated to work on the issues related to these industries. Division staff conduct financial investigations and analyses of utility operations, analyze applications by utilities to issue securities, advise the Commissioners on matters of rate base, revenues, expenses, depreciation and cost of capital, engineering, rate design, energy science, statistics and other technical elements of policy analysis for all utility areas.

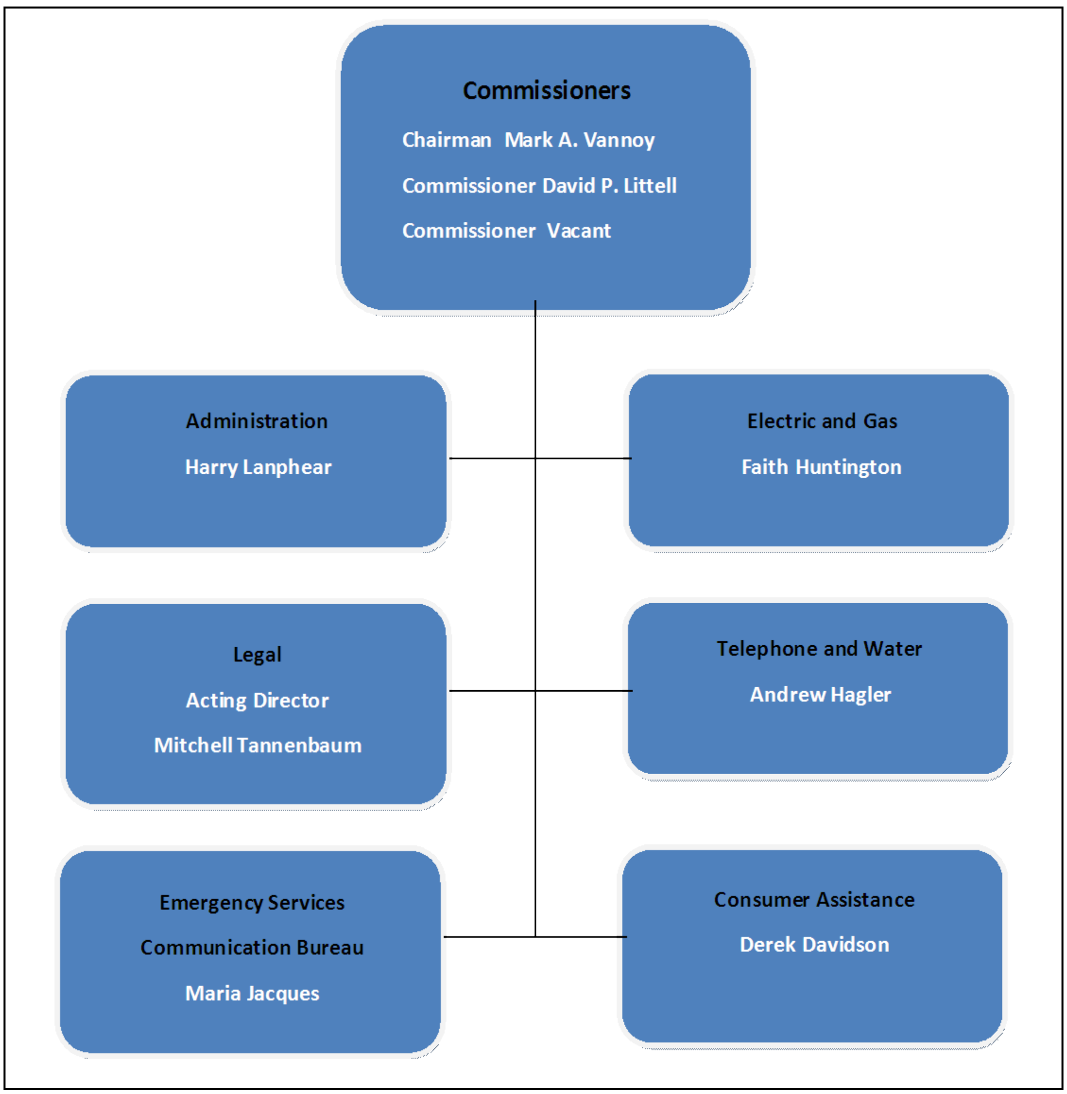
The Emergency Services Communication Bureau manages the statewide Enhanced 911 (E911) system, including program development and implementation.

The Consumer Assistance Division (CAD) provides information and assistance to utility customers to help them resolve disputes with utilities. CAD investigates a variety of complaints involving utility service, including quality of utility service, billing disputes, payment arrangements, rates or charges, disconnection, and utility repairs. The CAD processes complaints and determines what utility practices, if any, should be corrected; educates the public and utilities about consumer rights and responsibilities and other utility-related consumer issues; and evaluates utility compliance with state statutes and Commission rules. The CAD also oversees gas safety regulation and enforcement as well as Dig Safe.

The Legal Division provides hearing officers in cases before the Commission and assists in preparing and presenting Commission views on legislative proposals. This division represents the Commission before federal and state appellate and trial courts, and various regional and federal administrative and regulatory agencies.

The Administrative Division handles day-to-day operational management of the Commission, with responsibilities for fiscal and personnel matters, contract and docket management, legislative analysis and the physical plant. This division also oversees information technology including the Commission's Case Management and Consumer Complaint System.

Figure 1 – Commission Organizational Chart



3. TELECOMMUNICATIONS

REGULATION OF THE TELEPHONE INDUSTRY IN MAINE

As a result of changes in law enacted by the 125th Maine Legislature, the only retail telephone service offering that falls within the Commission's regulatory authority is Provider of Last Resort (POLR) service. POLR service is presently offered by incumbent local exchange carriers (ILECs) and provides consumers the ability to receive a flat-rate service with voice-grade access to the public switched telephone network within a basic local calling area. The non-POLR offerings of the ILECs, Competitive Local Exchange Carriers (CLECs), and the wireless and Voice over Internet Protocol (VoIP) carriers, including ancillary service and in-state long distance, are no longer subject to Commission rate regulation.

Wholesale services and the enforcement of certain provisions of the federal telecommunications statutes remain subject to the Commission's jurisdiction. In addition, the Commission continues to certificate CLECs. The Commission does not regulate the broadband services offered by telephone, cable television, or cellular telephone companies. Interstate services are regulated by the Federal Communications Commission (FCC), which also has regulatory jurisdiction over wireless mobile carriers. Figure 3 shows the POLR carrier service territories in Maine and appears at the end of this section.

INDUSTRY TRENDS

Competition The telecommunications industry in Maine is characterized by increasing competition. All consumers can obtain long distance service from an interexchange carrier (IXC) other than their local exchange carrier. CLECs serve a large portion of Maine's customers. Telephone service employing VoIP technology – particularly the offerings of Time Warner and Comcast – competes aggressively with traditional ILEC service in those areas where cable broadband is available. The mobile cellular market continues to grow and there are now more than 1.2 million cell phone subscribers in the state. This compares to roughly 345,780 retail wireline access lines in use by customers served by ILECs. An increasing number of customers are substituting mobile wireless service for traditional wireline service. A recent presentation to the Commission by the HughesNet Satellite Company suggests that Satellite VoIP service may be emerging as a new option for retail phone and broadband service in rural areas. Table 1, for calendar years 2008 through 2013, details a 35% reduction in traditional wireline telephone service.

There has been a 35% reduction in the use of traditional access lines for basic telephone service since 2008.

Table 1 – ILEC Access Line Summary

ILEC	2008 Access Lines	2009 Access Lines	2010 Access Lines	2011 Access Lines	2012 Access Lines	2013 Access Lines	Change 2012-2013	Change 2008-2013
China Telephone	2,700	2,265	2,032	1,775	1,517	1,328	-12%	-51%
Northland Telephone Co.	20,764	18,295	17,381	16,232	15,342	14,193	-7%	-32%
Community Service Telephone Co.	9,280	8,156	7,306	6,684	6,314	5,786	-8%	-38%
Sidney Telephone Co.	1,254	1,060	933	777	719	631	-12%	-50%
Maine Telephone Co.	8,163	6,870	5,928	5,125	4,772	4,239	-11%	-48%
Standish Telephone Co.	5,753	4,677	4,093	3,440	3,097	2,772	-10%	-52%
FairPoint NNE	411,345	378,969	340,333	313,254	289,412	266,161	-8%	-35%
UniTel Co.	4,386	4,282	4,001	3,817	3,677	3,527	-4%	-20%
Union River	1,260	1,224	1,190	1,169	1,115	1,074	-4%	-15%
Cobboseecontee Tel & Tel Co.	645	554	501	478	457	418	-9%	-35%
Hampden Telephone Co.	2,857	2,581	2,439	2,229	2,084	2,105	1%	-26%
Hartland & St. Albans Telephone Co.	3,659	3,350	3,104	2,993	2,823	2,713	-4%	-26%
Island Telephone Co.	620	600	591	593	580	556	-4%	-10%
Somerset Telephone Co.	10,509	9,634	9,200	8,874	8,422	8,177	-3%	-22%
Warren Telephone Co.	1,528	1,347	1,250	1,187	1,091	1,014	-7%	-34%
West Penobscot Telephone Co.	2,207	2,056	1,963	1,906	1,839	1,781	-3%	-19%
Lincolnville Networks	1,794	1,749	1,689	1,630	1,598	1,571	-2%	-12%
Tidewater Telecom	10,261	9,762	9,378	8,954	8,667	8,342	-4%	-19%
Mid-Maine Communications	5,228	4,699	4,228	3,890	3,592	3,204	-11%	-39%
Pine Tree Tel & Tel Co.	5,373	4,820	4,202	3,751	3,435	3,052	-11%	-43%
Saco River Tel. & Tel Co.	7,079	6,202	5,444	4,881	4,447	4,019	-10%	-43%
Oxford West Telephone Co.	6,373	6,011	5,709	5,438	5,228	4,934	-6%	-23%
Oxford Telephone Co.	5,595	5,277	5,032	4,810	4,527	4,183	-8%	-25%
Total Retail Lines	**528,633**	**484,440**	**437,927**	**403,887**	**374,755**	**345,780**	**-8%**	**-35%**

***Data for 2014 will not be available until April 2015.**

Broadband The Commission does not directly regulate broadband services, although it does, within the scope of its authority, support the State's goal of extending broadband access to as many Maine customers as possible. For instance, the Commission's order approving FairPoint's acquisition of the network previously operated by Verizon required FairPoint to expand broadband coverage to a large portion of its network. This was accomplished through multi-protocol label switching (MPLS) in rural areas of the FairPoint network with suitable copper loop lengths.

In 2014, the FCC continued in its efforts to modernize the federal Universal Service Fund by redirecting resources previously used to support voice services in high cost area to focus on the support of broadband services. The Connect America Fund II (CAF II) represents the second phase of the transition in the $1.8 billion program, and will rely on a complex forward looking cost model to determine where broadband funds should be distributed to unserved and underserved areas.

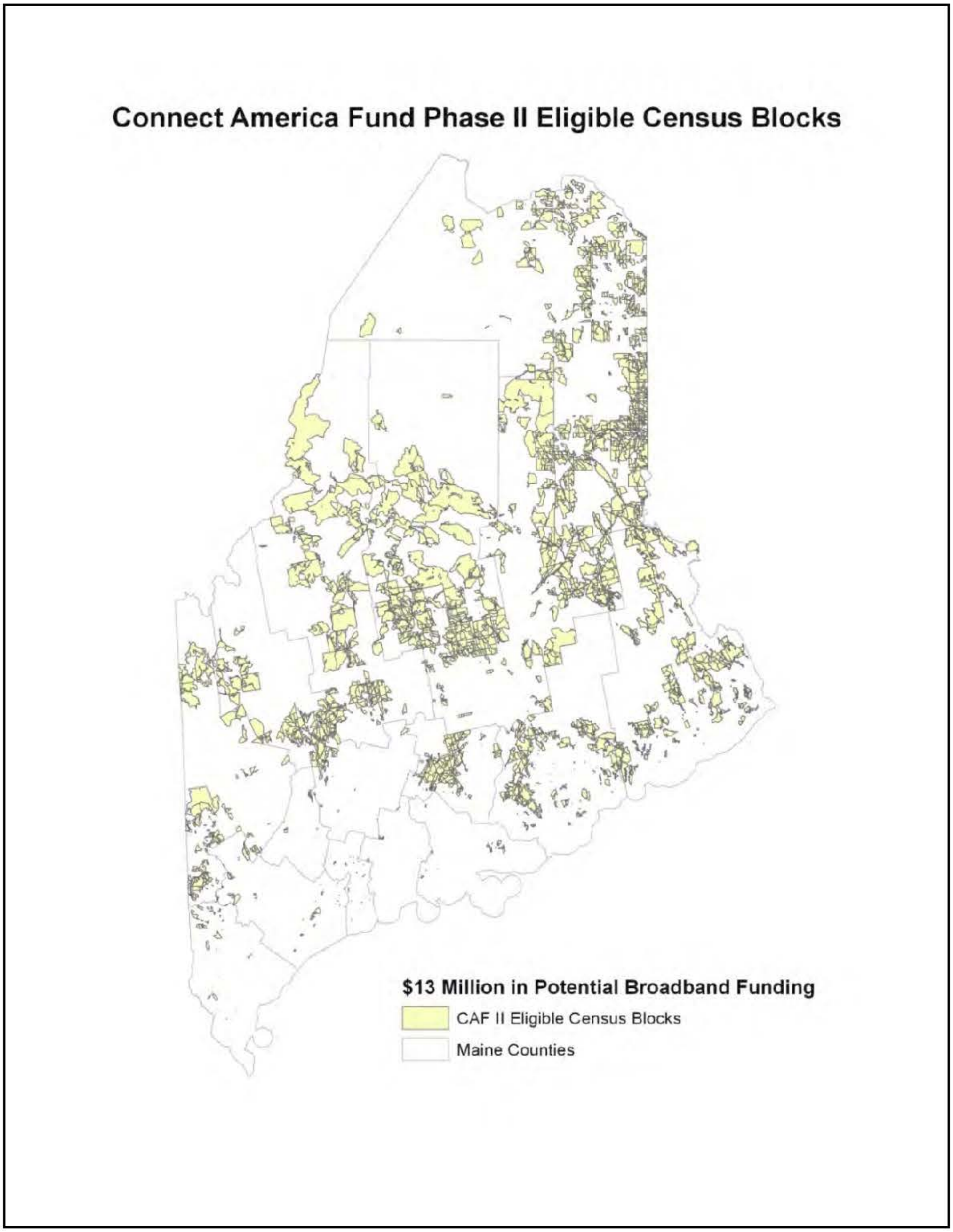
Locations eligible for CAF II support are identified on a "census block" basis, and include areas where there does not already exist an unsubsidized wireline or fixed wireless competitor that provides broadband service at a download speed of 4 Mbps and an upload speed of 1 Mbps. Under a recent FCC change, carriers seeking federal support for unserved or underserved areas must now provide broadband at download speeds of at least 10 Mbps. Based on the latest FCC criteria, it appears that FairPoint may be eligible to receive as much as $13 million in annual support for the purpose of expanding broadband service to approximately 4,800 additional rural locations. Figure 2 on the following page identifies the particular census blocks that the FCC has determined will be eligible for CAF II funding.

FairPoint may be eligible for up to $13 million in annual support to expand rural broadband.

The decision of whether to accept CAF II funds, and to commit to the capital investment obligations upon which the federal funding is conditioned, is entirely within the discretion of FairPoint. Indeed, several years ago FairPoint declined a significant portion of the funding that was made available to it during the first phase of the CAF program. According to FairPoint, it rejected these funds because it determined that the sum of money that it would need to expend in order to fulfill the buildout conditions of the federal grant were not economically justified.

Rural Broadband Experiments The FCC has encountered substantial delays in developing and implementing the CAF II program funding formulas and requirements. In view of these delays, and in response to the fact that several carriers failed to draw down available funds for broadband expansion during the CAF Phase I disbursement process, the FCC established a ten-year, $100 million Rural Broadband Experiments trial to test whether there is interest in building rural networks capable of delivering download speeds of up to 100 Mbps and upload speeds of up to 25 Mbps. Funds in the amount of $15 million were set aside for experimental projects capable of delivering download speeds of 10 Mbps and upload speeds of 1 Mbps in "high cost areas," and $10 million was earmarked for projects that could achieve these speeds in "extreme high cost" areas. As with the CAF I and CAF II programs, Rural Broadband Experiment funds are available only for projects in census blocks where there is no existing, unsubsidized competitor.

Figure 2- Connect America Fund-Eligible Locations in Maine



Nationally, 181 applicants submitted proposals for the Rural Broadband Experiment program. The FCC has not, to date, released the names of the companies that applied, and has not selected those projects that will go forward. The Commission was encouraged that Maine companies expressed interest, and was pleased to offer, in conjunction with the Office of the Public Advocate and the ConnectME Authority, informal, technical advice to several interested parties.

Preservation of Area Code 207 The Commission continues to enforce measures designed to ensure that telecommunications carriers use numbering resources in Maine efficiently to maintain a single area code (207) for as long as possible. In this regard, the Commission enforces rules established by the FCC. In general, the industry has cooperated with these efforts. With more customers relying on wireless phones and devices, as well as increased direct machine-to-machine communications, there is increased pressure on the State's numbering resources. The latest forecast from Neustar, the national number administrator, estimates that area code exhaust will occur in early 2019; two years later than that indicated in the 2013 Neustar reports. The Commission will continue its activities to promote number conservation in an effort to delay the need to establish a second area code in the State.

KEY EVENTS

Regulatory Reform At the direction of the 125th Legislature, the Commission conducted a stakeholder process to examine whether consensus could be achieved among various providers of telecommunications services (wireline, wireless, and facilities-based VoIP), and the Public Advocate, regarding possible methods for setting POLR service rates and for disbursing MUSF support for POLR service providers. The Commission presented a report to the 126th Legislature summarizing the stakeholder process and set forth its own recommendations, as required by statute, on January 15, 2013. The 126th Legislature carried over, until its Second Regular Session, a bill that would provide a vehicle for implementing the Commission's recommendations.

In the Second Session of the 126th Legislature, the Legislature took up the regulatory reform bill carried over from the previous session, and on May 1, 2014, over the veto of Governor LePage, the Legislature enacted P.L. 2013, Ch. 600, An Act to Clarify Telecommunications Reform (the " 2014 Act").

Section 1 of the 2014 Act remedied an unintended consequence of previous regulatory reform that had exempted certain telecommunications providers from contributing an annual assessment to fund the Commission.

Section 2 of the 2014 Act removed the requirement that providers of radio paging services contribute to the Maine Universal Service Fund (the "MUSF").

Section 3 of the 2014 Act prohibited the Commission from disbursing funds from the MUSF to any company that operates more than 50,000 telephone access lines in Maine until at least 90 days after the adjournment of the First Regular Session of the

127th Legislature.[1] The practical effect of this Section was to bar the Commission from providing disbursements from the MUSF to FairPoint.

Section 4 of the 2014 Act required the Commission to provide a report to the Legislature's Energy, Utilities, and Technology Committee addressing options for decreasing the cost of maintaining universal access to affordable telephone service throughout Maine. In addition, the Legislature posed nine specific questions for the Commission to consider when drafting the report: (1) the amount of financial assistance necessary for FairPoint to continue to provide basic telephone service; (2) what, if any, basic telephone service could FairPoint provide without financial assistance; (3) an assessment of the areas of the state where it is not economic for FairPoint to provide basic telephone service and an assessment of the level of competition in those areas; (4) any recommended changes to the attributes of POLR service to increase competition and the implications of any such changes on public safety, as well as the feasibility of limiting POLR service to access to emergency services; (5) implications and possible procedures for reassigning the POLR service obligation to carriers other than ILECs; (6) the implications of limiting MUSF support for POLR service to those area of the state with only limited availability for basic telephone service; (7) the broadband penetration of ILECs and the feasibility of predicating MUSF support for POLR service on increased broadband availability; (8) recommendations for coordinating any changes to support for POLR service with policy developments at the federal level; and (9) whether universal access to telecommunications service can be provided a just, reasonable, and affordable rates in the absence of regulated POLR service providers.

With regard to the report in Section 4 of the 2014 Act, the Commission opened an adjudicatory proceeding to develop answers to the Legislature's questions. The answers to the first two questions were derived from FairPoint's MUSF support case discussed below. For the other seven questions, the Commission solicited preliminary comments from the parties to the MUSF support case and other interested entities, held several case conferences with the parties, conducted an informational session with a satellite telecommunications provider, and conducted discovery on the parties to the proceeding (as well as other entities) in order to obtain information that would be useful to the preparation of this Report. The Commission also released two preliminary drafts of the Report and solicited comments from the parties on each draft. The Commission presented its report to the Legislature's Joint Standing Committee on Energy, Utilities, and Technology in January 2015.

FairPoint POLR Rate Case and MUSF Support Request On October 30, 2013, FairPoint filed a case seeking to increase its tariffed rates for provider of last resort ("POLR") telephone service rates by $2.00 per line per month. The proposed rate change represented an annual increase of $700,368, or a 12.7% increase in revenues derived from the sale of POLR service. The Commission approved FairPoint's request

[1] The only company meeting the 50,000 access line threshold is Northern New England Telephone Operations LLC d/b/a FairPoint Communications-NNE ("FairPoint").

on May 28, 2014, increasing the monthly POLR service rate for residential customers of $16.69 per month and to $34.28 per month for business customers.

In addition to the proposed rate increase for POLR service, FairPoint's October 2013 filing requested an annual disbursement of support from the MUSF in the amount of $66.9 million. FairPoint does not presently receive any support from the MUSF. If approved as filed, the total annual amount collected from contributors to the MUSF would have increased from $8.32 million to $75.2 million. Assuming that the typical monthly bill for basic local wireline service and in-state long distance service totals $25, the monthly MUSF charged to residential customer would have increased from $.38 to approximately $3.40. In addition to traditional incumbent and competitive landline telephone service providers, all providers of radio paging services, traditional incumbent and competitive landline telephone service, long distance service, wireless telephone service, pre-paid wireless telephone service, VoIP telephone service, and digital telephone service provisioned over a cable television/broadband network are required to contribute to the MUSF. Such providers may recover their contributions to the MUSF by means of an explicitly identified charge placed on bills issued to their customers, and approval of the MUSF support requested by FairPoint would result in an increase in the MUSF fees charged to customers of those services that would be identical in percentage terms (and generally similar in terms of the monthly amount of the fee) to the increase experienced by the customers of wireline carriers.

Following a full adjudicatory proceeding comprising multiple rounds of discovery on FairPoint's direct case as well as the cases of the parties, several technical conferences, hearings, briefing and a Bench Analysis and Examiners' Report submitted by Staff, the Commission issued its final Order on FairPoint's MUSF request on November 21, 2014. In the Order, the Commission found that the record developed in the case did not support a decision that FairPoint receive MUSF support. In the Commission's view, the purpose of the MUSF is to help ensure universal service by providing the funding necessary to provide POLR service, and not to recover competitive losses or ensure a return on the investment of a network that is used almost entirely to deliver non-POLR services. Specifically, the Commission found that FairPoint was unable to demonstrate what costs would be avoided – and, thus, the amount of subsidy FairPoint should receive – were FairPoint to stop providing POLR service, and abandon the facilities necessary to provide that service, in a given area.

POLR Service Quality Index (SQI) In 2012, during its Second Regular Session, the 125thLegislature enacted P.L. 2011, Ch. 623, An Act To Reform Telecommunications Regulation (the " 2012 Act"). Subchapter 2 of the 2012 Act (now codified at 35-A M.R.S. § 7225) directed the Commission to adopt a rule that would establish service quality indicators and standards for providers of POLR service.

The Commission commenced its rulemaking proceeding on September 18, 2012, and received comments from the OPA, AT&T and the Telephone Association of Maine (TAM). On November 21, 2012, the Commission adopted its provisional rule, *Order Provisionally Adopting Rule and Statement of Factual and Policy Analysis,* Docket No. 2012-00401, and as required, submitted it to the Legislature for review.

On June 7, 2013, the 126th Legislature carried over until the Legislature's Second Regular Session, consideration of L.D. 38, Resolve, Regarding Legislative Review of Chapter 201: Provider of Last Resort Service Quality, a Major Substantive Rule of the Public Utilities Commission. The Resolve would have authorized the final adoption of Chapter 201, pursuant to 5 M.R.S. § 8072.

On July 31, 2013, the Alternative Form of Regulation (AFOR) for FairPoint expired and, with it, the FairPoint SQI mechanism that has been incorporated into the AFOR. As a result, due to the fact that L.D. 38 had been carried over until the following legislative session, there existed no operative SQI governing FairPoint's service quality. For the final year of the AFOR, FairPoint incurred an SQI penalty of $828,582 for the four metrics for which FairPoint failed to meet the established benchmarks. This SQI was calculated under the Legislative revisions to the SQI which modified the AFOR SQI mechanism. FairPoint began returning the penalty amount to its ratepayers over a 12 month period through a bill credit of $0.26 per line per month starting in December 2013.

On April 7, 2014, the Maine Senate passed, in concurrence with the House, L.D. 38 as amended by the Joint Standing Committee on Energy, Utilities and Technology. L.D. 38, as amended, would have authorized the adoption of Chapter 201 by the Commission subject to certain specified changes. On April 18, 2014, the Governor vetoed L.D. 38. The veto was sustained by the Legislature on May 1, 2014.

On May 5, 2014, the Commission requested comment on the Commission's view that, because the Legislature did not override the Governor's veto of L.D. 38, the Legislature "failed to act" on Chapter 201 and, thus, pursuant to 5 M.R.S. § 8072 (Section 8072), the Commission has the authority to proceed to finally adopt Chapter 201 as provisionally adopted by the Commission on November 21, 2012. In addition, the Commission received comments from interested parties on the Commission's position regarding the status of Chapter 201. Further, the Commission requested the opinion of the Office of the Maine Attorney General regarding the status of Chapter 201. On June 20, 2014, Attorney General Mills responded by letter, stating that it was her opinion, and that of her Office, that the Commission was authorized to finally adopt the Rule. The Commission received comments on the Attorney General's letter and on June 26, 2014, adopt Chapter 201 as provisionally adopted in 2012.

Table 2 below shows the 3rd Quarter 2014 and twelve-month average POLR SQI performance of Maine's 23 ILECs. Items highlighted in **RED** indicate areas where performance failed to meet the benchmarks established in Chapter 201. Results indicated with an asterisk (*), while above the benchmark, are anomalous results that are an artifact of the method of calculating results, and should not be considered failures to meet the applicable benchmark. 2014 fourth quarter data was not available.

Table 2 SQI Data for 3rd Quarter 2014

Company	Network Trouble Report Rate		% Troubles Not Cleared in 24hrs		% Install Appts. Not Met		Avg. Delay Days for Missed Appts.		Service Outages	
	Q3 2014	Rolling Avg.	Q3 2014	Rolling Avg.	Q3 2014	Rolling Avg.	Q3 2014	Rolling Avg.	Q3 2014	Cumul. Total.
Benchmark		**1.52**		**12.35**		**.975**		**8.91**		**234**
China Telephone Co.	1.58	1.70	0	0	0	0	0	0	0	1
Cobbosseecontee	2.22	1.52	0	0	0	0	0	0	0	0
Community Serv.	0.78	0.65	0	0.2	0	0	0	0	0	1
FairPoint -NNE	1.61	1.31	65.2	44.7	2.8	1.4	3.6	3.1	16	154
Hampden Tel. Co.	1.70	1.04	2.7	2.6	0	0	0	0	0	0
Hartland & St. Albans	2.88	1.74	3.1	2.2	0.7	0.4	5	3	0	0
Island Telephone Co.	1.53	0.81	0	0	0	0	0	0	0	0
Lincolnville Tel. Co.	0.08	0.20	0	0	0	0	0	0	0	0
Maine Telephone Co.	1.52	0.85	1.3	0.9	0	0	0	0	0	0
Mid Maine Telecom	0.39	0.30	0	0	0	0	0	0	0	1
Northland Tel. Co.	1.52	1.18	1.2	2.9	0	0.1	0	10*	0	1
Oxford Telephone Co.	0.83	0.69	0.9	0.2	0	0	0	0	0	0
Oxford West Tel. Co.	0.64	0.63	0	1.3	0	0	0	0	0	0
Pine Tree Telephone	0.45	0.33	4.6	2.1	0	0	0	0	0	1
Saco River Telephone	0.46	0.28	2.6	0.8	0	0	0	0	0	2
Sidney Telephone Co.	0.29	0.38	12.5	6.6	0	5*	0	1	0	0
Somerset Tel. Co.	2.39	1.74	8.3	6.4	0.3	0.1	7	4	0	0
Standish Tel. Co.	1.13	0.92	0	1.0	0	0	0	0	0	0
Tidewater Telecom	0.06	0.06	0	0	0	0	0	0	0	0
Union River Tel. Co.	0.64	0.54	18.1	22.2	0	0	0	0	0	0
UniTel, Inc.	1.18	1.12	0	0	0	0	0	0	0	0
Warren Telephone Co.	0.99	0.88	0	3.3	0	0	0	0	0	0
W. Penobscot Tel. Co.	2.26	1.33	8.7	4.9	1.2	0.3	5	5	0	0

FairPoint Performance Assurance Plan (PAP) Proceeding FairPoint's wholesale business includes a requirement for a Performance Assurance Plan (PAP). The PAP was designed, generally, to ensure that FairPoint does not unfairly favor its own retail interests over CLECs purchasing wholesale service from FairPoint. The PAP was established at the time that the Commission recommended to the FCC that Verizon be authorized to re-enter the long distance market (a business denied to the "Baby Bells" at the time of the breakup of AT&T).

The PAP is similar to the SQI in that performance is measured with metrics and benchmarks. The failure by FairPoint to meet these benchmarks results in credits made to the wholesale accounts of CLECs purchasing services from FairPoint. The PAP is quite similar in Maine, Vermont (VT), and New Hampshire (NH). The Commission, along with the regulatory bodies in VT and NH, recognized that the PAP metrics inherited by FairPoint from Verizon as part of the merger were both very comprehensive and extremely complex. Consequently, the three commissions have been conducting joint, collaborative proceedings with FairPoint and the relevant CLECs in an attempt to simplify the PAP mechanism. The parties entered into a stipulation, approved by the appropriate regulatory authorities in all three states, that resolved the vast majority of the issues necessary for the implementation of a new, modified PAP, and which submitted for Commission resolution three issues that the parties were unable to resolve by agreement – terms and penalties for late or inaccurate reports, the effect of changes of law on the PAP, and provisions in commercial agreements that waive credits under the PAP.

On July 29, 2014, the Commission issued its Order resolving, for Maine, the three remaining PAP issues. With regard to penalties for late or inaccurate reports, the Commission placed per-day penalties, with annual caps, on failures by FairPoint to make timely reports to the CLECs, and per-month penalties, also subject to an annual cap, for inaccurate reports that FairPoint fails to correct in a timely fashion. With regard to the change of law provision in the PAP, the Commission requires any change to the PAP based on a change of law to be implemented only after review by, and approval of, the Commission. With regard to commercial agreements that affect PAP credits, the Commission found that such provisions are enforceable against the CLECs that enter into such agreements. The Commission also found, however, that the reversion of credits to FairPoint would have the effect of diluting FairPoint's incentive to maintain reasonable performance under the PAP. Accordingly, the Commission ordered that any PAP credits waived by a CLEC be paid by FairPoint into the Maine Telecommunications and Education Access Fund.[2]

Oxford Networks Reorganization In April, 2014, the Commission approved a stipulation allowing the transfer of ownership and controlling interest of Oxford County Telephone & Telegraph Company, and its subsidiaries, including Oxford County Telephone Service Company and Revolution Networks, to Oxford Networks Holding, Inc., a subsidiary of the private equity firm, Novacap Technologies III, L.P. The approval of this restructuring did not involve changes to the Oxford POLR service rates, and no change to the staffing of the affected companies was anticipated.

LEGISLATIVE MANDATES

Maine Telecommunications Education Access Fund (MTEAF) The Commission administers the MTEAF, which provides funding to Networkmaine (an entity within the University of Maine System) to operate the Maine School and Library Network (MSLN). The MSLN provides funds for qualified schools and libraries within the State for high-speed Internet access, content databases and search capabilities, content filtering and training, as needed. The MTEAF receives funds from all carriers offering telecommunications services in Maine. The carriers may pass on their MTEAF contributions to their customers in the form of a surcharge that must be explicitly

[2] The MTEAF provides schools and libraries with funds to acquire telecommunications technology equipment and the means to connect that equipment to the internet.

identified on their customers' bills. An independent administrator selected by the Commission collects the required contributions and pays the MSLN's expenses. The Commission approves the annual budget request from Networkmaine and establishes the contribution rate, which by statute cannot exceed 0.7%. In 2014, the Commission approved a budget of $3.83 million and a contribution rate of 0.7%.

Public Interest Phones (PIPs)   Beginning in 2007, in response to Maine law and Chapter 252 of the Commission's Rules, the Commission oversaw the installation of Public Interest Payphone (PIP) sites throughout Maine. The annual cost of the program, which currently includes 36 PIPs, is $36,756 and is funded by the MUSF.[3]

Communications Equipment Fund Section 7104 (5) of Title 35-A requires the Commission to transfer annually $85, 000 from the Maine Universal Service Fund (MUSF) to the Communications Equipment Fund (CEF) established under Title 27, Section 1419-A. In addition, at the request of the Department of Labor, Bureau of Rehabilitation Services, the Commission will transfer an additional $100,000 to the CEF if the Bureau of Rehabilitation Services does not receive from federal or other sources sufficient funds to carry out the purposes of the CEF. The CEF is used by the Division of Deaf, Hard of Hearing and Late Deafened within the Bureau of Rehabilitation Services for the purchase, lease, distribution, upgrading, installation, maintenance and repair of specialized customer communications equipment for deaf, hard of hearing, late deafened or speech impaired persons and persons with disabilities, for training in the use of such equipment and for administrative costs associated with these uses of the fund. In each of the past five years, the Bureau of Rehabilitation Services has requested that $185,000 be transferred to the CEF, and the Commission has transferred that amount from the MUSF.

The same section of Title 35-A allows the Bureau of Rehabilitation Services to request that up to $57,500 be transferred annually from the MUSF to the CEF to support the emergency alert telecommunications service program, which is established pursuant to Title 26, Section 1419-A (6). Prior to transferring the funds, the Commission must find that the funds are necessary to carry out the program and that sufficient attempts have been made by the Bureau of Rehabilitation Services to maximize federal support for the program. Any funds transferred must be used exclusively for the purpose of supporting the discount program established under Title 26, Section 1419-A (6). The Bureau of Rehabilitation Services has not requested any funds under this statutory provision for the past three years.

Telecommunications Relay Services Section 7104 (7) of Title 35-A requires the Commission to establish funding support within the MUSF for telecommunications relay services (TRS) in Maine, including related outreach programs. TRS are used to allow deaf, hard-of-hearing and speech impaired persons to place and receive voice telephone calls with the assistance of a third-party intermediary. The funding level for the TRS is established by the Commission based upon the recommendation of the Telecommunications Relay Services Advisory Council, as established in Section 8704

[3] The Commission is required to report on this information pursuant to 35-A M.R.S. § 7508(4).

of Title 35-A, unless the Commission determines that the recommended level may be unreasonable. The statute further directs the Commission to require contributions to the MUSF to meet the established TRS funding support levels. In determining the reasonable funding levels for the TRS, the Commission may consider whether the recommended funding is for TRS that are (1) federally required; (2) services provided in other states with a similar deaf, hard-of-hearing and speech impaired population as Maine; and (3) services that are designed to maximize the effectiveness of TRS through the application of new technologies.

The provision of TRS, including outreach programs, in Maine has been handled for many years through a contract between the TRS Advisory Council and Hamilton Telecommunications. Through June 30, 2014, the contract amount was $55,000 per month, or $660,000 annually. The contract contained provisions that required a reduction (liquidated damages) in the monthly amount for Hamilton's failure to meet certain service quality benchmarks. Relatively small amounts of liquidated damages occurred each year. As of July 1, 2014, the monthly contract amount was reduced to $50,000 per month, or $600,000 annually. The reduction was mainly due to a decrease in the usage of TRS as new technologies presented alternative methods of communications to deaf, hard-of-hearing and speech impaired persons. The TRS Advisory Council continues to monitor the use of TRS in Maine.

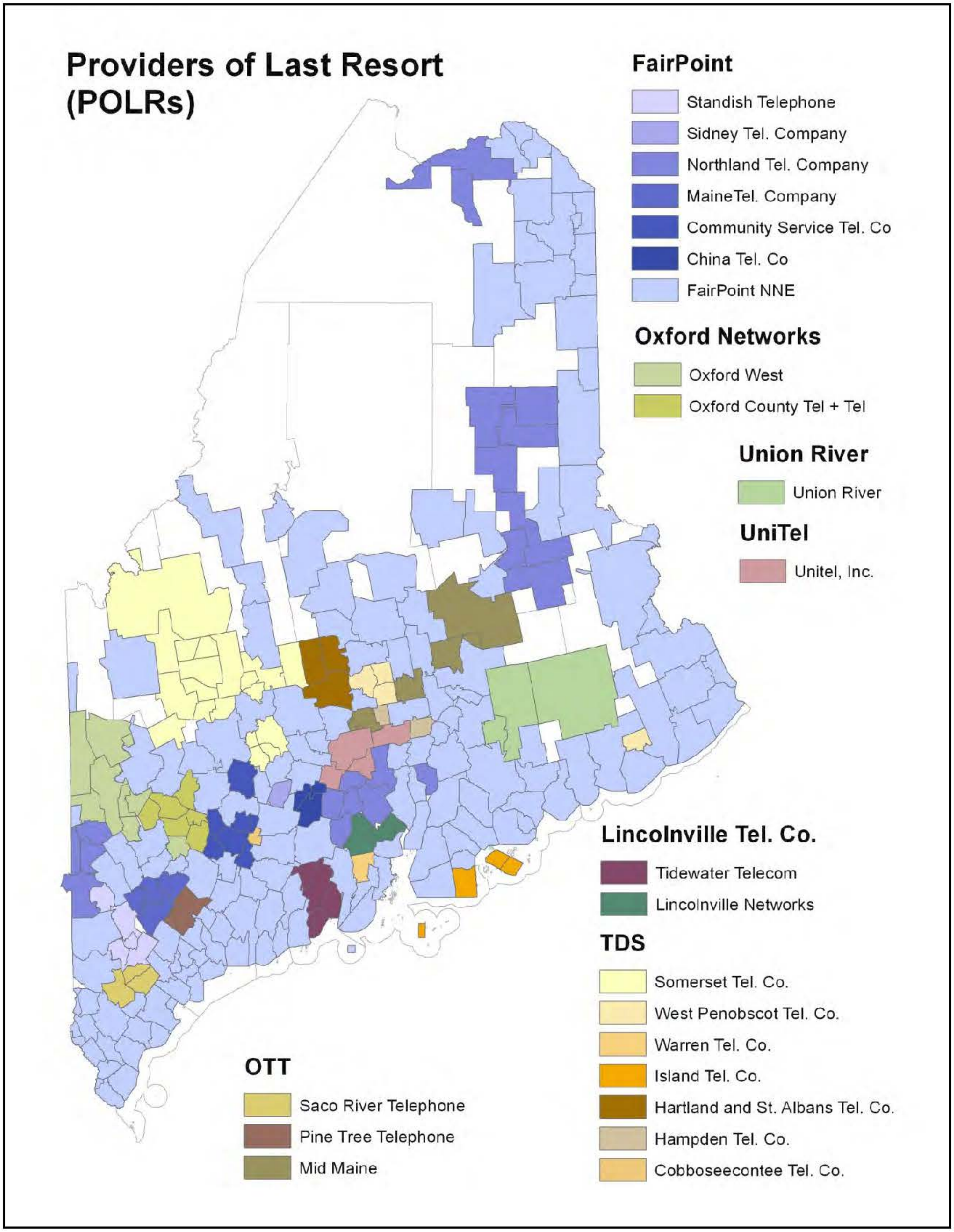
Lifeline The Federal Lifeline program seeks to encourage telephone subscribership among low-income customers, and provides basic telephone service for those that qualify. To participate in the program, consumers must have an income that is at or below 135% of the federal poverty guidelines or participate in a qualifying state, federal or tribal assistance program. Consumers may also qualify if they receive benefits from programs such as Medicaid, the Low-Income Home Energy Assistance Program (LIHEAP), and the Temporary Assistance to Needy Families Program.

Subsidized Lifeline service results in a $9.25 discount off the local basic service portion of a qualifying subscriber's monthly bill. For example, a Lifeline-eligible customer who elects to purchase only basic local service from FairPoint would, at FairPoint's current rates, expect to pay $7.44 for that service. The Lifeline discount for basic local service is applied to the basic local service portion of the bill regardless of whether a qualified customer also purchases local distance or ancillary services (such as call-waiting). In Maine, U.S. Cellular, TracFone, Virgin Mobile, Cintex, Nexus, YourTel, Gulf Coast Wireless, Budget Wireless, Q Link, Tag Mobile, and Telrite also receive federal subsidies in order to offer Lifeline service to their wireless customers.

Telephone Exemptions In accordance with statutory changes passed in the 125th Maine Legislature, the Commission may grant exemptions from certain portions of Title 35-A to POLR service providers. The Commission received no requests for exemptions from POLR service providers in 2014.[4]

[4] Pursuant to 35-A M.R.S. § 120(5), the Commission is required to report on this information in its annual report.

Figure 3 – Provider of Last Resort



4. ELECTRIC

THE ELECTRIC INDUSTRY IN MAINE[5]

Electricity service to Maine consumers comprises two components: delivery and supply. Delivery includes transmission, distribution and customer-related items such as metering and billing, and supply includes the production and provision of electric energy and capacity. Delivery encompasses high-voltage transmission and lower-voltage distribution systems, including the construction, operation and maintenance of those facilities. Delivery is considered to be a monopoly service and is fully regulated. Supply is not considered to be a monopoly service, and is provided by various entities operating in regional and state wholesale and retail markets with lighter regulation and oversight. At the retail level, consumers in Maine receive delivery service from a regulated transmission and distribution (T&D) utility, and supply service from a licensed competitive electricity provider (CEP).

T&D rates comprises 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) -- high voltage transmission lines which serve as the backbone of the New England system and are paid for by all New England ratepayers. Distribution rates cover costs incurred by the T&D utility to construct and operate the local distribution system, as well as costs for customer-related activities such as metering and billing. Stranded cost rates reflect the net, above-market costs for generation obligations that utilities incurred prior to industry restructuring, as well as net costs from more recent contracts authorized pursuant to specific statutory provisions, such as the long-term contracting statute (35-A M.R.S. § 3210-C), the Community-based Renewable Energy Pilot Program statute (35-A M.R.S. § 3601-3609), and unallocated language, Section A-6, of the Ocean Energy Act (PL 2009, Ch. 615).

Most of Maine is part of the regional bulk power and wholesale market systems that are operated and administered by the New England Independent System Operator (ISO-NE). The exception to this is northern Maine, which is not directly interconnected with the ISO-NE system. Northern Maine is interconnected to the New Brunswick Power system, and has its own system administrator, the Northern Maine Independent System Administrator (NMISA).

Electricity use by Maine consumers is currently about 12 million megawatt hours (MWh) per year, with a peak demand of about 2,200 MW. Maine is currently a net electricity exporter, with total generation capacity from in-state plants in the range of 3,200 MW.

[5] In addition to reporting on the electric industry, this section includes the Commission's Reports on Electric Restructuring required pursuant to 35-A M.R.S. § 3217, Electric Incentive Ratemaking required pursuant to 35-A M.R.S. § 3195(5) and Smart Grid Infrastructure pursuant to 35-A M.R.S. § 3143.

The Commission regulates the operations and rates of the Maine T&D utilities, except for transmission rates, which are regulated by the Federal Energy Regulatory Commission (FERC). The Commission licenses retail electricity suppliers and marketers, and generally oversees the Maine retail market. The Commission also administers competitive procurement processes for standard offer service, and administers other power supply procurement processes pursuant to specific statutory direction and authority. Finally, the Commission monitors regional wholesale markets and bulk power and transmission systems, including the ISO-NE and NMISA systems, and advocates for Maine consumers in regional forums and before FERC.

There are twelve T&D utilities in Maine: two investor-owned utilities (IOUs) and ten consumer-owned utilities (COUs). The IOUs, Central Maine Power Company (CMP) and Emera Maine (EME), serve about 95% of the total state load. Figure 4 below shows the geographic areas each utility serves.

Figure 4 – T&D Service Areas

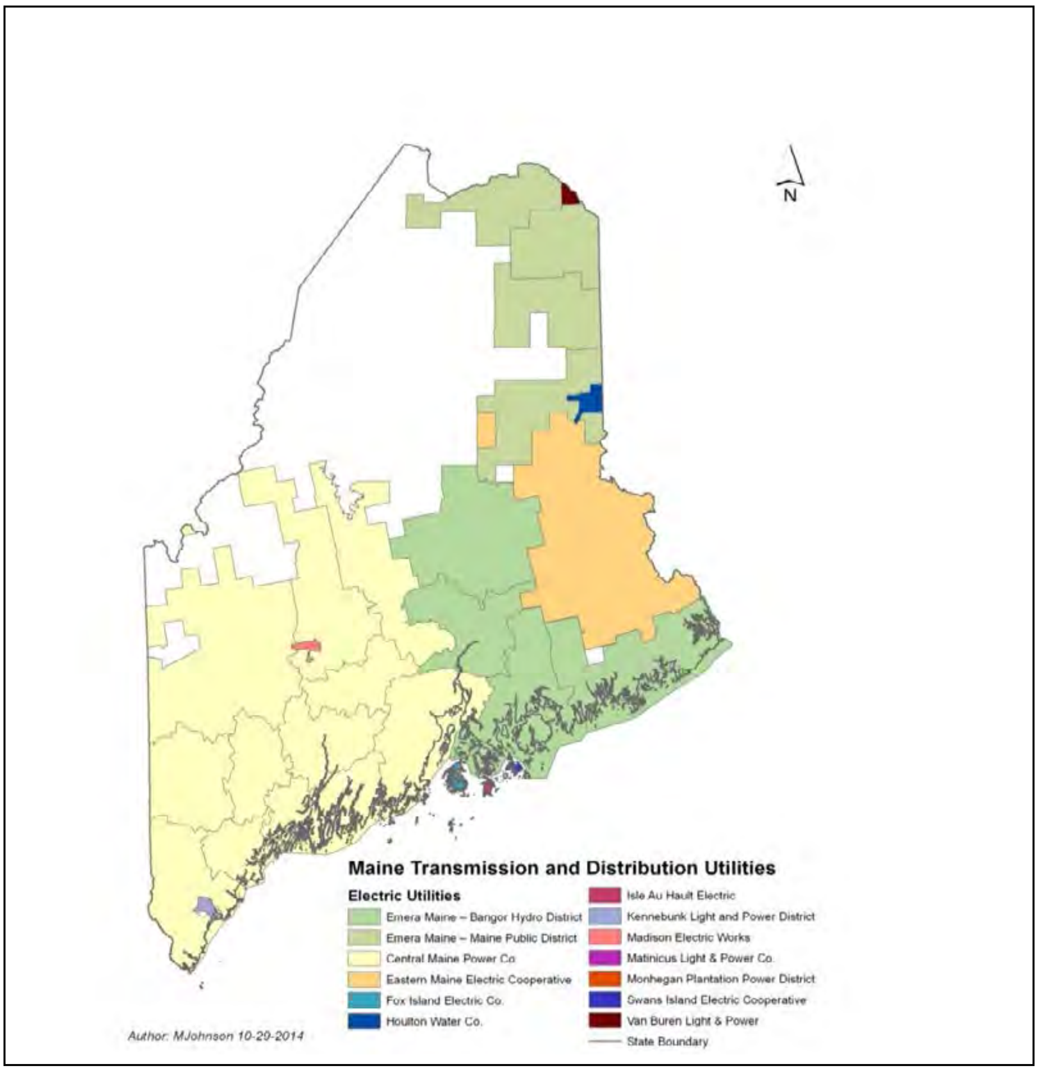


Figure 4 reflects the 2013 Commission approved merger of Bangor Hydro-Electric Company and Maine Public Service Company into a single utility - Emera Maine. The merger became effective January 1, 2014. Emera Maine currently maintains separate terms and conditions and rate schedules for what is now referred to as the Bangor Hydro district and the Maine Public Service district.

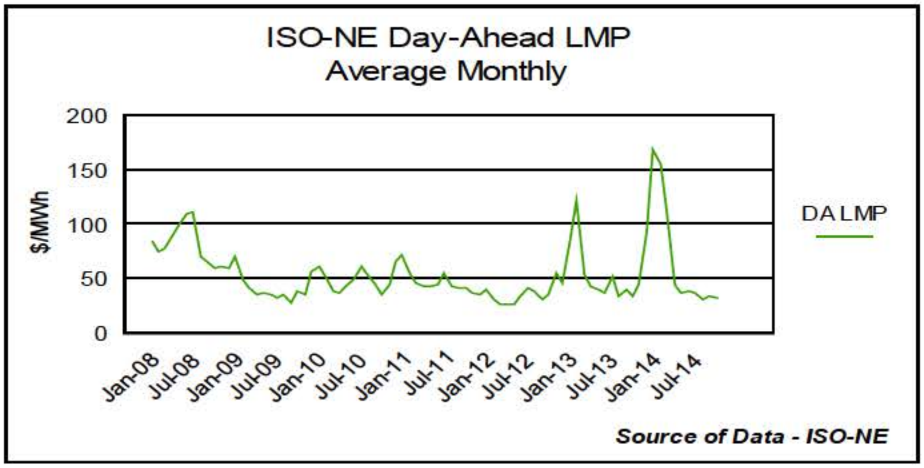
There are approximately 230 Maine-licensed CEPs, with whom customers have made arrangements for supply for 55%-60% of Maine's retail electricity usage. The remaining usage is supplied by the suppliers selected by the Commission to provide "default" service, i.e. standard offer service. There are also several electricity generation facilities located in Maine. Summary information about these facilities is available through the ISO-NE at http://www.iso-ne.com and NMISA at http://www.nmisa.com

INDUSTRY TRENDS

Supply Price Increases Electricity supply prices in the regional wholesale market are strongly influenced by natural gas prices because gas-fired power plants set the market clearing price in most hours of the year. During 2014, natural gas prices at Henry Hub showed modest increases. Marcellus production areas traded at a discount to Henry Hub. Boston Citygate prices showed winter peaks and settled at discounts to Henry Hub during the late spring, summer and early fall. Although domestic natural gas production has increased significantly over the past several years due to shale gas production, New England has no indigenous natural gas supply, and the region's geology is not suitable for underground storage. Thus, New England relies on interstate pipelines to transport natural gas here from other regions. Pipeline constraints have developed because, although demand for natural gas has been growing in the region, the current market rules do not require nor provide incentives for investments in new pipeline capacity to supply growth in power plant's burning natural gas nor growth in Maine's industrial gas load. (See page 27 below for more information on this issue and the state and regional response, including the Maine Legislature's enactment of The Maine Energy Cost Reduction Act and the Commission's actions with respect to Energy Cost Reduction Contracts.)

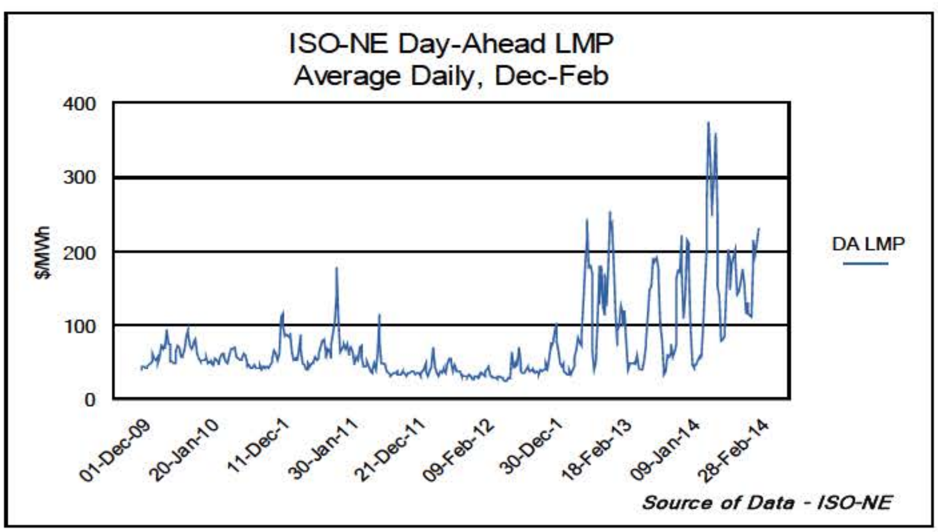
On an annual average basis, regional wholesale electricity supply prices in ISO-NE were 20% higher in 2014 compared to 2013, and almost 90% higher compared to 2012. Generally, 2012 appears as a low point in natural gas and electricity supply costs. Monthly average prices over the last several years are shown in Figure 5 below.

Figure 5 ISO-NE Day-Ahead LMP



The effect of demands on the gas system in general and to some extent also of the pipeline constraints are particularly evident during the winter months when heating demands of natural gas customers are at their highest levels. During the winter period of December 2013 through February 2014, prices were 64% higher than the prior winter period, and almost four times higher than prices during the winter period two years ago. The Commission's ongoing adjudicatory proceeding in the energy cost reduction contract case will further explore the inter-relationships between natural gas pipeline capacity and electricity pricing. These inter-relationships are complex. Some data in New York ISO and PJM suggest there may be a variety of factors affecting electricity prices. Daily average wholesale prices over the past several winter periods are shown in Figure 6 below:

Figure 6 Daily Average Wholesale Prices



Electricity supply prices at the retail level also continued to increase during 2014, reflecting the conditions in the underlying wholesale market. For certain customers, such as residential and small commercial standard offer service customers, price increases were mitigated to some extent because supply for a portion of their load had been acquired in previous years at relatively lower prices. Despite that, standard offer prices for CMP and Emera Maine (BH district) (EME-BH) residential and small commercial customers increased by 11% and 13%, respectively, in March of 2014, and for Emera Maine (MPS district) (EME-MPS) they increased by 16%. Prices for standard offer service for CMP and EME-BH medium C&I customers increased by 30% and 31%, respectively, and, because they vary by month, medium C&I standard offer prices are particularly high during the winter period. Standard offer prices for EME-MPS medium C&I customers increased by 16%. Standard offer prices for large C&I customers also increased in 2014, although most large C&I customer load is served by individual CEP contracts and not by standard offer service.

Prices available from CEPs were also higher, although complete information about 2014 CEP prices will not be available until later this year. For some customers, contractual arrangements may have provided some protection from price increases, for example if the customer's pricing was locked in during a prior year. For most customers, however, because CEPs are typically acquiring supply in the regional wholesale market, retail prices from CEPs during 2014 would be likely to reflect the conditions described above.

Retail Supply Market Activity

Since March 2000, consumers in Maine have had the right to select their electricity supply products and suppliers. For many years there was a robust market throughout most of Maine for medium and large commercial and industrial (C&I) customers, but virtually none for residential and small commercial customers. However, since 2012, retail competition has increased substantially for residential and small commercial customers. There are now several CEPs serving this sector, which until 2012 had been supplied almost exclusively by standard offer service. Currently, about 27% of the supply for residential and small commercial customers is provided by CEPs rather than by standard offer service.

27% of electricity supply for residential and small commercial is provided by CEP's rather than the standard offer.

The growth in competition in the residential and small commercial customer sector has been accompanied by customer confusion and complaints, including several complaints to the Commission's Consumer Assistance Division (see Section 10, page 65). As a result, in 2014 the Commission initiated a rule making to examine comprehensive changes to its CEP licensing and consumer protection rules.[6]

[6] Amendments to Licensing Requirements, Annual Reporting, Enforcement and Consumer Protection Provisions for Competitive Provision of Electricity (Chapter 305), Docket No. 2014-00214, (July 24, 2014)

As has been the case in prior years, during 2014 competition remained weak in northern Maine due to its electrical isolation from a functional wholesale market, such as the market in the ISO-NE region. This isolation has hindered the retail market from developing in this part of the state since retail access began in 2000.

Specialized supply products for residential and small commercial customers continued to be available, including a green power program that allows customers to purchase renewable energy credits (RECs), and a standard offer time-of-use option that allows customers who shift more of their usage to off-peak periods to save money.

Delivery Service Rates

Delivery service rates include distribution, transmission and stranded cost components. During 2014, there were changes to the each of these components for both CMP and Emera Maine.

Distribution rates include the capital and operating costs of the electric distribution systems, as well as customer-related costs such as metering and billing. During 2014, distribution rates increased for by 10.5% for CMP and by 8.68% for Emera Maine.

Stranded cost rates include the net costs associated with pre-restructuring power purchase agreements. Net costs that result from more recently approved power purchase contracts authorized pursuant to the long-term contracting statute, Community-based Renewable Energy Pilot Program statutes and the Ocean Energy Act are not technically stranded costs, but are addressed in the stranded cost rate processes and reflected in stranded cost rates. In 2014, the stranded cost rates of CMP, Emera Maine-Bangor Hydro District and Emera Maine-Maine Public District all decreased as a result of the inclusion of amounts related to the flowback to ratepayers of the DOE damage awards to Maine Yankee, Connecticut Yankee and Yankee Atomic companies. As described below, an agreement among the Yankee companies, Maine, Massachusetts and Connecticut provides for $40.7 million of Phase I awards to be returned over a three-year period (2013-2015) to the Yankees[7] Maine wholesale customers for the benefit of ratepayers. In 2014, Phase II damage awards of approximately $32 million became final and were returned in to Maine utilities for the benefit of ratepayers.

The adjustment to CMP's stranded cost rates to reflect the inclusion of the DOE Yankee settlement funds, which was effective on September 1, 2014, allowed for a decrease in CMP's stranded cost revenue requirement of over $35 million, from a positive $24.5 million to negative $11.0 million. Similarly, stranded cost rates for the Maine Public District of Emera Maine were adjusted effective January 1, 2015 to reflect a decrease from an annual revenue requirement of $5.1 million to a negative $1.8 million annually. Although the stranded cost rates of the Bangor Hydro District of Emera

[7] P.L 2013, c.369, codified at 35-A M.R.S. § 1901 *et seq.*

Maine remain positive, the Maine Yankee DOE funds allowed for a decrease from $25.1 to $22.6 million in annual revenue requirement.

Transmission rates for CMP increased by approximately 2%, for EME/Bangor Hydro District by about 10%, and for EME/Maine Public District decreased by approximately 20%. Transmission rates for CMP and BHE have increased significantly over the last ten years. By way of illustration, the transmission rate for a CMP residential customer has increased from 0.7 ¢/kWh in 2003 to 2.4 ¢/kWh in 2014. The current transmission rate for BHE residential customers is even higher, at 2.6 ¢/kWh. These increases are largely a result of major transmission system upgrades throughout New England, including by CMP and BHE. Under the ISO-NE tariff, costs of most major transmission projects in New England are shared among all the New England states in proportion to their load, so that Maine customers pay about 8% of the cost of those projects regardless of where they are physically located. These regional transmission costs are expected to continue to increase. According to the ISO-NE's most recent forecast, regional transmission costs are projected to increase by 7.5% in 2015 and by 29% by 2018, compared to the current level. These increased federal transmission rates mean that New England ratepayers pay for regional transmission rates among the highest in the United States

Transmission rates for CMP and BHE have increased significantly over the last 10 years.

The transmission rate for a MPS residential customer is about 1.0 ¢/kWh reflecting, in part, the fact that MPS is not part of the ISO-NE system and also the relatively lower transmission costs of the lower voltage system in that smaller area. As described below, however, the Commission is currently examining whether additional transmission investment is required in northern Maine to ensure system reliability. MPS's retail transmission rates decreased substantially as compared to last year's rates primarily due to a reduction in the cost of reliability measures, which represented a substantial increase last year.

Table 3 – Residential Electricity Rates

RESIDENTIAL ELECTRICITY RATES IN MAINE

As of December 31, 2014*

	% of State Residential Load	kWh	Delivery Rate T&D ¢/kWh	Stranded Cost ¢/kWh	Total Delivery ¢/kWh	Standard Offer Rate ¢/kWh	Total Rate ¢/kWh
INVESTOR-OWNED UTILITIES							
Central Maine Power*	78.6%	3,564,646,991	7.89	-0.13	7.76	7.56	15.3 ¢/kWh
Bangor Hydro Electric*	13.7%	621,040,000	8.59	1.66	10.24	7.58	17.8 ¢/kWh
Maine Public Service*	4.1%	184,455,000	6.72	0.86	7.59	8.49	16.1 ¢/kWh
COOPERATIVES & MUNICIPAL-OWNED UTILITIES							
Eastern Maine Electric Coop.	1.2%	56,189,466	9.15	N/A	9.15	7.06	16.2 ¢/kWh
Houlton	0.7%	29,940,284	3.70	N/A	3.70	7.44	11.1 ¢/kWh
Van Buren	0.2%	7,527,795	4.61	N/A	4.61	7.46	12.1 ¢/kWh
Kennebunk Light & Power	1.0%	47,062,092	4.36	N/A	4.36	6.48	10.8 ¢/kWh
Madison Electric Works	0.4%	17,410,581	6.90	N/A	6.90	8.27	15.2 ¢/kWh
Matinicus	0.0%	229,747	Exempt from Standard Offer requirements				79.2 ¢/kWh
Monhegan	0.0%	301,967	Exempt from Standard Offer requirements				69.6 ¢/kWh
Fox Island	0.1%	6,415,122	18.98	N/A	18.98	11.76	30.7 ¢/kWh
Isle au Haut**	0.0%	205,536	36.73	N/A	36.73	6.57	43.3 ¢/kWh
Swans Island	0.0%	2,089,063	22.46	N/A	22.46	9.85	32.3 ¢/kWh
STATE AVERAGE	100.0%	4,537,513,644	7.9	0.2	8.1	7.6	15.7 ¢/kWh

** - CMP, Emera Maine - Bangor Hydro Division, and Emera Maine - Maine Public Division information based on rates as of 12/31/14. Consumer-owned utilities' information based on 2013 annual reports (filed in 2014). Supply rates based on rates in effect 12/31/14.*

*** - Based on 2012 annual reports. Isle au Haut did not file a 2013 report.*

KEY EVENTS

Energy Cost Reduction Act and Related Events

During its 2013 session, the Maine Legislature enacted The Maine Energy Cost Reduction Act.[8] (Act). The Act resulted from concerns about regional natural gas price increases and the resulting impact on electricity prices in Maine over the past several years driven by constraints on natural gas supply into and within the New England region. The Act authorizes the Commission, in consultation with the Public Advocate and the Governor's Energy Office, to execute or direct one or more utilities to execute, consistent with specific pre-conditions, an "Energy Cost Reduction Contract" (ECRC) to procure capacity on a natural gas pipeline to increase the flow of natural gas into New England. Before the Commission may authorize an ECRC, it must have pursued, in the appropriate regional and federal forums, market and rule changes that will reduce the "basis differential"[9] for natural gas delivered into New England.

Pursuant to the Act, on March 20, 2014, the Commission initiated an investigation to consider issues regarding whether and how it should exercise its authority to enter an ECRC on behalf of Maine gas and electric consumers. Numerous stakeholders -- including interstate pipelines, Maine gas and electric utilities, and environmental and consumer advocates -- actively participated in hearings and filed testimony and briefs. A Phase 1 Order was issued on November 13, 2014 and the Commission decided to proceed to Phase 2 to analyze actual ECRC proposals for pipeline capacity contracts. Three proposals were received in December 2014 and are currently being evaluated by a consultant and the Commission staff.

In addition, throughout 2014, Maine's NESCO Manager continued to engage in discussions with other New England officials regarding a regional approach to address natural gas pipeline constraints and the resulting effect on electricity prices. These activities include efforts by the New England States Committee on Electricity (NESCOE) to advance regional energy infrastructure expansion. [10]

Distribution Rate Cases

CMP On July 1, 2008, the Commission approved a five-year Alternative Rate Plan (ARP) for CMP which took effect on January 1, 2009 and expired on December 31, 2013. On May 1, 2013, CMP filed revenue requirement information which proposed a distribution rate increase of $41.4 million or 18.2%, to take effect on July 1, 2014. To mitigate the impact of the proposed increase down to 8%, the Company proposed an acceleration of the amortization of a regulatory liability (an amount owed to ratepayers). As part of its filing, the Company also proposed a new ARP that would run from

[8] P.L 2013, c.369, codified at 35-A M.R.S. § 1901 *et seq.*
[9] The "basis differential" is difference in gas prices between the point of supply and the point of delivery, which in New England is currently represented by the Algonquin city gate.
[10] The NESCOE structure provides that the Governor appoints each state's NESCOE representatives to represent the state in regional discussions. Commissioner Littell has not participated in these regional discussions.

January 1, 2014 through December 31, 2018.[11] In addition, the Company proposed changes to the structure or design of its rates, including changes that would increase the amounts recovered through fixed monthly customer charges.

On July 3, 2014, the Commission received a Stipulation and Supplemental Stipulation that resolved all of the revenue requirement and ARP issues, as well as issues that arose from the Commission's audit of the Company's management of its Advanced Metering Infrastructure (AMI) Program, and some but not all of the rate design issues. These Stipulations were approved by the Commission in Orders dated August 25, 2014. Under the terms of the Stipulations, CMP's distribution rates increased on September 1, 2014 to reflect a distribution revenue requirement increase of $24.257 million. The September 1 increase also reflected recovery of costs associated with the December 2013 ice storm. As part of the Stipulation, CMP agreed to withdraw its request for a new ARP.[12]

With respect to rate design, the Stipulation resulted in a change that increased the fixed monthly customer charge for residential and commercial customers with an offsetting reduction in usage charges, reflecting the relative fixed cost nature of the distribution system. Because not all rate design issues were resolved by the Stipulation, the Commission, pursuant to an Order issued on October 14, 2014, resolved issues regarding the structure of demand charges and determined that the charges should be higher in the summer months to correspond with peak system conditions. The Commission also directed that further rate design changes be considered in the context of CMP's development of a new customer billing system.

<u>Emera Maine</u> On December 6, 2013, Bangor Hydro Electric Company (BHE) and Maine Public Service Company, (MPS) filed a joint request for a distribution rate increase.[13] The rate increase request was filed as a joint request because BHE and MPS anticipated merging on December 31, 2013 to form Emera Maine. The proposed rate increase represented the first increase for both companies since 2006. In its filing, the companies proposed to increase distribution rates by 9.4% based on a revenue requirement of $81.6 million. In an updated filing, Emera Maine, proposed to increase the allowed revenue requirement amount to $83.5 million. On June 17, 2014, the Commission received a Stipulation entered between Emera Maine and the OPA. Under the terms of the Stipulation, the parties agreed to a distribution rate increase of 8.68% which reflected a $80.64 million distribution revenue requirement and $1.2 million for recovery of Emera Maine's December 2013 Ice Storm costs. The Commission issued an order approving the Stipulation on June 30, 2014.

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[11] Central Maine Power Company Request for New Alternative Rate Plan Docket No. 2013-00168.
[12] The Commission reports this development with CMP's ARP pursuant to the ARP reporting requirements in 35-A M.R.S. § 3195(5).
[13] EMERA MAINE, Proposed Increase in Distribution Rates (Bangor Hydro and Maine Public Districts), Docket No. 2013-00443.

December 2013 Ice Storm

Just prior to Christmas 2013, the worst ice storm since January, 1998 struck the State. The storm resulted in 144,800 interruptions in CMP's service territory with a peak of 87,000 customer interruptions on December 24, 2013. The December storm also had significant impact on service in Emera Maine (Hancock, Penobscot, and Washington counties) and Eastern Maine Electric Cooperative's (EMEC) service territories. Emera Maine reported 1"-1.2" of icing with 228,000 interruptions. EMEC reported that at the peak 9,000 of its members were without power.

Under the terms of the Extraordinary Storm Cost provision of its prior ARP which was in effect at the time of the storm, the Commission authorized CMP to collect $26.1 million of incremental restoration costs associated with the December 2013 Ice Storm over a two-year period. The Commission also approved a Request for an Accounting Order by Emera Maine which authorized Emera Maine to recover $4.8 million in incremental extraordinary storm costs over a five-year period.

CMP Advanced Metering Infrastructure (AMI or Smart Meters)

CMP’s AMI systems, which were installed in 2012, were used during 2013 and 2014 to remotely read customer meters, detect and manage outages, and disconnect and reconnect customers remotely. In addition, CMP introduced “Energy Manager,” which is a web portal that allows customers to access information about their hourly usage. A TOU supply program for CMP residential and small commercial customers became available in March 2013 and continued through 2014; however, participation has been relatively low.

In response to a Law Court decision,[14] the Commission, on July 24, 2012, initiated an investigation into the health and safety issues associated with CMP’s smart meters.[15] The case was litigated throughout 2013 and into 2014. On December 19, 2014, the Commission issued its decision finding AMI, including the use of "smart meters," as implemented and operated by CMP, does not present a credible threat to the health and safety of CMP's customers and therefore is safe.

Due to concerns with changes in CMP’s calculation of the net savings expected from AMI as well as CMP’s ability to deliver AMI-related supply side benefits, the Commission initiated an audit of CMP’s AMI project management in 2013. The Commission’s consultant, Blue Ridge Consulting Services, Inc., filed its audit report with the Commission in February, 2014. As described earlier, the issues raised by the audit were resolved by agreement of the parties via the Supplemental Stipulation filed and approved as part of the CMP’s distribution rate case settlement.

[14] Friedman v. Pub. Util's Comm'n, 2012 ME 90.
[15] Notice of Investigation, Docket No. 2011-00262, (July 24, 2012).

Emera Maine Generation Affiliate Proceeding

On April 30, 2012, the Commission issued an Order approving petitions for reorganization from Emera Maine that allowed for the utility to become affiliated with two electric generation companies - First Wind Holdings, LLC and Algonquin Power & Utilities Corporation.[16] The Order included numerous conditions applicable to the various parties. The Order was appealed to the Maine Supreme Judicial Court. In March, the Court issued its ruling, which vacated the Commission's April 30 Order and remanded the case back to the Commission for further proceedings regarding interpretation of the requirements of the State's electric utility restructuring statutes.[17]

On October 9, 2014, the Commission issued its decision on remand, finding that under the Court's standard, the corporate relationships at issue are permitted by Maine law.[18] On October 28, 2014, the October 9, 2014 Order was appealed to the Maine Supreme Judicial Court. On November 24, 2014, Emera Maine submitted a letter informing the Commission that First Wind Holdings and Emera have entered into an Agreement pursuant which Emera has agreed to sell its financial interests in First Wind's operations. That transaction is expected to close in the first quarter 2015.

Northern Maine System Reliability Investigation

Throughout 2014, the Commission continued its examination of system reliability issues in the Northern Maine Independent System Administrator (NMISA) region.[19] For the past several years, the NMISA and in-region stakeholders have raised concerns about the adequacy of the northern Maine transmission system, particularly in the event in-region biomass generation became unavailable. Various solutions have been studied, but no long-term solution has yet been implemented.[20] As a result, in March of 2013, the NMISA entered into a Reliability Must Run (RMR) contract with the ReEnergy Fort Fairfield biomass facility to address the reliability issue in the short term.

In January 2014, at the Commission's request, several parties filed proposals to resolve the reliability issues. In March, Emera Maine submitted a petition for a Certificate of Public Convenience and Necessity (CPCN) for a new 3.5 mile 138 kV transmission line connection to New Brunswick, which is its proposed reliability solution.[21] As part of the Commission's review of the Emera Maine proposal, the Commission is also considering the proposals filed by other parties in January. These

[16] Bangor Hydro-Electric Company and Maine Public Service Company, Request for Exemptions and for Reorganization Approvals, Docket No. 2011-00170 (April 30, 2012).
[17] Houlton Water Company v. Public Utilities Commission, 2014 ME 38, 87 A.3d 749..
[18] Bangor Hydro-Electric Company and Maine Public Service Company, Request for Exemptions and for Reorganization Approvals, Docket No. 2011-00170, Order Oct. 9, 2014.
[19] Investigation into Reliability of Electric Service in Northern Maine, Docket No 2012-00589
[20] The Commission reports on this matter pursuant to its obligation under 35-A MRS § 120(4), to provide an explanation of its activities that are related to ensuring that rural areas of the State are not disadvantaged as competitive markets develop.
[21] EMERA MAINE, Request for Approval of Certificate of Finding of Public Convenience and Necessity for Construction of Transmission Line in Northern Maine (Docket No. 2014-00048).

proposals include projects that would connect the northern Maine system to ISO-NE as well as projects that would provide in-region generation. Finally, pursuant to the provisions of statute[22], the Commission retained a consultant to provide an independent analysis of non-transmission alternatives (NTAs) to the proposed transmission project.

Transmission Projects and Non-Transmission Alternatives

CMP Waterville-Winslow Project On February 18, 2014, CMP notified the Commission of its intent to file a request for a Certificate of Public Convenience and Necessity (CPCN) for a transmission project (referred to as the Waterville-Winslow project). The proposed Waterville-Winslow project includes the construction of a new eight mile 115 kV line and the installation of two new transformers. Pursuant to the provisions of statute[23], the Commission retained a consultant to analyze non-transmission alternatives (NTAs) to the proposed transmission project. The Commission anticipates that following the completion of the consultant's NTA report CMP will submit a petition for a CPCN for the Waterville-Winslow Project in accordance with the requirements of statue and rule.

CMP Lakes Region Project On February 19, 2014, CMP notified the Commission of its intent to file a request for a CPCN for a transmission project (referred to as the Lake Region Project) in the Raymond/New Gloucester area. The proposed Lakes Region Project includes construction of a new 115/34.5 kV substation in New Gloucester and an eight mile 115 kV transmission line connecting the New Gloucester substation to CMP's Surowiec substation. Pursuant to the provisions of statute, the Commission retained a consultant to analyze non-transmission alternatives (NTAs) to construction of the proposed transmission project. The Commission anticipates that following the completion of the consultant's NTA report, that CMP will submit a petition for a CPCN for the Lakes Region Project in accordance with the requirements of statute and rule.[24]

Boothbay Non-Transmission Alternative (NTA) Pilot On April 30, 2012, the Commission approved a NTA Pilot Project to be coordinated by GridSolar, LLC (GridSolar) for the Boothbay region of the Mid-Coast area. Under the terms of the Pilot Project, GridSolar would procure NTA resources to address reliability concerns in the Boothbay region that would otherwise require transmission upgrades. During 2014, GridSolar finalized the procurement of NTA resources, including energy efficiency, solar photovoltaic, a diesel back-up generator, battery storage and peak-load shifting, and also conducted several tests of the NTA resources to determine their viability in meeting the area's reliability needs. Going forward, the Commission will be reviewing the results of the Boothbay Pilot to evaluate the effectiveness of NTA solutions as an alternative to the construction of transmission infrastructure to meet reliability needs.

[22] 35-A M.R.S. § 3132 (2-C)(C),
[23] 35-A M.R.S. § 3132 (2-C)(C),
[24] 35-A M.R.S. § 3132 and Chapter 330 of the Commission's rules.

Smart Grid Coordinator In 2010, the Maine Legislature enacted "An Act to Create a Smart Grid Policy in the State (Smart Grid Policy Act or the Act). The Act identifies seven specific smart grid goals and provides that "[u]pon petition, the commission shall open an adjudicatory proceeding to determine whether it is in the public interest of the state to have one or more smart grid coordinators in order to achieve the purposes of and implement the policies specified in this section." Thus if a petition is filed, the Commission must consider first whether certain smart grid functions or services identified in the Act are not being provided, and, if there is a gap in the provision of the service, whether it is in the public interest to have a smart grid coordinator (SGC) the service. If the Commission determines it is in the public interest to have an SGC, then the Commission must decide how the SGC will operate. The Act provides that, "[a] smart grid coordinator authorized under this subsection may operate as a transmission and distribution utility, under a commission-approved contract with a transmission and distribution utility or in some other manner approved by the commission."

On December 16, 2013, GridSolar filed a Petition asking the Commission to designate it as the Smart Grid Coordinator for Maine and also asking the Commission to approve its Initial Five-Year Smart Grid Implementation Plan. On June 13, 2014, GridSolar filed an amended petition, business plan and supporting testimony. The case is ongoing.

Ocean Energy Contracts

During its 2010 session, the Maine Legislature enacted legislation (P.L. 2009, Ch. 615) that directed the Commission to conduct a competitive solicitation for proposals for long-term contracts for electricity from deep-water offshore wind energy pilot projects or tidal energy demonstration projects. On December 21, 2012, the Commission approved a long-term contract for a 5 MW tidal energy demonstration project, referred to as the Ocean Renewable Power Company Tidal Energy Project. The ORPC project delivered electricity to the grid in late 2012 and early 2013. However, the project's generation unit was damaged in the spring of 2013 and was removed for examination and design improvement; as a result, the ORPC project did not deliver any electricity to the grid in 2014. ORPC's activities in 2014 focused on testing the mooring design for a floating generation system in Cobscook Bay near Lubec, Maine and studying design changes to the turbine system under a grant from the Department of Energy (DOE). ORPC plans to continue research and development on its grid scale products and hopes to redeploy a system in Cobscook Bay in the next two years.

On February 26, 2013, the Commission approved a term sheet for a long-term contract for a 12 MW deep-water offshore wind energy pilot project referred to as the Statoil Hywind Maine Project. On October 28, 2013, Statoil submitted a letter withdrawing its proposal to the Commission for a long-term contract for the Hywind Maine Project.

During its 2013 session, the Maine Legislature enacted legislation (P.L. 2013, Ch. 378) that directed the Commission to conduct a second solicitation for proposals for ocean energy pilot projects. Pursuant to a July 9, 2013 supplemental RFP for ocean energy pilot projects, Maine Aqua Ventus I GP LLC (MAV)[25] filed a proposal to develop a two-turbine, 12-megawatt, floating deepwater offshore wind energy pilot project, known as *Maine Aqua Ventus I*, in Maine state waters. On February 19, 2014, the Commission approved the MAV term sheet that would provide for a 20-year power purchase contract between MAV and CMP. MAV's proposal was dependent upon a $47 million grant from the DOE. However, the MAV project was not selected by DOE in its initial grant award in May 2014. The project did receive a $3 million DOE grant to continue project engineering activities and, as a result, has continued outreach and development activities to move the project forward. MAV remains eligible for full DOE funding under the program and there is potential for this funding to be realized at some future point. Due to this uncertainty, no further contracting activities occurred in 2014.

Electric Heating Pilot Programs

During the 2012 session, the Legislature enacted legislation[26] allowing T&D utilities to implement, upon Commission approval, efficient electric heating systems pilot programs. During 2012, the Commission authorized a heat pump pilot program for BHE and MPS (now Emera Maine) and an electric thermal storage pilot program for CMP. The utilities submitted reports on the pilot programs to the Commission in November 2013 and an analysis of those programs was submitted to the Committee on January 15, 2014. CMP's program finished enrolling customers on December 31, 2013, and Emera Maine's program was extended to December 31, 2014. However, by October 2013, the Emera heat pump program was already fully subscribed, with 1,000 customers split between the Maine Public and Bangor Hydro districts. Emera Maine submitted further reports from a third-party evaluator on the heat pump program after having conducted in-depth interviews with pilot program customers. This analysis concluded that heat pumps are a viable technology in cold climates, the pilot program resulted in savings for customers, and also noted that customer education was vital for the program's success.

Efficiency Maine Trust Oversight

Natural Gas Conservation Programs In March 2013, the Commission issued an Order approving the Second Triennial Plan (Plan) of the Efficiency Maine Trust (Trust). *Efficiency Maine Trust Second Triennial Plan*, Docket No. 2012-00449, Order (March 6, 2013). With respect to the Trust's natural gas conservation programs, the Order approved the Plan in part, providing the Trust with an opportunity to submit a further update with regard to natural gas.

In September 2014, the Trust filed its proposal to amend the Plan with respect to the natural gas conservation programs. The proposed amendment incorporates the results of the Trust's recently concluded natural gas potential study, and seeks approval to implement a state-wide natural gas program for all customer classes at a funding

[25] MAV consists of the University of Maine, Cianbro Corp. and Emera Inc.
[26] P.L. 2011, Ch. 637.

level to achieve maximum achievable cost effective (MACE) energy efficiency resources over a period of ten years. The Trust's natural gas proposal and the underlying natural gas MACE study are currently under review by the Commission.

As part of the Commission's review of the Trust's natural gas conservation proposal, the Commission is also considering whether an offset to the amount that would be assessed to Summit Natural Gas is warranted, given that Summit itself offers certain incentives for efficiency that are funded through Summit's rates.

Long-term Contracts for Energy Efficiency Capacity Resources In February 2013, the Commission conceptually approved long-term contracts proposed by the Trust to fund its large customer program, which is designed to fund efficiency projects for electric customers larger than 400kW through a competitive bid process. *Efficiency Maine Trust Petition for the Procurement and Delivery of Energy Efficiency Capacity Resources*, Docket No. 2012-00408, Order (February 13, 2013). At the time of the Commission's February 2013 Order, the actual contracts had not yet been drafted, and thus final approval of the Trust's large customer program was pending the submission of draft long-term contracts.

In August 2014, the Trust filed and requested approval of draft long-term contracts. The contracts provide for the purchase and sale of energy efficiency capacity resources (EECRs) as between the Trust and Maine's two investor-owned transmission and distribution utilities, namely Central Maine Power (CMP) and Emera Maine (Emera). Large customers participating in this program are obligated to pay 50% of total project costs, and utility funding through ratepayers under the contracts is set at $0.03 per kWh and capped at $8 million.

By Order dated October 17, 2014 and following an opportunity for comment, the Commission approved the Trust's proposed long-term contracts as consistent with the Commission's prior Order. The Order, which requires the Trust to monitor and report the efficiency savings achieved under long-term contract funding, authorizes the Trust to implement its large customer program.

Long-Term Contracts

On February 5, 2014, the Commission issued a request for proposals for long-term contracts for capacity and associated energy from qualifying new renewable resource projects pursuant to the Commission's authority under 35-A M.R.S § 3210-C and Chapter 316 of the Commission's Rules. Proposals were received on or before April 4, 2014. On December 16, 2014, the Commission approved the terms for long-term contracts with two new wind projects located in Maine. The 72.6 MW Weaver Wind Project, located in Hancock County and proposed by First Wind, was approved for a 25 year contract for capacity and energy at a bundled price of $53.00/MWh in contract year one escalating at $1.50/MWh per year. The 44 MW Highland Wind Project, located in Somerset County and proposed by NextEra, was approved for a 20 year contract for energy and 50% of capacity at a bundled price of $46.75/MWh in contract year one escalating at 2% per year. The Commission found that both projects are projected to deliver energy cost reductions for ratepayers over a range of likely future energy cost scenarios. For this reason, the Commission found that the projects meet the statutory requirement for long-term contracts to reduce the costs of capacity and energy for Maine ratepayers as well as delivering additional statutory benefits.

Regional Matters

The Commission participates in electricity-related regional and national matters in four ways. First, the Commission participates directly in certain federal proceedings. Second, the Commission may join with other state commissions in participating in federal advocacy, either through the National Association of Regulatory Utility Commissioners (NARUC) or the New England Conference of Public Utility Commissioners (NECPUC). Third, Chairman Welch, throughout 2014, was the governor's designated representative on the board of managers of the New England States Committee on Electricity (NESCOE), an organization established pursuant to an order of the FERC for the purpose of advice and advocacy in energy matters in New England and funded through the ISO-NE tariff. Finally, individual commissioners participate in regional and national activities (such as Eastern Interconnection States' Planning Council (EISPC), the Regional Greenhouse Gas Initiative (RGGI) and various committees of NARUC) that may have an impact on utilities or utility customers in Maine. Summarized below are the regional matters that the Commission was involved in during 2014.[27]

Gas-Electric Coordination   Gas-electric market coordination continues to be a focus for the region. NESCOE filed comments in a FERC Notice of Proposed Rulemaking (NOPR) supporting FERC's proposal to reform national gas scheduling practices to address scheduling coordination challenges between the natural gas transportation and electricity markets. These proposed changes as well as scheduling and market rule changes approved for New England last year will likely enable gas-fired generators to better manage fuel and transportation arrangements.

Forward Capacity Market   The eighth ISO-NE forward capacity auction was conducted in February 2014. The region acquired 33,712 megawatts (MW) for the 2017–2018 capacity year, which was 143 MW short of the 33,855 MW requirement. Because of the retirement of about 3,135 MW of capacity, there was an insufficient level of resources and the price of capacity increased substantially. A preliminary estimate of the total cost of capacity market for the 2017–2018 period is about $3.05 billion; by comparison, during the prior seven capacity periods, the total cost to the region ranged from a low of about $1.06 billion in 2013 to a high of about $1.77 billion in 2009. While the auction

[27] During the 2011 session, the Legislature enacted Resolve, To Promote Greater Transparency and Accountability Through Regional Transmission Organization Reform. Resolves 2011, Chapter 68. The Resolve directs the Commission to: (1) advocate for greater transparency of governance and operations and accountability of ISO-NE; (2) confer, to the greatest extent possible, with other and comparable commissions or bodies from one or more of the other New England states; and (3) to report on these efforts in the Commission's Annual Reports.

closed with slightly less capacity than will be needed in 2017–2018, the FCM design provides a mechanism for such gaps to be closed through annual and monthly reconfiguration auctions held over the three years prior to the capacity commitment period.

Two changes to the capacity market will be implemented for the ninth FCM period. One is the Pay for Performance program approved by FERC this year. ISO-NE proposed the program because of concerns that the then existing rules did not provide the right incentives for resources to perform. In spite of concerns raised by many state commissions (including Maine) and a large percentage of NEPOOL participants that the program would raise capacity prices, FERC approved most aspects of the proposal. The second change to the FCM was implementation of a demand curve that results in the purchase of capacity beyond the required reserve level when there is excess capacity at lower prices and the purchase of less capacity than the required reserve level when capacity is scarce and prices rise beyond acceptable levels.

ROE Complaint The Commission, together with NESCOE and NECPUC, filed comments that the FERC allowed returns on equity (ROE) for transmission should be significantly reduced. In an initial decision, the FERC administrative law judge recommended the ROE be reduced from 11.14% to 9.7%. On June 16 2014, FERC issued a decision setting the ROE at 10.56%. Requests for rehearing of this order are pending. Another ROE complaint filed this year asks the FERC to reduce the ROE to 8.84%. The Commission supported the relief sought by the Complainants. FERC has set the Complaint for hearing and set a refund effective date of July 14, 2014.

Demand Response In May, a divided panel of the D.C. Court of Appeals rejected a FERC order (Order No. 745) allowing Demand Response to participate in wholesale energy markets because it determined that FERC had infringed on state jurisdiction over retail rates. The decision is currently stayed while FERC decides whether to appeal the decision to the United States Supreme Court. NECPUC with support and assistance from the Commission has actively supported both Order No. 745 and has urged FERC to appeal the decision to the Supreme Court.

Winter Reliability Program 2014/2015 Like last year's program, the 2014/15 program is aimed at addressing concerns about reliability during cold weather events when natural gas supplies may be constrained. Specifically, the program is designed to ensure there will be adequate fuel supplies by creating incentives for dual-fuel resource capability and participation, offsetting the carrying costs of unused firm fuel purchased by generators, and providing compensation for demand response services. This year's program funds the operating cost for remaining oil inventories after the end of the winter months rather than simply paying for the cost of maintaining a fuel inventory. In addition, unlike last year's program, this year's program includes liquefied natural gas (LNG).

Yankee-DOE Litigation Awards Yankee-DOE Litigation Awards In 2013, the Commission, along with other New England states, negotiated an agreement that addresses the disposition of damage awards associated with DOE's failure to meet its obligation to remove spent nuclear fuel and a process for dealing with future DOE damage awards. The agreement provides for $40.7 million of Phase I awards to be returned over a three-year period (2013-2015) to CMP and Emera Maine for the benefit of ratepayers. In the 2013 session, legislation was adopted that specifies that a portion of these funds must be used for efficiency programs and the remaining portion to reduce rates in a manner that provides the greatest benefit to the state's economy.[28] In 2014, damage awards associated with Phase II of the DOE litigation became final and were paid. Approximately $32 million was paid to the Maine T&D utilities in June.

EPA's Clean Power Rules for CO_2 Emissions from Power Plants

On June 2, 2014, the Environmental Protection Agency (EPA) released the Clean Power Plan ("CPP") – a draft rule to regulate CO_2 emissions from power plants under construction or in operation as of January 2014. Coal, oil, and natural gas fossil fuel generation are covered pursuant to EPA's authority under the Clean Air Act. The proposal also has implications for other sources of electric power and for energy efficiency programs. Maine and the Regional Greenhouse Gas Initiative ("RGGI")[29] states are generally well-positioned to comply with the Clean Power Plan assuming the regional compliance mechanism is acceptable under the final rule.

On December 1, 2014, the Commission submitted comments on the proposed CPP rules. The Commission commented on several areas of the rule, including the inconsistent treatment of hydropower, failure to take into account transmission constraints in estimating renewable potential, and the failure to credit early-actor states for reductions achieved in recent years.

ELECTRICITY SUPPLY RESOURCES

Renewable Portfolio Standard (RPS)

Maine's Electricity Restructuring Act originally established a 30% resource portfolio standard (RPS), requiring electricity suppliers (including standard offer suppliers) to supply 30% of their Maine load from "eligible resources." The Act defined eligible resources to be generating units with capacity that does not exceed 100 MW 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.

[28] P.L. 2013 Ch. 369.
[29] RGGI is a cooperative program by several northeastern and mid-Atlantic states to limit carbon dioxide (CO2) emissions from generation facilities. By a letter dated June 20, 2007, the Chairs of the Joint Standing Committee on Energy, Utilities and Technology requested the Commission to provide RGGI-related information to the Committee at least annually. The Commission submitted a report on July 11, 2014 and expects to submit the next annual report during the first quarter of 2015.

In 2007, the Legislature expanded the RPS to also require that an additional amount of electricity come from "new" renewable resources, which are generally renewable facilities that have an in-service date after September 1, 2005. New renewable resources include fuel cells, tidal power, solar arrays and installations, geothermal installations, wind generators, hydroelectric generators that meet all state and federal fish passage requirements, and biomass generators including generators fueled by landfill gas. The "new" requirement (also referred to as "Class 1") began at one percent of load in 2008 and increases by one percent per year to ten percent in 2017, unless the Commission suspends the requirement pursuant to the Act.[30]

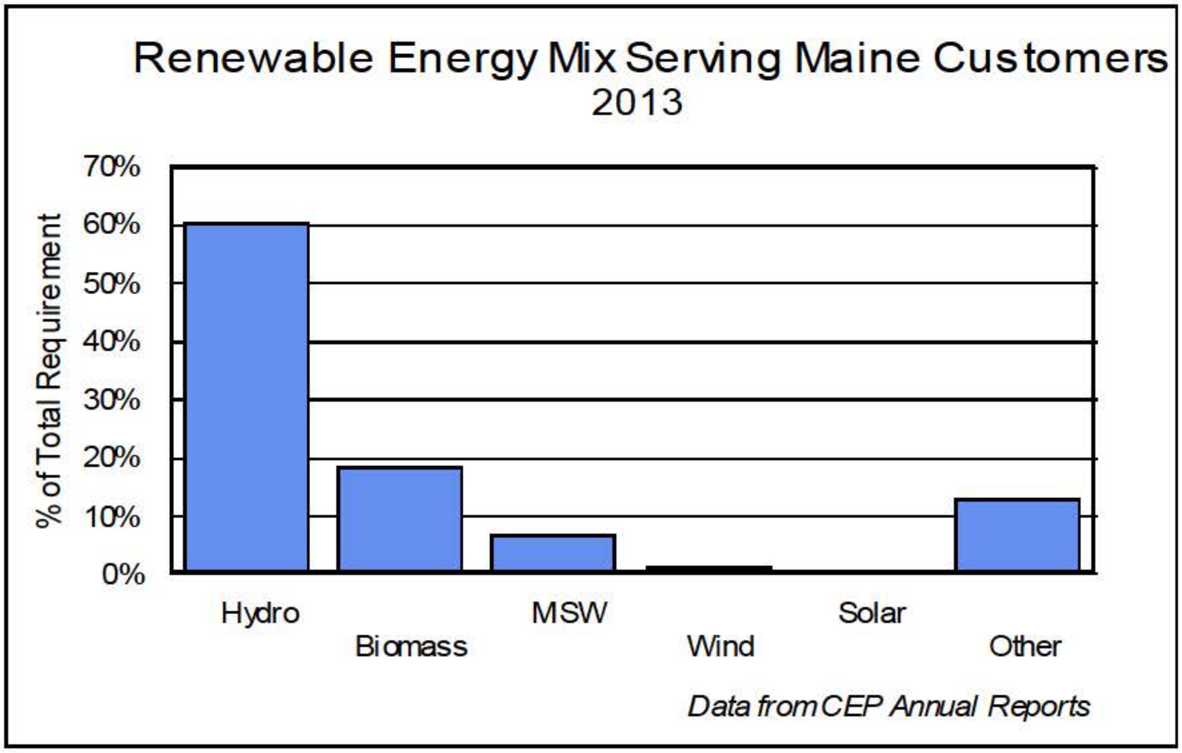
Any generation facility used toward a supplier's Class I RPS obligation must be certified by the Commission. During 2014, the Commission certified two generators as Class I compliant, bringing the total certified generators to 74 many of which are located in and also certified for RPS of other New England states.

A list of all certified Class I facilities can be obtained from the Commission's website: http://www.maine.gov/mpuc/electricity/rps-class-I-list.shtml To comply with the Maine RPS, and to provide "green" supply products, suppliers use Renewable Energy Credits (RECs) which are traded and tracked through the regional Generation Information System (GIS). RECs represent the attribute of the energy, such as the fuel used for production. Maine suppliers may purchase RECs from energy generated throughout the region. Figure 7 below shows the mix of RECs used for Maine customers in 2013, the most recent year for which data is available.

As reported in the Commission's March 31, 2014 Annual Report on New Renewable Resource Requirement, the cost of Maine Class I RECs used for compliance in 2012 ranged from approximately $11.75 per MWh to $60 per MWh, with an average cost of $31.98 per MWh. Maine Class I REC prices have since declined substantially to about $5 per MWh or less.[31] This decline is attributable to the large amount of supply available to meet Maine Class 1 RPS demand. Maine Class II REC prices in 2012 average $0.15 per MWh and continue in 2014 to be priced in this range.

[30] Pursuant to 35-A M.R.S. § 3210(3-A)(C), the Commission provides a comprehensive report on the RPS to the Legislature by March 31st of each year.
[31] DOE website: http://apps3.eere.energy.gov/greenpower/markets/certificates.shtml?page=5 .

Figure 7 – Class I Renewable Portfolio



<u>In-State Generation Resources</u>

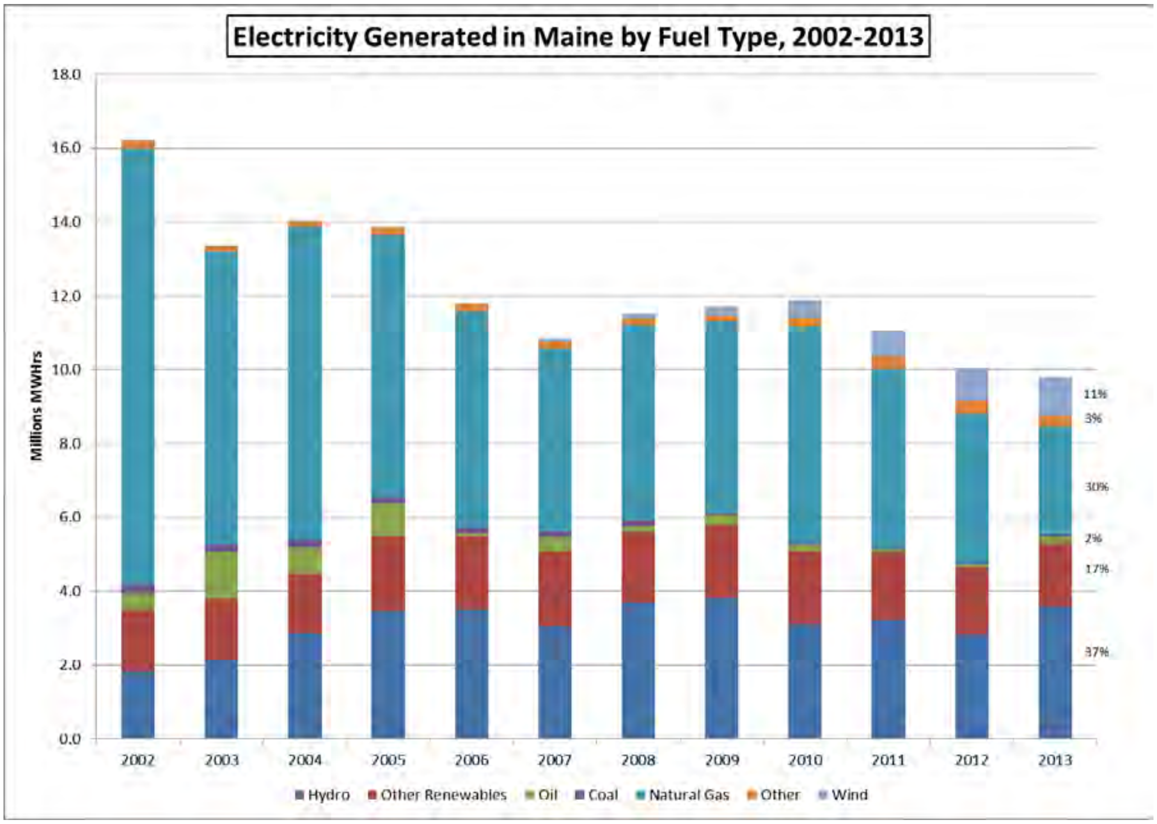
There are about 3,200 MW of generating capacity located in Maine. Much of the energy produced by these plants is in excess of Maine's demand and, thus, serves load in other states in the region. A complete list of generating plants in Maine is available through:

ISO-NE: http://www.iso-ne.com/genrtion_resrcs/snl_clmd_cap/index.html

NMISA: http://www.nmisa.com/

While typically the largest source of electricity produced in Maine is fueled by natural gas, with hydro being the next largest source, the 2013 data indicates that Maine's hydro production exceeding natural gas fired production. Figure 8 below shows Maine's generation levels and fuel mix over time, including the recent increases in wind generated energy. Please note that 2013 is the most recent year for which data is available.

Figure 8 – Electricity Generation by Fuel Type



Summary of Electric Restructuring Activity in Other States

The Restructuring Act directs the Commission to report on activities in other states associated with changes in the regulation of electric utilities. Since the restructuring late-1990s, a small number of states have continued efforts to develop competitive markets. Although fully implemented restructured markets remain primarily concentrated in the northeast and mid-Atlantic states, several other states continue to examine deregulating electricity markets, particularly for residential customers:

- In Michigan, election of an alternative electric supply is limited to ten percent of weather-adjusted retail sales for the preceding calendar year. A report issued by the Michigan Public Service Commission showed a backlog of demand for programs that goes beyond the ten percent cap and estimates, hypothetically, that for the state's two largest utilities, Consumers Energy and DTE Energy, more than 20% of customers are "in the queue" to switch electricity providers.
- In Indiana, SB 560, signed into law in April 2013 by Governor Mike Pence, included a provision requiring the Legislature's Regulatory Flexibility Committee to do a study on the merits of retail electric customer choice and report back to the Legislature with a draft of any suggested legislation. No legislation is yet forthcoming.
- According to an analysis compiled by the Ohio Consumers' Counsel based on EIA data, nine of the 12 states that saw residential electricity price declines from 2008 to 2013 were states that allow retail choice.

5. NATURAL GAS

THE NATURAL GAS INDUSTRY IN MAINE

The Commission regulates the rates and terms of service for Maine's natural gas local distribution utility companies (LDCs) to ensure that they are just and reasonable. The Commission also regulates sales, acquisitions or mergers among corporations owning LDCs doing business in the State. The Commission reviews and analyzes gas purchasing strategies and pricing options that can stabilize retail prices. In addition, the Commission oversees the safety aspects of LDC operations and facilities, as well as of certain propane facilities. Finally, in areas of the natural gas industry where federal agencies have jurisdiction over issues that affect Maine consumers, the Commission actively monitors federal proceedings and participates as warranted.

There are four natural gas LDCs authorized to provide service in Maine as summarized in Table 4 below. In 2013, Northern Utilities, Inc. d/b/a Unitil (Northern) served approximately 27,096 customers in the south-central Maine area, primarily in greater Portland/South Portland/Westbrook, greater Lewiston/Auburn, Biddeford/Saco and Kittery. Northern, a subsidiary of Unitil Corporation, has served Maine for over 150 years. Two other LDCs began providing service in Maine in 1999. Maine Natural Gas Corporation, a subsidiary of Iberdrola USA, served approximately 3,313 customers primarily in the Windham, Gorham, Brunswick, Freeport, Bath and Topsham areas, and during 2013 expanded into Augusta. Bangor Gas Company, LLC, owned by Energy West, Inc., serves 3,922 customers in the greater Bangor area. In 2013, Summit Natural Gas of Maine (SNG-Maine or Summit) was granted authority to provide service in the Kennebec Valley area and was also selected by the municipalities of Yarmouth, Cumberland and Falmouth to provide service in those communities.

Table 4 - Natural Gas LDCs

Company	2012 Customers*	2013 Customers*[32]	2014 Customers*
Bangor Gas	2,929	3,922	5,430
Maine Natural Gas	2,937	3,313	4,200
Summit	0	0	n/a[33]
Unitil	26,128	27,096	30,830
Total	31,994	34,331	40,460

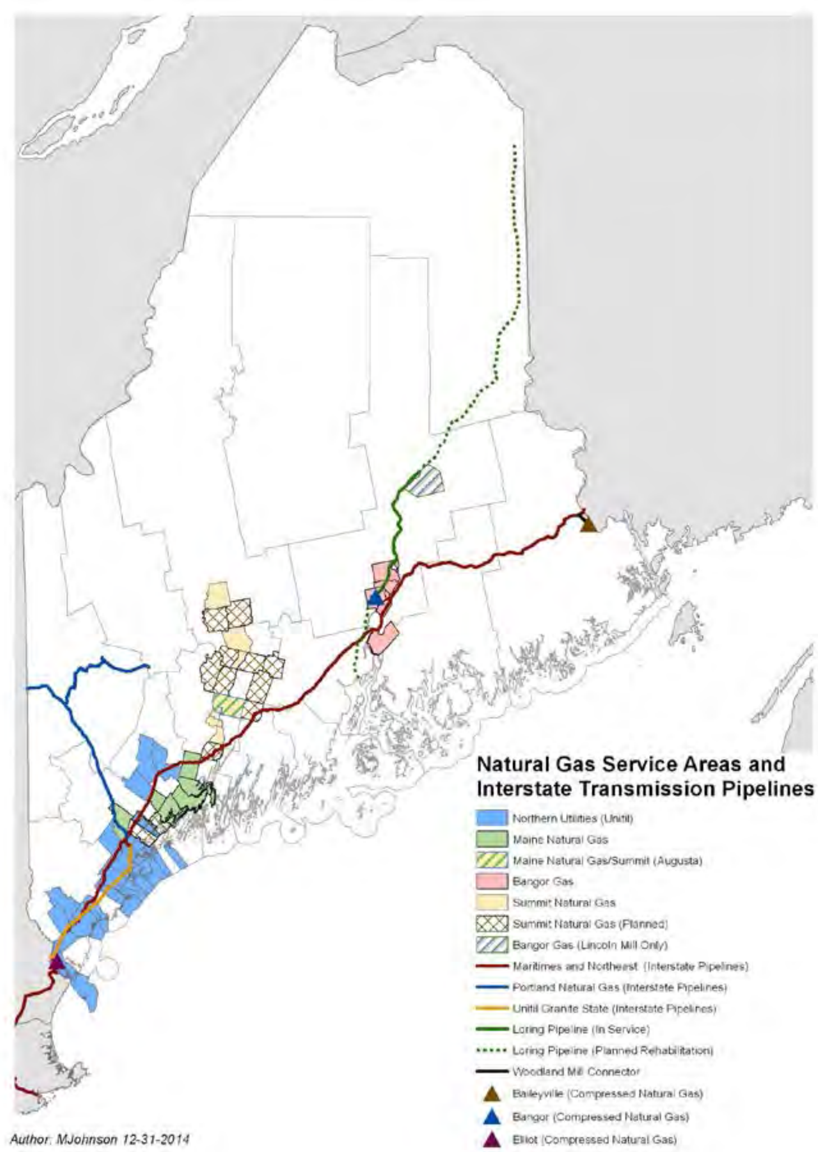
Substantial system construction that began in 2013 continued throughout 2014, most notably by Summit, which is in the process of constructing distribution systems in the greater Kennebec Valley area, as well as in the towns of Cumberland, Falmouth and Yarmouth.

*[32] Average number of customers by month. 2014 numbers are for year end and are rounded.

[33] Summit has requested that its customer count be considered confidential. The Commission granted this request for a limited time period.

There are three interstate pipelines with facilities located in Maine: Maritimes & Northeast Pipeline, Portland Natural Gas Transmission System (PNGTS), and Granite State Gas Transmission, an affiliate of Northern. These entities are regulated by federal agencies including FERC, and the Commission monitors and participates on behalf of the interests of Maine gas consumers and the public in proceedings that involve these pipelines. Figure 9 below provides a map of the LDC service areas and interstate pipelines and Compressed Natural Gas facilities located in Maine.

Figure 9 – Natural Gas Pipelines and LDC Service Areas



INDUSTRY TRENDS

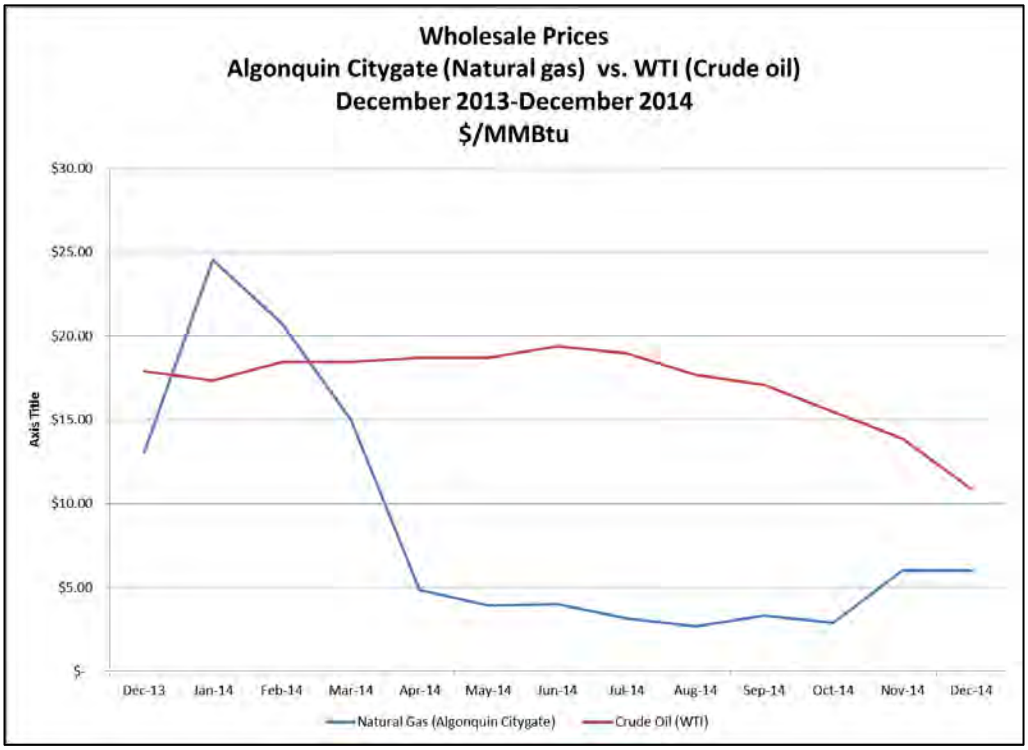
Supply Price Increases

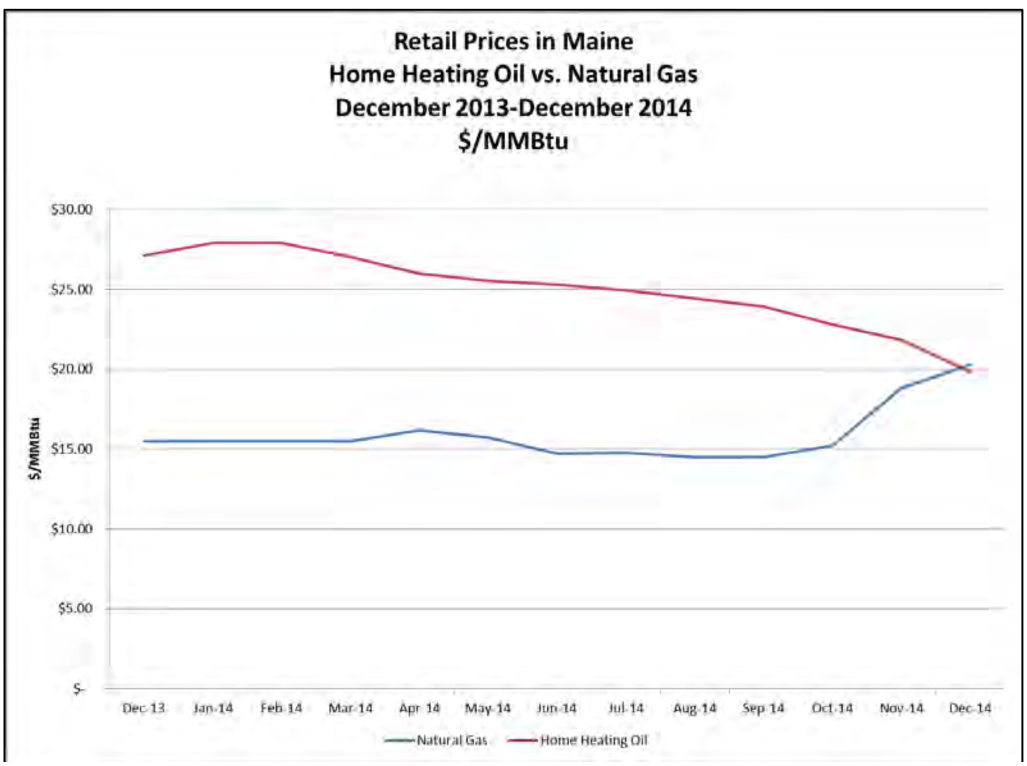
Wholesale natural gas commodity prices in most of the U.S. increased modestly on average in 2014. As compared to the average price in 2013 of $3.71 per million British thermal units (MMBtu) at Henry Hub (a major supply point and pricing index) the wholesale price in 2014 averaged $4.37/MMBtu. However, notwithstanding the continued strong domestic natural gas supply, such as from the Fayetteville, Marcellus and Barnett shale beds, significant increases in pricing occurred in certain locations, including New England, and under certain weather conditions, most notably cold winter conditions. The situation seen last winter in New England that resulted from strong and growing demand for gas, most notably to fuel electricity generation, coupled with constraints on pipeline capacity from the shale supply into the region, is expected to continue until pipeline capacity constraints are resolved. These pipeline constraints result in large "basis differentials" for gas delivered into the region, meaning that the prices at the point of delivery are much higher than at the point of production. This is particularly evident during the winter when periods of high electricity usage in the region are coupled with high gas demand for heating. For example, compared to 2014 average prices at Henry Hub of $4.3727/MMBtu, prices at the delivery terminus in Massachusetts averaged $7.086/MMBtu through October 2014. Prices on peak demand days in the region were even higher, with spot prices at the Algonquin Citygate reaching into the $70/MMBtu range in January.

From the consumers' perspective, during almost all of 2014 natural gas continued to be less expensive than oil although declines in oil prices combined with the increases in natural gas prices have reduced the price differential. Brent crude, the European benchmark, has declined 29% this year, and was trading at between $78 and $79/barrel in November. WTI, the U.S. benchmark, also declined. The per barrel price in November was between $74 and $75 declining to $50/barrel in January 2015. As reported by the Governor's Energy Office, retail prices as of the end of December 2013 for home heating oil in Maine were $27.11/MMBtu compared to $15.50/MMBtu for natural gas. In November 2014, retail prices for home heating oil in Maine were $22.06/MMBtu compared to $18.82/MMBtu for natural gas. Although the relative prices continue to support an interest in natural gas conversion among Maine residential, commercial and industrial customers, the differential may indicate that cost advantages of consumers switching to natural gas may be more difficult to quantify.

The retail prices that Maine consumers pay for heating oil and natural gas track the wholesale market prices for the commodity. Figure 10 below illustrates both the retail prices for natural gas and home heating oil in Maine and the wholesale prices for crude oil (WTI) and the commodity price at the Algonquin Citygate over the past 13 months.

Figure 10 – Oil and Gas Pricing Information





KEY EVENTS

Regional Supply Constraints; Related Activity

Natural gas supply from the Maritimes region of Canada, once expected to offer Maine plentiful gas supply, has lessened in recent years due to both availability and price issues. The Canaport LNG import terminal in New Brunswick cannot offer price-competitive supply for serving average load on a regular basis. On the other hand, the LNG storage at the terminal can provide price-competitive supply during peak pricing periods, to address peak demand and provide higher priced peak demand gas, and the new Deep Panuke field in offshore Nova Scotia is not providing large enough volumes to supply natural gas demand in northern New England and Maine. Consequently, Maine is again reliant on gas from south and west of New England to supply its growing gas demands.

More generally, because growth in pipeline capacity into and within the New England region has not kept pace with users demand, supply constraints have developed during the cold winter months when demand is highest, leading to increased prices for natural gas and electricity. As described above, during 2014 the NESCOE Manager was actively involved in regional and state efforts to address this issue. (See Electricity Section for further discussion of this issue, its effects, and the Commission's related activity.)

Natural Gas Service Expansion and System Improvements

Summit Natural Gas of Maine The Commission authorized Summit to provide service in the Kennebec Valley area in 2013. In early 2014, Summit received authority to serve in the Towns of Cumberland, Falmouth and Yarmouth. Summit has been installing distribution mains and service connections in these areas throughout 2014, and has begun providing service to customers, including several large commercial entities such as Backyard Farms, Colby College, and Pam Am Railways. As noted in Section 6, there have been some construction inspection findings in 2014 related to Summit that resulted in Notices of Probable Violations with recommendations of civil penalties totaling $300,000. See page 49 for additional detail.

Summit's Affiliated Conversion Company In September, the Commission approved a Stipulation allowing Summit Utilities, Inc., the parent of Summit Natural Gas of Maine, to create a wholly-owned subsidiary, Natural Gas Conversion Company (NGCC), which will provide natural gas conversion services to customers. The conversion services to be provided include installation of natural gas heating systems and other equipment, conversion of oil and propane systems and appliances to natural gas, rentals of conversion burners and water heaters, and ongoing repair and maintenance. In its filing with the Commission, SNG-Maine indicated that it had received feedback from customers indicating that they were having difficulty finding vendors to provide reasonably priced conversion services. In addition, SNG-Maine opined that general

HVAC contractors, perhaps because of lack of knowledge of the array of products available for natural gas installations, might be offering a one-size-fits-all alternative, possibly at higher cost. Under the settlement, SNG-Maine is required to provide a list of all local natural gas conversion service providers to potential customers when marketing natural gas so that existing heating contractors will not be disadvantaged by NGCC's affiliation with the gas utility.

Although it is expected that initially Summit's conversion company will serve customers of SNG-Maine, the company is not constrained from providing services to customers of other LDCs. The Stipulation also contains: provisions designed to ensure separation between the conversion company and SNG-Maine, including cost allocation and separate billing and collections, marketing and sales and installation inspections; provisions to ensure Commission access to books and records; prohibitions on SNG-Maine investment in or extension of credit to the conversion company; reporting requirements; compliance with Chapter 820; and future imputation of goodwill payments.

Maine Natural Gas Corporation Maine Natural Gas initiated service to several large customers in the greater Augusta area in 2013, including Maine General Medical Center's Alfond Center for Health and various State campuses, and in 2014 continued to add new customers in this and other areas in which it has installed facilities, such as Brunswick, Freeport, Topsham, Windham and Gorham.

Bangor Gas Company In October 2014, Bangor Gas began providing natural gas service to the Lincoln Pulp and Tissue mill under a special rate contract off a newly refurbished section of the Loring Pipeline extending from Bangor to Lincoln. In a 2013 proceeding, Bangor Gas stated it plans further service expansion along the Loring Pipeline corridor over the next several years, including possibly within the Town of Lincoln. Phase 2 of its plan would extend service from Bangor to Searsport.

Northern Utilities d/b/a Unitil After three years of work on the 14-year cast iron replacement program (CIRP) ordered by the Commission in Docket No. 2008-151, Unitil reported in 2014 that, through the end of 2013, it had completed about 28% of the work included in the initial project scope. As compared to the initial project schedule and projected cost, the Company is about 19% ahead of schedule and 8% below its budget estimate. Also in 2013, Unitil completed all CIRP related work in Westbrook and the Portland Downtown Business District and was able to add several new large customers, including White Brothers in Westbrook and four new large commercial developments in the Old Port area. Through the end of 2013, the Company has completed the installation of almost 18 miles of main, 9 miles of system pressure uprates, and almost 4,000 units of meter work (moving meters from inside to outside a structure). Unitil will file its 2014 CIRP report with the Commission by February 28, 2015.

Rate Issues

Bangor Gas Company LLC Rate Plan Case By Order issued September 8, 2014, the Commission approved a Rate Plan for Bangor Gas setting distribution rates at current levels, with no adjustments for inflation or earnings sharing, during the 7-year term of the plan. The Commission reasoned that a stable pricing structure would be beneficial to customers while also encouraging Bangor Gas to identify cost savings. One of Bangor Gas's largest customers, Verso Paper Corporation, participated in the case asking the Commission to set a tariffed rate for service to its Bucksport plant to become applicable when its current contract with Bangor Gas expires in 2016. The Commission declined to set a rate for Verso to allow time for further negotiation of contract terms with Bangor Gas. Verso subsequently announced it would end its papermaking operations in Bucksport by the end of 2014. Both the OPA and Verso have appealed the Commission's decision not to use the impaired rate base value in setting rates, using instead the depreciated original cost of utility assets.

Low-Income Program During 2014, Northern continued to provide a discount of 30% of total service charges for all customers that are eligible for LIHEAP. This discount program has been in effect for since 2011, pursuant to 35-A M.R.S. § 4706-A.[34]

NATURAL GAS ALTERNATIVE RATEMAKING

The Commission is authorized by statute (35-A M.R.S. § 4706) to adopt alternative ratemaking mechanisms for gas utilities "to promote efficiency in operations, create appropriate financial incentives, promote rate stability and promote equitable cost recovery." In particular, the Commission may do the following: adopt multi-year ratemaking plans with mechanisms for future rate changes, reconcile costs and revenue, index revenues or rate changes, establish financial incentives, streamline regulation or deregulate services where not required to protect the public interest, approve rate flexibility programs and modify cost-of-gas adjustment requirements. This flexible regulation encourages expansion of natural gas service into areas that previously had no natural gas utility. Section 4706 requires the Commission to report on any significant developments with respect to action taken or proposed to be taken by the Commission in this area as part of its annual report.

Under this authority, in the late 1990's the Commission implemented alterative rate plans for two natural gas utility start-ups: Bangor Gas and Maine Natural Gas. Bangor Gas' initial alternative rate plan included a 10-year distribution rate freeze, a rate cap set initially on a 3-year average of oil prices, indexed rate cap increases, pricing flexibility, and authority to enter into special contracts without prior Commission approval. When Bangor Gas' rate plan expired in 2012, it requested that the Commission renew its plan for an additional 10 years. Section 4706 (3) directs the Commission to ensure that rates resulting from an alternative rate adjustment

[34] § 4706-A requires the Commission to report on low-income assistance programs offered by gas utilities serving 5,000 or more residential customers as part of its annual report.

mechanism are just and reasonable. By Order issued September 8, 2014, the Commission approved Bangor Gas's request to renew its rate plan for 7 years with no change in current rates. Two parties, Verso Paper Corporation and the Office of the Public Advocate, have appealed the Commission's decision to the Maine Supreme Judicial Court. Subsequent to the Order, one of Bangor Gas's largest customers, Verso Paper Corporation, announced it would end its operations in Bucksport by the end of 2014. In early December Verso was sold to a Canadian firm, American Iron & Metal Co. (AIM) for $58 million.

In 2013, the Commission approved a 10-year alternative rate plan for Summit, the newest start-up natural gas utility in Maine. The plan establishes how distribution delivery rates will change over the period of the plan, as well as the terms under which Summit will offer customers conversion rebates and weatherization to facilitate their move to natural gas service.

Three additional rate mechanisms have been approved by the Commission under the authority of Section 4706. In 2005, the Commission approved monthly cost of gas adjustment mechanisms for Maine Natural and Bangor Gas to provide better price signals to consumers and to help moderate gas revenue imbalances that accrue between rate adjustment intervals. Summit will set an annual cost of gas reconciliation rate. The Commission has also approved fixed and indexed price options for Maine Natural Gas. Second, the Commission has approved a revised financial hedging plan for Unitil intended to reduce the effect of market price spikes on customers. Third, for the Until cast iron and bare steel replacement program described above, the Commission approved a capital cost recovery mechanism, known as the Targeted Infrastructure Replacement Adjustment, or TIRA.

6. GAS SAFETY

GAS SAFETY REGULATION AND ENFORCEMENT IN MAINE

The Commission regulates natural gas service reliability and ensures compliance with safety standards for the 937 miles of natural gas distribution mains, 27,693 services, and 16 miles of intra-state transmission pipelines, which were in service throughout Maine as of December 31, 2014. In addition, the Commission enforces safety standards for over 700 propane gas distribution facilities that deliver propane service to multi-unit housing complexes, commercial buildings and other facilities where propane system failures would likely impact large numbers of people.

Authority of the Commission's oversight for gas safety is derived from both state and federal laws. Chapters 420 and 421 of the Commission's Rules adopt federal safety regulations for pipelines that transport hazardous gases to protect the public and govern the safe operation of distribution and intrastate transmission facilities within the State. The Commission is also a certified agent for the U.S. Department of Transportation's Pipeline and Hazardous Material Safety Administration (PHMSA). In this role, the Commission ensures that intrastate natural gas transmission and distribution systems are in compliance with federal pipeline safety standards and corresponding state regulations through operator inspections. Additionally, the Commission performs investigations of natural gas safety incidents and pursues enforcement actions for violations of the federal or state safety regulations.

PHMSA conducts annual evaluations of the pipeline safety programs for all states which have agency certification. Based on PHMSA's recommendations resulting from its evaluation for 2013, staff has, among other things, developed a new compliance tracking system that has significantly improved the documentation and tracking of inspections and compliance matters. In addition, the Commission made major enhancements to our web site regarding gas safety and PHMSA requirements. The Pipeline Safety Trust's 2014 ranking of State Pipeline Safety Program and PHMSA websites rated the Commissions 3rd in the nation.

> The Commission's website was ranked 3rd in the nation.

During 2014, the gas safety staff conducted approximately 377 field inspections and compliance audits. These were performed to determine whether operators conformed to the design, construction, operating and maintenance requirements of the safety regulations. Approximately 97 inspections were conducted of liquid propane gas (LPG) facilities and corresponding records and approximately 280 natural gas field inspections and audits of records and procedures were conducted. The majority of the natural gas field inspections were focused on the construction of new gas facilities by Summit Natural Gas of Maine (SNGME).

The majority of the LPG inspections conducted in 2014 resulted in operators taking some corrective actions to bring their facilities into compliance. All of these corrective actions were handled through informal proceedings. Inspections of natural gas operators also resulted in a number of corrective actions. As with the LPG operators, most corrective actions were resolved through informal proceedings. There were, however, some inspection findings in 2014 related to SNGME's construction that resulted in Notices of Probable Violations (NOPVs) with recommendations of civil penalties totaling $300,000. The largest penalty was $150,000 for failure to properly expose underground facilities when installing a gas main by horizontal directional drilling. A $100,000 penalty was assessed for the failure to ensure construction personnel were adequately qualified. Finally, the two remaining penalties, totaling $50,000 were for failure to follow procedures when fusing plastic pipe. Informal proceedings are underway for the resolution of the NOPVs. The actual penalties collected may vary from those recommended depending on corrective actions taken by SNGME and based on final Commission orders.

KEY EVENTS

New Construction – Gas safety work is driven significantly by new construction. In 2014, SNGME constructed approximately 55 miles of distribution pipelines in their Kennebec Valley service territory and approximately 45 miles in the new service territory of Cumberland, Falmouth, and Yarmouth. This brings the total miles of distribution pipeline constructed by SNGME in the past two years to 138.

Cast Iron and Bare Steel Replacement Program - In 2010, the Commission approved a 14-year replacement program for Northern Utilities' cast iron and bare steel facilities. The program is intended to improve the safety of the system, as well as increase its capacity to serve customers in the Portland area. In 2014, Northern retired 2.49 miles of cast iron main, 0.59 miles of bare/unprotected steel or wrought iron main, and 0.84 miles of plastic pipe, on its low pressure system. The cumulative project totals are now: 13.18 miles (out of approximately 65 miles) of cast iron retired, 0.33 miles (out of approximately 10 miles) of bare/unprotected steel retired, and 3.60 miles of plastic pipe retired. In 2015, Northern expects to retire 5.84 miles more of cast iron and bare/unprotected steel or wrought iron mains. The Commission monitors Northern's program performance each year through compliance reports.

Private Natural Gas Pipelines and Affiliated Facilities - To date, two private natural gas pipelines have been constructed in accordance with 35-A M.R.S.A § 4517, one in Madison and the other in Baileyville. The Madison pipeline has since become a part of SNGME's distribution network. In 2014, approximately 750 feet of the transmission pipeline in Baileyville, owned and operated Woodland Pulp, LLC, was relocated further away from the existing mill to accommodate a mill expansion.

Former Loring Air Force Base Jet Fuel Pipeline – Bangor Gas rehabilitated approximately 62 miles of the Loring Pipeline, between Bangor and Mattawamkeag, in 2013. In 2014, a lateral was constructed off that pipeline which is now providing service to Lincoln Pulp and Paper. Distribution system construction is expected to begin in 2015 to provide gas to other customers in Lincoln.

7. DIG SAFE

UNDERGROUND FACILITY DAMAGE PREVENTION AND ENFORCEMENT

The Commission is charged with enforcing Maine's underground facilities damage prevention law, called "the Dig Safe Law" (23 M.R.S. § 3360-A). This law is intended to prevent damage to underground utility facilities such as gas lines, water lines, or underground telecommunications and electric cables resulting from excavation.

Under the Dig Safe Law and the Commission's rule implementing the law, Chapter 895, any person or company planning to excavate near underground facilities must follow certain safety procedures, and must notify facility owners of the planned excavation. Most facility operators, such as large utilities, can be notified using the Dig Safe System. Excavators can access the Dig Safe System online at www.digsafe.com, or by calling 1-800-DIGSAFE or 811. Excavators must also notify facility operators who are not members of the Dig Safe System, such as municipalities and smaller utilities. To help excavators identify the non-member operators that own underground facilities near their intended excavation site, the Commission maintains the OKTODIG program, a database of non-member operators. Excavators can access this program by calling 1-800 OKTODIG or online at www.oktodig.com. Once informed of a pending excavation, utilities have an obligation to locate and mark their underground facilities in accordance with the Dig Safe Law so that excavators will be sufficiently aware of their location when they dig. Violations of the Dig Safe Law and Chapter 895 must be reported to the Commission, which then investigates the incident and determines the appropriate enforcement action, if any. To increase awareness of the provisions of the Dig Safe law and Chapter 895, the Commission performs regular training programs at its offices and also performs on-site training at the request of excavators or facility operators. The Commission also provides public education materials to improve awareness among private property owners of the importance of preventing damage to underground facilities. These materials are available on the Commission's website. A summary of Dig Safe activities is provided in Table 5 below.

INDUSTRY TRENDS

Telecommunications facilities continue to experience the most damage related to excavating, though the incident rate for telecommunications has been decreasing over the past three years. Incident rates for natural gas and electric facilities, however, increased in 2014. See Table 5 below. The increase in the natural gas incident rate is most likely attributable to the extensive amount of new natural gas infrastructure installed in 2014, as discussed in the gas safety section of this report.

The Commission conducts an on-site investigation for each incident as soon as possible, in many cases on the same day, to determine the cause of the incident and to assess the risk posed to people and underground facilities. Based on this investigation, the Commission will determine any appropriate response to the incident, such as training or the assessment of a financial penalty for the violator.

Table 5 – Summary of Dig Safe Activities

Metric	2012	2013	2014
Reported Total Incidents	419	452	419
Reported Electric Incidents	79	76	98
Reported Gas Incidents	41	30	53
Reported Telecom Incidents	144	116	109
Reported Water Incidents	44	42	50
Reported Sewer Incidents	22	25	32
Reported CATV Incidents	57	55	48
Excavator Violations	245	168	109
Operator Violations	135	123	95
Penalties Assessed	$242,600	$185,750	$170,350
Penalties Waived with Training*	$62,000	$34,000	$51,500
Penalties Not Waived	$180,600	$151,750	$118,850

*The Commission may waive penalties but require training; this is the usual practice with first time violators.

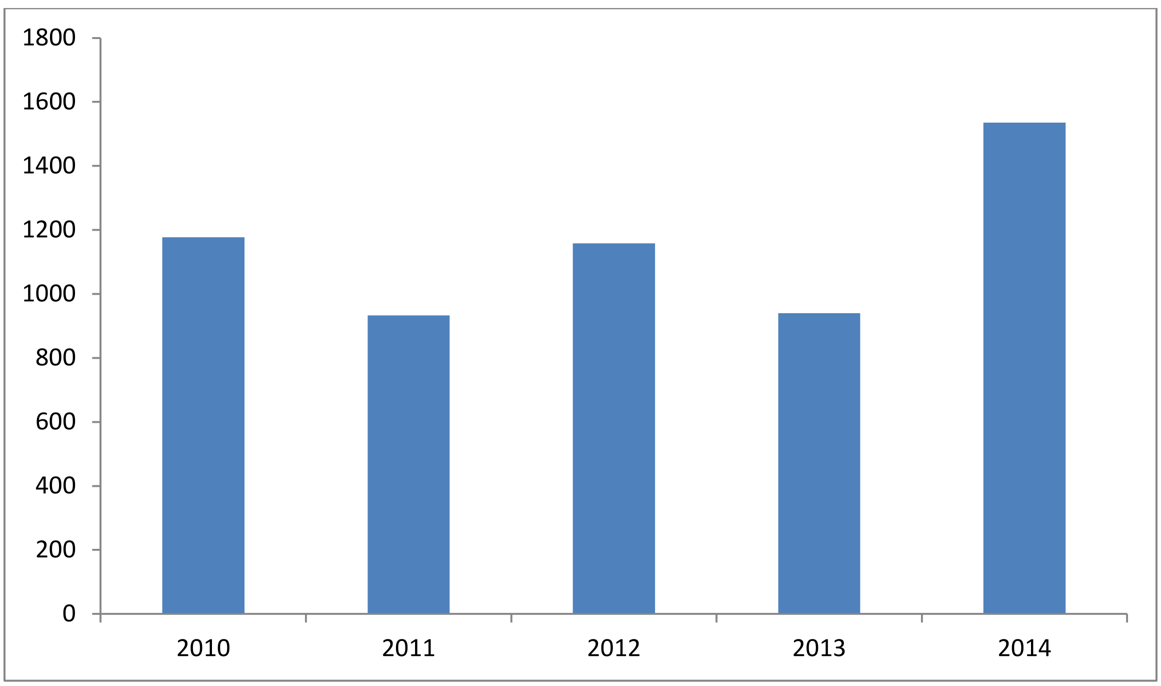
Public Awareness, Training and Education The Commission continues to strongly support and promote education and training about how to reduce and prevent damage incidents involving underground facilities and ensure the safety of residents and property located near those facilities. Maine's Underground Damage Prevention Rule (chapter 895) allows the Commission to require an excavator or member operator who has violated the rule to attend an educational training program. Often, this training is offered in lieu of a financial penalty. In addition, the Commission encourages excavators and operators to periodically attend training sessions to ensure that they are up to date on the most recent technological and regulatory developments relating to underground facilities damage prevention. A review of training statistics shows that the Maine Commission trains more people annually than any other New England State Commission.

The Commission typically trains more people on damage prevention annually than any other New England State.

In addition to coordinating and conducting its own education and training initiatives, the Commission also works with utilities, excavators, the regional Dig Safe organization, and private property owners to promote education and training of Maine's Dig Safe law. In 2014, the Commission supported training offered by the New England Committee of Managing Underground Safety Training (MUST), which includes Maine Dig Safe members, excavating contractors and underground facility location workers. Training seminars were held in Presque Isle, Bangor, Augusta, and Saco. Discussions focused on safe work practices around underground facilities, compliant excavation site and underground facility markings, the design of various underground facilities and the risks involved when proper damage prevention steps are not taken.

The Commission also sponsored 37 certification and/or informational training sessions at various businesses, organizations, trade shows and at the Commission with over 1,535 participants. In the past five years, the Commission and MUST have trained over 5,700 people on how to reduce and prevent damage incidents involving underground facilities. See Figure 11 below.

Figure 11 People trained by the Commission and MUST



MAJOR ACTIVITY

On April 22, 2014, L.D. 1647, An Act To Make Changes to the So-called Dig Safe Law, was enacted into law (Act). P.L 2013, Ch. 557. This was a Commission initiated bill. The Act directs the Commission to review its Dig Safe rules to identify ways to decrease the number of Dig Safe tickets issued that do not result in a marking. The Act further provides that the Commission may amend its rules in ways that will decrease the number of tickets issued that do not result in a marking. The Act also states that the Commission may submit a report with recommended changes to the law to the Joint Standing Committee of the Legislature having jurisdiction over utility matters by January 10, 2015, and that the Committee may report out a bill relating to the Commission's report to the First Regular Session of the 127th Legislature.

On June 23, 2014, the Commission opened a Notice of Inquiry (NOI), Docket No. 2014-00192, to solicit comments from interested stakeholders to implement the directives of L.D. 1647. On December 18, 2014, the Commission issued an Order Adopting Rule Amendments that, among other things, implemented measures to decrease the number of tickets issued by Dig Safe that do not result in a marking; and limits the situations where excavators are allowed to commence excavation without waiting up to 3 business days for those facilities to be marked to only those instances where the underground facilities are privately owned and provide service to a single family residence.

8. WATER

THE WATER INDUSTRY IN MAINE

There are more than 150 water utilities in Maine. Water utilities are divided into two basic groups, investor owned water utilities and consumer owned water utilities, depending on the nature of utility ownership. Investor owned water utilities are privately held entities that provide water service for profit. They are organized in a manner similar to other privately held business entities. Consumer owned water utilities are not operated for profit and are organized as Water Districts or Water Departments. Water Districts are quasi-municipal entities, generally governed by elected or appointed boards of trustees. Water Districts are created by Private and Special Laws enacted by the Legislature that grants the Water District authority to provide water service in a specific area, called a service territory. The service territory of a Water District may include multiple municipalities. Similarly, Water Departments are divisions of municipalities and are governed by municipal governments. A Water Department will, generally provide service only to their particular municipality.

The Commission is charged with oversight of the rates and services of water utilities. The Department of Health and Human Service's Drinking Water Program regulates water quality through the enforcement of the Federal Safe Drinking Water Act. Finally, the Department of Environmental Protection is also involved in water utility issues, for example, with regulations on water sources.

KEY EVENTS

Rate Cases The Commission allowed 21 rate changes to become effective pursuant to statutorily authorized procedures that do not require proceedings at the Commission absent customer petitions seeking Commission investigation. These rate changes approved by the Commission in 2014 resulted in revenue requirement increases ranging from 2.4 to 57.59 **%.** The major cause for these increases is due to the aging infrastructure that is reaching the end of its useful life as discussed below. The particular increases included 2.9 % for the Portland Water District, 7.5% for the Sabattus Sanitary District, 11.4% for the Berwick Water Department, and 19.78% for Hallowell Water District.

Chapter 675, Infrastructure Surcharge and Capital Reserve Accounts The Commission adopted Chapter 657 which eases the burden of infrastructure replacement costs borne by customers by permitting the incremental recovery of capital costs between rate cases through adoption of infrastructure surcharges. Similarly, Chapter 675 authorizes the adoption by consumer owned water utilities of capital reserve accounts through which a water district may recover limited amounts of revenue through current rates to fund future infrastructure projects. In 2014, the Commission approved 6 water infrastructure surcharges for separate divisions of the Maine Water Company described below in Table 6.

Table 6 - Maine Water Company Infrastructure Surcharges

Maine Water Company Division	Docket Number	Effective Date	% Increase	Tariff Amount (per 100 cubic feet)	Calculated Average Quarterly Charge
Biddeford & Saco	2014-00329	12/1/2014	3.00	$0.1184	$1.42
Bucksport	2014-00308	11/1/2014	2.43	$0.1074	$1.29
Millinocket	2014-00307	11/1/2014	2.07	$0.1409	$1.69
Greenville	2014-00258	10/1/2014	3.40	$0.2832	$3.39
Skowhegan	2014-00257	10/1/2014	2.69	$0.125	$1.50
Biddeford & Saco	2014-00067	5/1/2014	2.66	$0.0548	$0.65

In each instance, the surcharge was calculated to recover the cost of completed projects, either replacement of water mains or water treatment facilities.

Regulatory Reform and Chapter 615 On April 27, 2014, the Legislature enacted 2014 P. L. 2014 Ch. 573, An Act to Reform the Regulation of Consumer-owned Water Utilities (the Reform Act), authorizing the Commission to grant exemptions of certain portions of Title 35-A to consumer-owned water utilities, either individually, or by class. An exemption granted under the Reform Act must be in the public interest and not result in unjust or unreasonable rates or have a negative impact on the provision of safe, adequate, and reliable service. Pursuant to the Act, a consumer-owned water utility seeking an exemption must show that it has adequate technical, financial, and administrative capacity to perform the waived function or requirement. The Act required the Commission to establish procedures by rule whereby Consumer-owned water utilities could seek exemptions and Section 6114. The Act also required the Commission to promulgate rules governing the processes for granting exemptions and establishing a procedure by which customers of consumer-owned water utilities could petition the Commission to review exemptions previously granted. On August 26, 2014, the Commission opened a rulemaking proceeding in fulfillment of the Legislature's direction. Consumer-owned water utilities and industry groups participated in this proceeding which culminated in the adoption by the Commission of Chapter 615, Exemptions from Regulatory Requirements for Consumer-owned Water Utilities.

In 2014, the Legislature approved "An Act to Reform the Regulation of Consumer-owned Water Utilities".

INDUSTRY TRENDS

Increased Burden of Capital Expenditures Water utilities both in Maine and nationwide, have confronted the pending need to replace water infrastructure that is currently at, or in the near future is expected to reach, the end of its useful life.

Much of the infrastructure used to currently deliver water service flows through pipes that were installed in response to growth and economic development in the late 1800s, World War I, 1920s, and in the immediate post-World War II period. The useful life of these pipes varies considerably, depending on soil conditions, pipe material, and components of the water flowing through it. However, a significant portion of system components are becoming antiquated at approximately the same time. While the exact amount of revenue needed to fund infrastructure replacement in Maine has not been quantified, the cost associated with replacing this infrastructure for all water utilities nationally is estimated to exceed $918 billion.

Nationally, replacing antiquated water infrastructure is estimated to exceed $918 billion.

All water utilities can recover the cost for new infrastructure through rates over the life of the plant, and consumer-owned water utilities are also able to include in rates the full debt repayment for such projects. However, water infrastructure is expensive and the pumping and treatment facilities necessary to serve a thousand customers are roughly the same as those needed to serve a hundred customers. Due to the cost and scope of water systems, replacement of water infrastructure at the end of its useful life can present significant financial challenges to consumer-owned water utilities. As a result, new infrastructure needs can drive substantial rate increases to water utility customers.

Water Conservation and Resulting Decreased Water Revenues Water utilities generally encourage water conservation through internal conservation measures such as leak detection on water mains and the monitoring of system water usage and by educating customers on conservation techniques. Conservation education typically includes posters newsletters and bill inserts explaining how customers can reduce their consumption of water. Some water utilities offer, at cost, low-flow shower heads and other kits that can help customers reduce their usage.

Successful water conservation measures tend to decrease the revenues earned by water utilities which, at a time when operational costs are either static or increasing, can diminish a utility's ability to finance its operations without a rate increase. Participants in a recent Commission Stakeholder Process reported declining usage in general, with Portland Water District, Bangor Water District, and the Maine Water Company reporting a trend of declining usage of approximately 1% per year.

MAJOR CASES

Commission Investigation into a Contract for Bulk Water Sales Between Fryeburg Water Company and Nestle Waters of North America In September 2012, the Commission initiated an investigation into a proposed long term contract for water extraction and the lease of utility property between the Fryeburg Water Company and Nestle Waters of North America, Inc. This case drew considerable public attention. Ultimately, all three Commissioners recused themselves from considering the matter, resulting in the absence of the quorum necessary for Commission action. The proceeding was suspended until a sufficient number of Commissioners became available to decide the case. In response to this situation, the Legislature enacted P. L. 2013, Ch. 554, An Act To Provide for Temporary Commissioners at the Public Utilities Commission (the Act). Pursuant to the Act, the Governor appointed Justice Paul Rudman and Justice John Atwood to serve as temporary commissioners. Temporary Commissioners Rudman and Atwood issued a decision resolving the case on November 21, 2014. The decision conditionally approved a long term contract between the Fryeburg Water Company and Nestle Waters of North America, Inc. Under the contract, Nestle will lease a well from the Fryeburg Water Company and purchase untreated spring water for bottling and resale.

Hallowell Water District Rate Proceeding On March 21, 2014, the Hallowell Water District proposed a 20% increase in its rates for water service pursuant to 35-A M.R.S. § 6104. The District asserted the rate increase was necessary due to costs associated with the expansion of natural gas service into the Hallowell Water District's service territory and a resulting increase in excavation near water distribution facilities. The Hallowell Water District's request proposed an additional employee to respond to requests to locate underground facilities in advance of excavation and perform oversight such excavations.

Section 6104 allows consumer-owned water utilities to raise rates for water service without suspension and investigation by the Commission, but requires a) that the water utility provide notice of the increase to its customers, b) hold a public hearing to inform customers of the reasons for the proposed rate increase and c) to disseminate information regarding how the lesser of 15% of the water utility's customers or 1,000 customers can petition the Commission to investigate the rate increase. On May 20, 2014, the Commission received a petition signed by 211 customers of Hallowell Water District. The number of signatories was in excess of 15% of customers and the proposed rate increase was suspended pending Commission review and approval. The rate increase was ultimately approved through Commission adoption of a Stipulation between the Hallowell Water District, the Office of the Public Advocate, and representatives of the petitioning customers. Pursuant to the Stipulation, the Hallowell Water District increased its rate by 19.87%, agreed to measures that provided greater transparency to the District's operations, and agreed to seek reimbursement from natural gas utilities for costs associated with natural gas expansion.

9. EMERGENCY SERVICES COMMUNICATION BUREAU

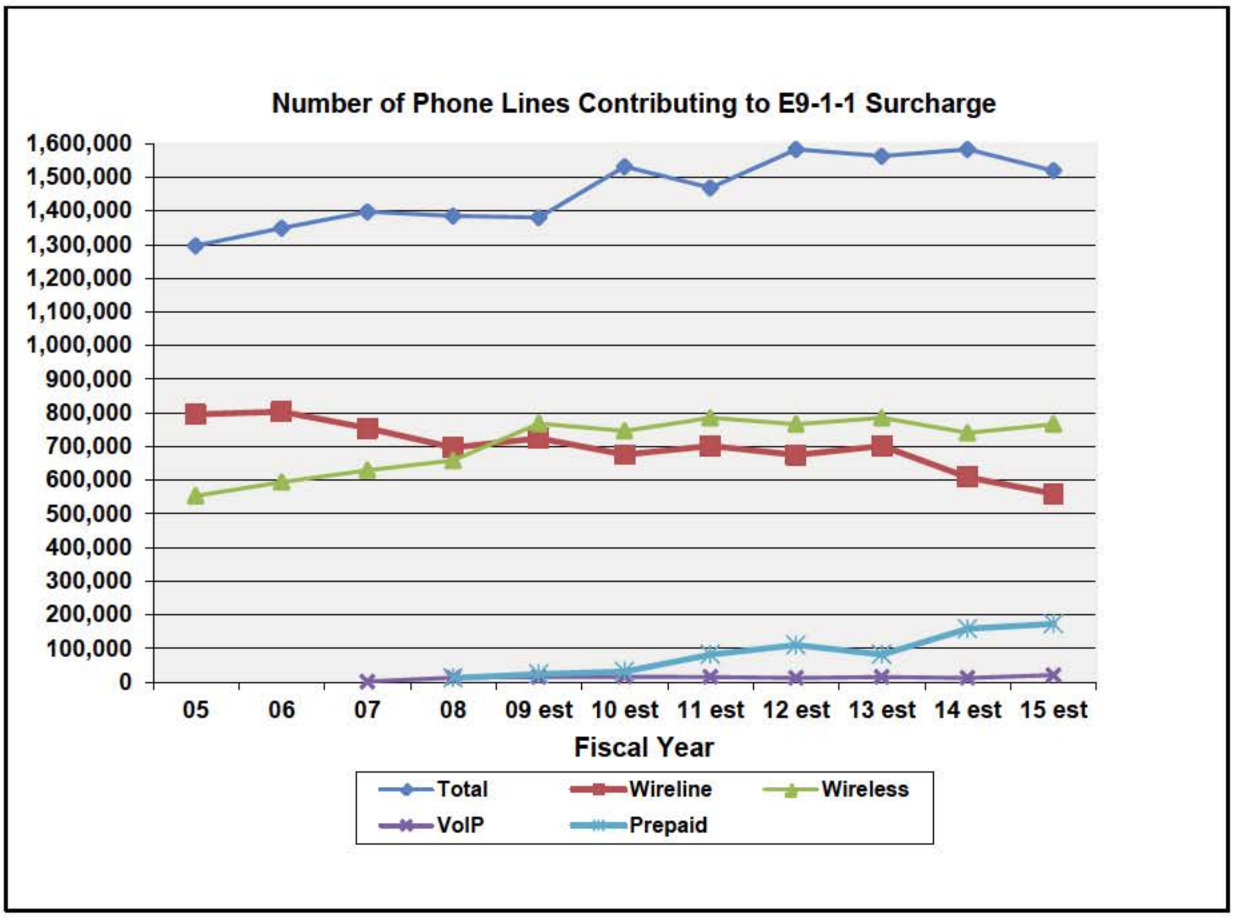
911 SERVICES IN MAINE

The Emergency Services Communication Bureau (ESCB) manages the state-wide 911 system, which is the component of the emergency response system that delivers 911 calls and displays the telephone number and physical location of the caller at one of Maine's 26 predetermined Public Safety Answering Points (PSAPs). Figure 15 on page 66 shows the geographical coverage area of each of the PSAPs. The ESCB is funded by the E911 surcharge which is assessed on all wireline, wireless (prepaid and postpaid) and VoIP service.

INDUSTRY TRENDS

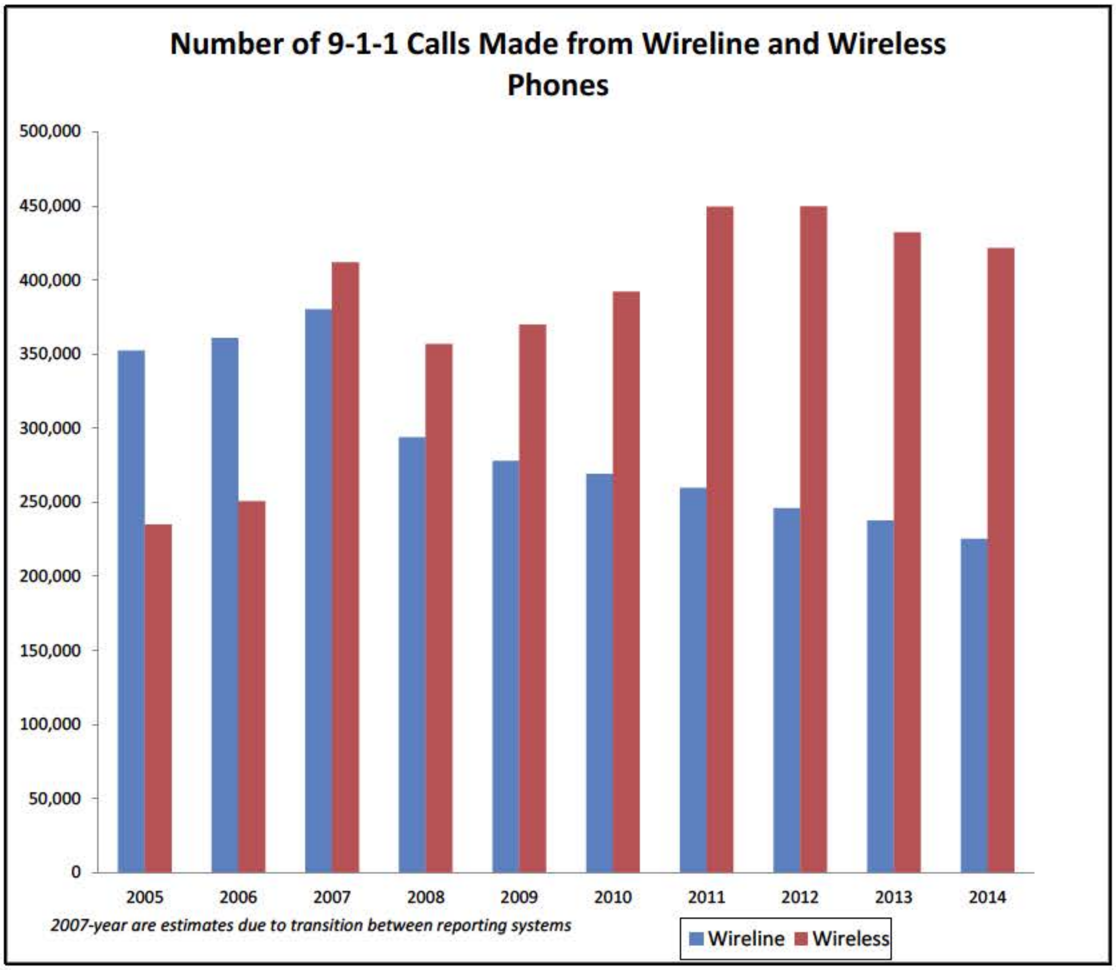
Nationally and in Maine, wireless phones have accounted for the largest portion of payments of the E911 surcharge. See Figure 12.

Figure 12 – Phone Lines Contributing to E911 Surcharge



For the eighth year in a row, there were more 911 calls made from wireless phones (65%) than wireline phones (35%) in Maine. See Figure 13.

Figure 13 - 911 Calls



KEY EVENTS

Next Generation 911 Implementation New communications media enables people to send and receive text messages, photographs and streaming video with handheld devices using Internet Protocol (IP) technologies for transmission. Automatic crash notification systems such as OnStar™ can automatically report motor vehicle accidents, and even provide information on the accident such as potential injuries. Yet none of these technologies has access to legacy Enhanced 911 (E911) systems. Next Generation 911 (NG911) service is a dramatic change in 911 that will eventually allow call-takers to receive and recognize the location of 911 calls from any of these devices. NG911 service moves 911 from decades-old analog technologies to modern, digital IP technology.

A contract was executed with FairPoint Communications in March 2013 for NG911 services to transition Maine's aging E911system to a modern standards-based system capable of handling new communication. The process required the legacy E911 system and the NG911 system to operate simultaneously until all PSAPs were on the NG911 network. The first PSAP was transitioned in March 2014. An aggressive implementation schedule resulted in all 26 PSAPs being successfully cutover to the new system by July 23, 2014. This completed one of the nation's first statewide end-to-end NG911 system deployment based on the Detailed Functional and Interface Standards for the National Emergency Number Associations i3 Solution, positioning Maine well for accepting new applications.

The ESCB deployed one of the nation's first statewide end-to-end NG911 system.

The ESCB has since focused on ensuring the system is operating as designed and that it is meeting the PSAPs' needs. Bimonthly conference calls involving FairPoint, ESCB staff and PSAPs help identify and track any issues. The ESCB has also instituted a PSAP site visit schedule to help them with the new equipment and identify system issues in need of improvement.

Text Messaging Enabling wireless consumers to send a text message to 911 will substantially improve accessibility to emergency services, particularly for people with hearing or speech disabilities. Although a complete solution in conjunction with NG911 is still several years away, the Federal Communications Commission (FCC) has taken several steps towards an interim solution for all carriers.

In December 2012, the FCC issued a Notice of Proposed Rulemaking to consider an interim solution that would enable consumers to send text messages to 911 as well as educate and inform them regarding future availability and its appropriate use. Specifically, under the proposed rules wireless carriers would need to provide a bounce back message by the end of June 2013 if the service is not available in an area. In May 2013, the FCC issued an order requiring a bounce back message by September 30, 2013.

In December 2013, four of the largest wireless carriers (Verizon, Sprint, T-Mobile and AT&T) submitted a voluntary letter of agreement to the FCC in which they committed to implementing interim SMS (text messaging) solutions absent an FCC order by May 2014, a goal they each met.

On August 8, 2014, the FCC took additional steps to make text-to-911 more widely available by adopting an order that will require all wireless carriers and other text messaging providers that enable consumers to send text messages to and from United States phone numbers to deliver emergency texts to PSAPs that request the service. Wireless carriers and other text messaging providers that are not already supporting text-to-911 must be capable of doing so by year end 2014, and must respond to PSAP requests to deliver text-to-911 by June 30, 2015, or six months from the date of the PSAP's request, whichever is later.

In 2013, Maine was Verizon Wireless's first applicant for its SMS to TTY interim 911 solution in the country. In keeping with the voluntary agreement of the larger carriers, the ESCB formally requested SMS to TTY with Sprint in July 2013 and AT&T in November 2013 and implemented the service with both carriers statewide in 2014. The ESCB formally requested text-to-911 of US Cellular and T-Mobile in August 2014 with an expectation to complete both by mid-year 2015. This will complete text to 911 deployments for the five major carriers with service in Maine.

Call Taker and Dispatch Training The ESCB offers a variety of courses to ensure that 911 call takers and dispatchers have all the necessary skills to handle emergency calls.

- **Emergency Medical Dispatch** Maine is one of only twelve states to require that all 911 call-takers be trained and licensed in Emergency Medical Dispatch (EMD)**,** an advanced training requirement that prepares the 911 call taker to assist callers/victims by providing life-saving instructions to follow while waiting for ambulance personnel to arrive on-scene. ESCB sponsors a 3-day EMD training including the training of new hires plus an additional 2-day training for supervisors on quality assurance review of the EMD calls.

- **Mandatory Basic Emergency Telecommunicator Course (ETC)** The ESCB offers a basic emergency telecommunicator 40-hour curriculum that covers topics including roles and responsibilities, technology, interpersonal communications call management, police/fire/emergency medical call classifications, radio dispatch procedures, quality improvement, catastrophic events, legal aspects and stress management. This training provides for a uniform base of knowledge for all newly hired emergency dispatchers statewide. All full-time dispatchers are required to take this class within one year of hire.

- **911 Equipment & Bureau Policy Training** Initial training for newly-hired PSAP call takers consists of a 2-day equipment and certification course, which must be completed within 90 days of assignment. PSAP system administrators complete an additional 2-day advanced course in system administration.

- **NG911 Transition Training** This one day course is equipment specific training provided to call takers within two weeks of their PSAP transitioning to the new NG911 system.

- **Continuing Education Courses** The ESCB recognizes the need for continual skills development as well as refresher opportunities for all communications personnel, and sponsors a variety of opportunities throughout the year.

Table 7 - Students Trained

Course Name	Students Trained in 2014
NG911/Vesta New Hire Training	55
Emergency Telecommunicator Course	78
NG911 Transition Training	594
Emergency Medical Dispatch Certification	92
Emergency Medical Dispatch Quality Assurance (ED-Q)	30
Emergency Medical Dispatch AQUA Training	21
Emergency Medical Dispatch ProQA	23

Quality Assurance Program Development

Expansion of Call Handling Protocols to Include Fire and Police The ESCB continued its evaluation of expanding the existing EMD protocol system to include fire and police protocols. In 2013, the Commission asked for legislative guidance as to whether a pilot program with certain PSAPs would be a viable next step. Two other bills which contemplated the expansion of protocols to include the fire and police were held over by the Joint Standing Committee on Energy Utilities and Technologies Committee to the 2014 legislative session. Ultimately, the Committee voted ought not to pass on all police and fire protocol related bills.

PSAP Audits During 2014 an audit was performed at each PSAP to ensure laws, rules and required policies and procedures are being followed and that any deficiencies identified previously were resolved. Common areas noted for improvement included:

- Implementation of a call review policy and accompanying procedures for police and fire calls at each PSAP. The need to document the reviews was also emphasized.
- Compliance with the TTY testing requirement.
- Location error reporting proficiency.

With the transition to NG911 complete, each site visit also included an inspection of the equipment room at each PSAP to determine if any additional FairPoint services were required. ESCB staff also assisted call takers with issues they were having with understanding the functionality of the new NG911 equipment.

ESCB rules require PSAPs to answer all calls in ten seconds or less 90% of the time. . This data is usually measured on an annual basis. Due to the implementation of the NG911 system, this call answering metric is based only on Fourth Quarter 2014. A few PSAPs did not meet the metric which is likely attributable to adjusting to the new call answering equipment in some cases, the increase in call volume due to the rerouting of wireless calls, and a severe winter storm in early November. See Table 8 below.

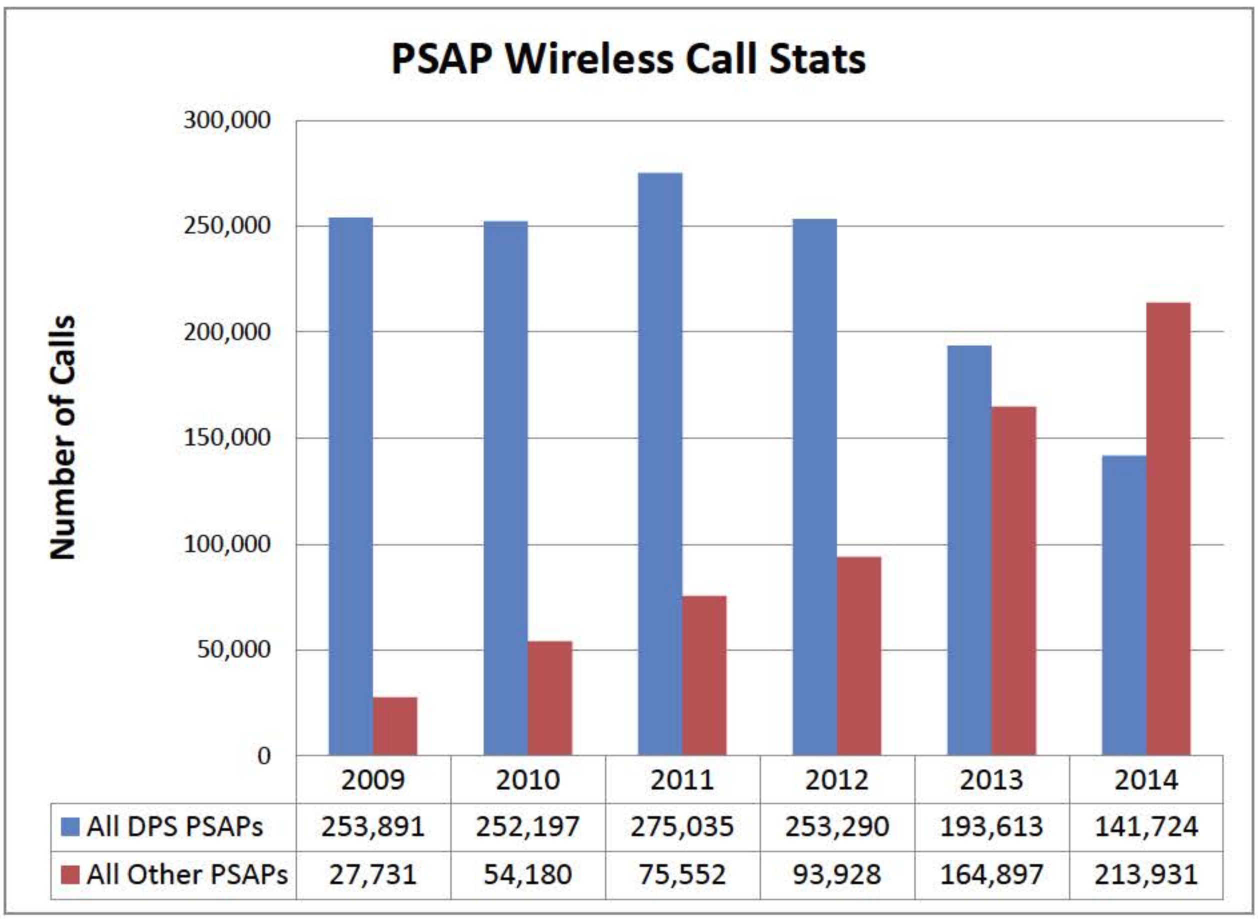
Table 8 - 2014 Call Center Efficiency

		4th Quarter 10/01/14-12/31/14		
PSAP	**All Incoming 911 Calls - 2014**	**4th Quarter Incoming 911 Calls**	**% Calls Answered ≤ 10 seconds**	**Avg. Ring Duration in seconds**
Androscoggin Cty SO	10,887	2,627	96.8	6.0
Bangor PD	23,556	6,254	93.9	5.9
Biddeford PD	15,711	3,881	99.0	5.3
Brunswick PD	13,090	3,225	99.0	4.2
Cumberland Cty RCC	30,709	7,144	94.2	5.6
DPS Bangor	30,277	6,296	88.6	7.2
DPS CMRCC	44,781	10,851	88.3	6.5
DPS Gray	86,753	17,573	95.2	5.2
DPS Houlton	11,408	2,989	98.4	4.7
Franklin Cty RCC	10,673	2,634	97.2	5.3
Hancock Cty RCC	17,031	3,895	97.7	5.3
Knox Cty RCC	22,032	5,693	98.4	4.5
Lewiston Auburn 911	43,977	10,688	97.5	4.3
Lincoln Cty RCC	12,961	3,149	99.4	3.8
Oxford Cty RCC	24,733	5,767	99.0	5.6
Penobscot Cty RCC	42,048	10,964	82.5	7.8
Piscataquis Cty SO	6,060	1,340	97.6	5.2
Portland PD	66,190	16,149	88.2	5.9
Sagadahoc Cty RCC	17,080	4,278	99.5	3.9
Sanford PD	23,027	5,656	98.8	5.2
Scarborough PD	8,061	1,860	97.7	5.1
Somerset Cty RCC	38,151	9,364	99.6	4.4
Waldo Cty RCC	11,525	2,877	89.1	7.5
Washington Cty RCC	12,744	2,930	97.6	5.3
Westbrook PD	13,053	3,290	93.6	6.4
York PD	10,382	2,258	97.8	5.3
Total Calls	**646,900**	**153,632**		

911 Cell Call Re-routing Legislative Directive In March 2012, the Joint Standing Committee on Energy, Utilities and Technology sent a letter encouraging the Commission to move as quickly as possible in redirecting wireless calls from Department of Public Safety (DPS) PSAPs to the PSAP most likely to dispatch the needed emergency service. In 2014, approximately 15,000 911 calls were redirected from DPS PSAPs to the county or municipal PSAPs. Currently, all 26 PSAPs now receive some wireless calls directly. The ESCB has substantially completed its initial effort to re-route cell tower traffic to the appropriate PSAP, to the extent that a PSAP is willing to accept the additional call volume. In 2015, the ESCB will continue the effort to deploy additional calls to non-DPS PSAPs.

Figure 14 illustrates the percentage of wireless calls answered by DPS PSAPs compared to all other PSAPs for the last six years. Figure 15 shows the geographical coverage area of each of the PSAPs.

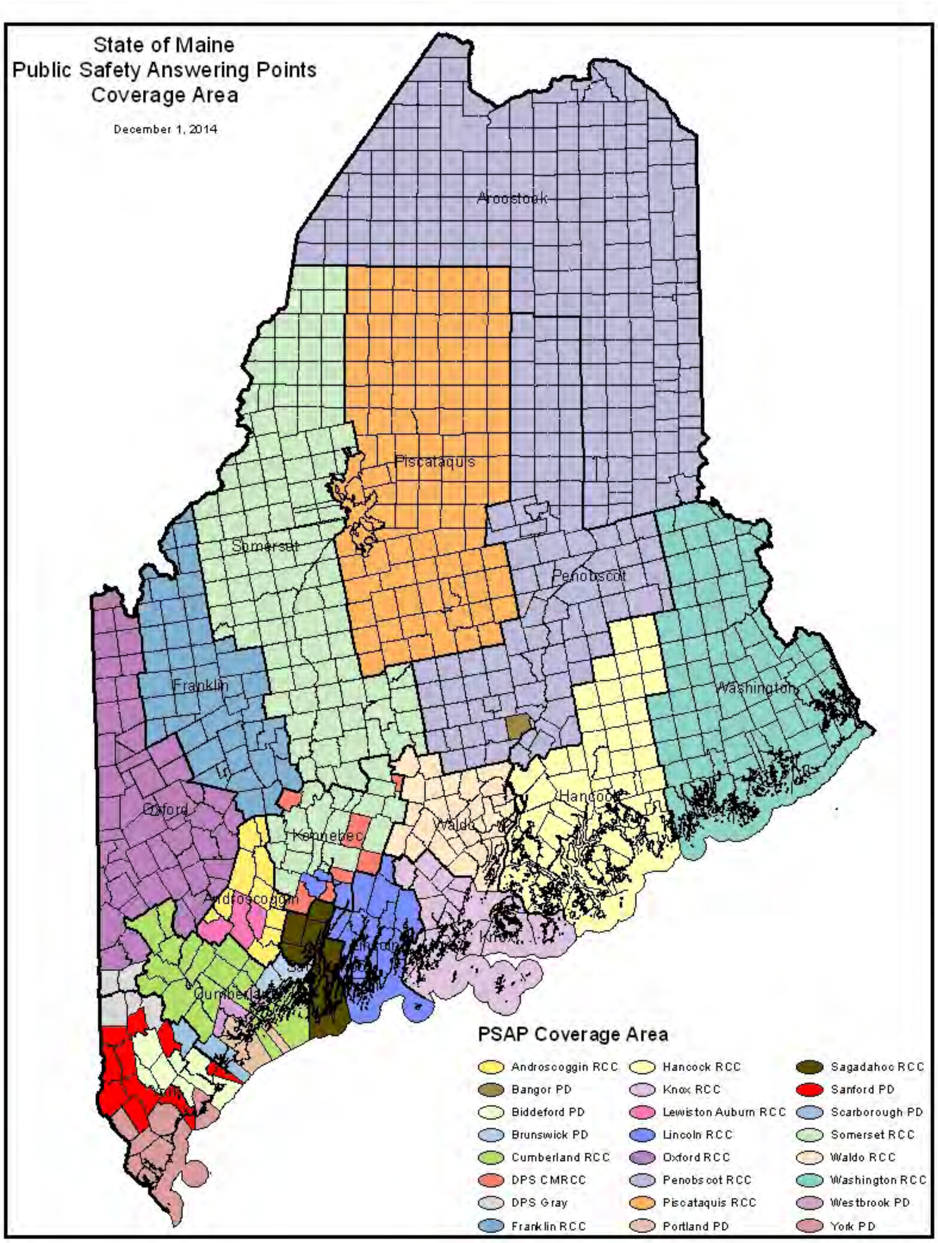
Figure 14 - PSAP Wireless Calls



Program Funding/Surcharge Recommendation Surcharge revenue is held in a dedicated, interest-bearing account and is tracked through the State's accounting system.

The current surcharge level is $.45 a month. As a result of the new contract for NG911 services, the Commission believes a surcharge level of $.40 a month should produce sufficient revenues, when combined with an existing E911 fund balance, to finance the existing program through FY15. The Commission is proposing legislation to reduce the surcharge from $.45 to $.40.

Figure 15 - PSAP Coverage



10. CONSUMER ASSISTANCE

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

KEY EVENTS

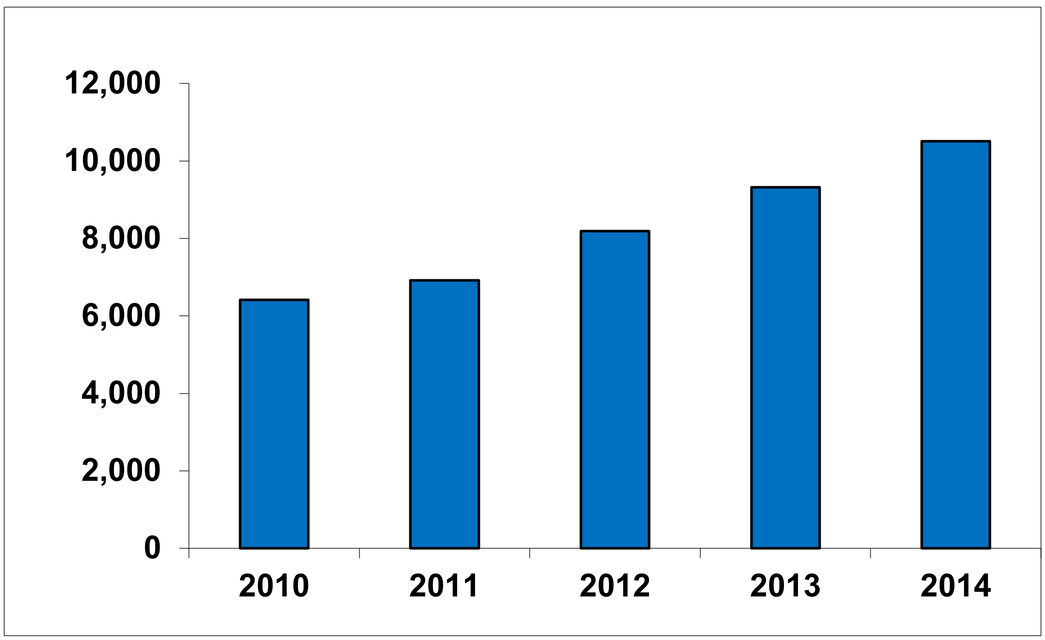
In 2014, the CAD initiated an effort to improve the winter request to disconnect (WRTD) program. The purpose of the WRTD program is to encourage customers behind on their bills to contact the utility to establish a reasonable payment arrangement and avoid disconnection. Under the WRTD program, utilities are prohibited from disconnecting customers from November 15 to the following April 15 without receiving express permission from the CAD. When a WRTD is received from a utility, the CAD sends the customer a letter notifying the customer of the WRTD and requesting that the customer contact the CAD to resolve the matter. If the customer contacts the CAD (or the utility), the CAD will ensure that the customer is placed on a reasonable payment arrangement.

To evaluate the effectiveness of the WRTD program, the CAD issued a data request to some electric utilities in 2014 soliciting information. Results of the data collection showed that approximately 35% of customers paid their amount due or entered into a payment arrangement as a result of the submittal of the WRTD by the utility or receipt of the letter from the CAD. Approximately 30% of the remaining customers paid the amount due or entered into a payment arrangement after the WRTD was approved by the CAD and before any action was taken by utility. Approximately 27% of remaining customers paid or entered into a payment arrangement after the WRTD was approved and the approved action was taken by utility. The CAD concluded, based on the data, that that the WRTD process is effective in prompting customer contact and avoiding the disconnection of utility service during the winter. Nonetheless, the CAD conducted a workshop with utilities to discuss the results of the data analysis and to discuss ways of improving the WRTD process. The workshop was well attended and participants provided suggestions for improving the WRTD process. The CAD will implement some of these suggestions during the winter of 2014/2015. Some of the other suggestions will require a rule change to be implemented.

CAD Contacts

The CAD tracks its contacts with both consumers and utilities. Contacts take several forms, such as the general provision of information and assistance, investigation of a complaint involving a customer dispute with a utility that the parties have been unable to resolve, or processing requests for waiver of Commission rules by utilities. The CAD recorded 10,513 consumer contacts in 2014. This was a 13% increase over the 9,325 consumer contacts in 2013 and a 28% increase over the 8,193 consumer contacts in 2012. This increase is part of a trend of increasing consumer contacts experienced since 2010. See Figure 16 below. This trend is most likely attributable to increasing competition in the electric supply market. This issue is discussed further in the "complaints" section below.

Figure 16 - CAD Contacts 2010 – 2014

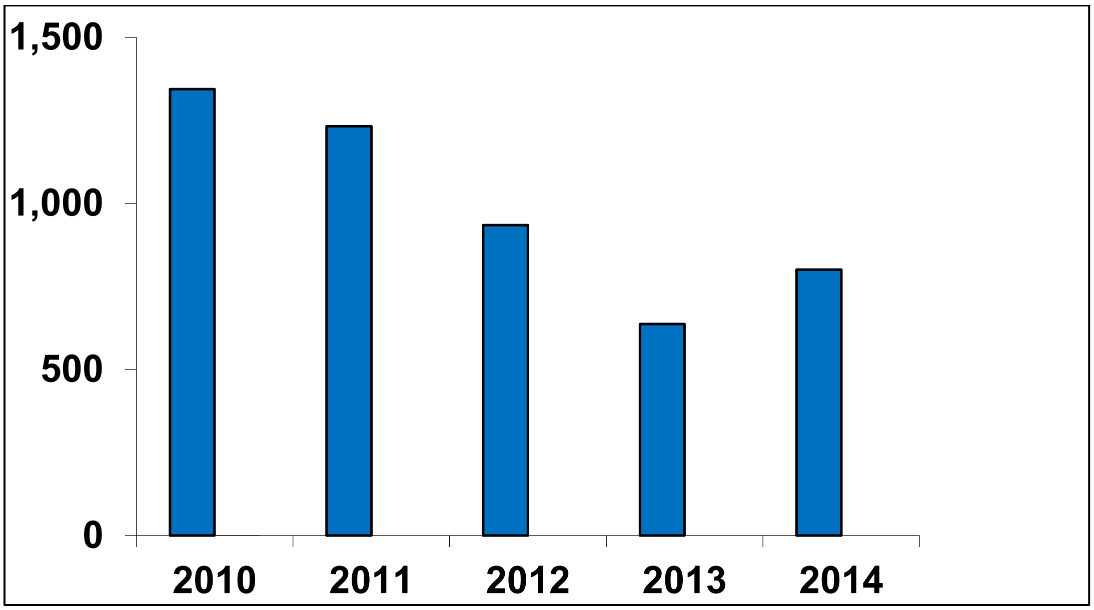


The CAD also tracks the speed in which it answers calls to its consumer hotline. Its goal is to answer at least 90% of calls within one minute. In 2014, the CAD answered 93% of calls within one minute with a call abandonment rate of 2%. This is a decrease from the 97% of calls answered within one minute in 2013 and is consistent with the 94% of calls answered within one minute in 2012. The decrease in calls answered from 2013 to 2014 is most likely attributable to the increase in the number of calls the CAD received in 2014, as well as a staffing challenge experienced by the CAD. For approximately three months the CAD was down four staff, or approximately one half of staff who answer the hotline. This staffing challenge has been resolved.

Consumer Complaints

As shown in the chart below, the CAD received 800 complaints in 2014. This is a 25% increase over the 637 complaints received in 2013 and a 14% decrease from the 934 complaints received in 2012. This is the first year since 2009 that complaints have increased in comparison to the previous year. See Figure 17 below. The primary reason for the increase in complaints in 2014 was a 22% increase in the number of complaints received against electric utilities.

Figure 17 - Consumer Complaints 2010-2014



The increase in electric complaints was attributable to a significant increase in complaints filed against competitive electricity providers (CEPs) and a slight increase in complaints filed against electric transmission and distribution companies. In 2014, the CAD received 72 complaints against CEP's. This is a 213% increase over the 23 complaints received against CEP's in 2013 and a 620% increase over the 10 complaints filed against CEPs in 2012. The primary complaint regarding CEPs related to disagreements over the terms and conditions of service. In particular, the CAD received 26 complaints, 36% of the total, against one CEP that implemented a new monthly charge to customers and failed to properly notify customers. In this case, the CAD was able to obtain a credit for customers for almost the entire amount they paid in association with the new charge. See the discussion in the "abatement" section of this report for more detail. The CAD also received 19 complaints, 26% of the total, against another CEP where customers stated that the CEP increased their rate prior to the end of their contract. In this case, the CAD ordered the CEP to credit each customer any amount that was charged above the rate specified in their contract. This increase in complaints against CEPs may be attributable to an increasing wholesale cost of electricity in 2014, which in turn made it more difficult for CEP's to offer customers an attractive price for electricity.

The trend of decreasing complaints experienced from 2010 through 2013 is attributable to a decrease in the number of complaints being filed against telephone utilities. This is part of a long term trend that has taken place since 2008. See Figure 18 below. In 2014, a total of 70 complaints were filed against telephone companies. This is a 23% increase over the 57 complaints filed against telephone utilities in 2013 and a 50% decrease from the 140 complaints received against telephone utilities in 2012. The cause of the increase in telephone complaints from 2013 to 2014 was an increase in complaints filed against FairPoint during its labor strike. It is important to note that removing these complaints from the total number of telephone complaints results in a 50% decrease in telephone complaints from 2013 to 2014.

There are two primary reasons for this decreasing trend in telephone complaints: a decreasing number of wireline telephone utility customers and significantly less regulation of telephone utilities due to the high level of competition in Maine's telecommunications market. The mobile cellular market continues to grow in Maine and there are now more cell phone subscribers in the state than there are wireline service accounts. An increasing number of customers are substituting mobile wireless service for traditional wireline service. Also, due to changes in law enacted by the 125th Maine Legislature, the only retail telephone service offering that falls within the Commission's regulatory authority is Provider of Last Resort (POLR) service.

Figure 18 Telephone Complaints

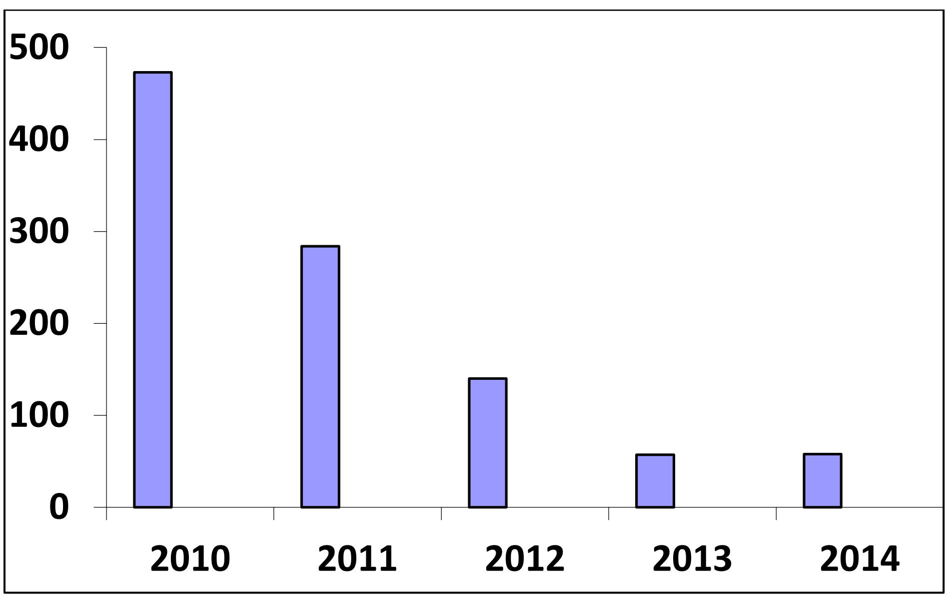
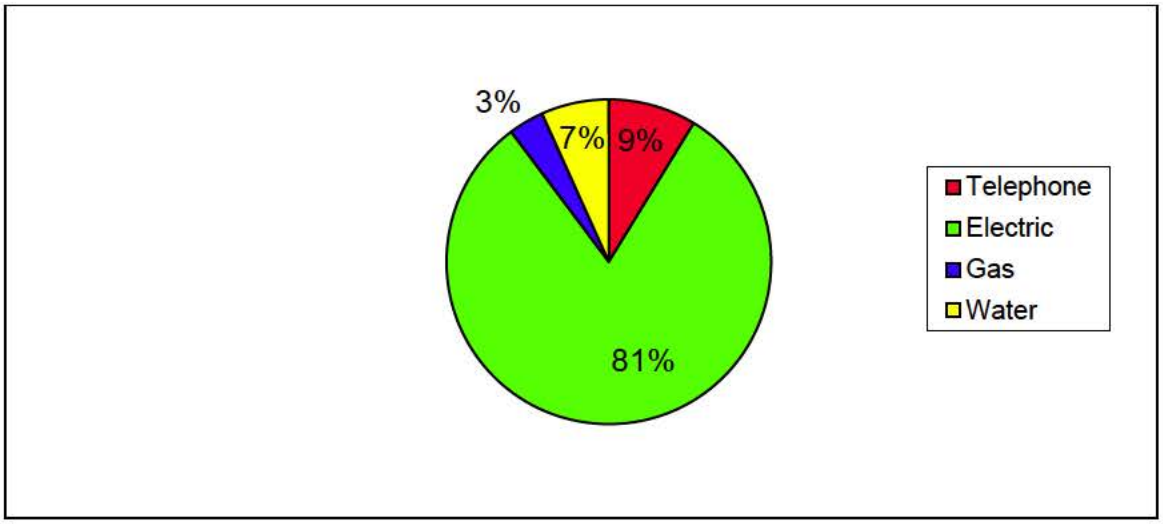


Figure 19 breaks down complaints received by utility industry. In 2014, 81% of complaints were against electric utilities. This compares to 81% of complaints received against electric utilities in 2013 and is slightly higher than the 72% of complaints received against electric utilities in 2012. Although there was an increase in the number of electric complaints filed in 2014, the primary cause behind the higher proportion of complaints filed against electric utilities in the past few years is the decreasing number of complaints being filed against telephone utilities. Complaints against gas and water utilities have remained relatively constant over the past three years.

Figure 19 - Complaints by Type



Utility Variances and Winter Requests to Disconnect

Utilities have the right to request a variance (or waiver) from Commission rules for individual applicants or customers whose conduct and known financial condition pose a clear danger of substantial losses to the utility. Decisions issued by the CAD in response to a variance request can be appealed to the Commission by either the utility or the customer. The CAD received 318 variance requests from utilities in 2014, a 23% increase over the 258 variance requests received from utilities in 2013 and a 192% increase over the 109 variance requests received in 2012. The CAD granted 86% of the variance requests resolved in 2014. This compares to 88% of the variance requests being granted in 2013.

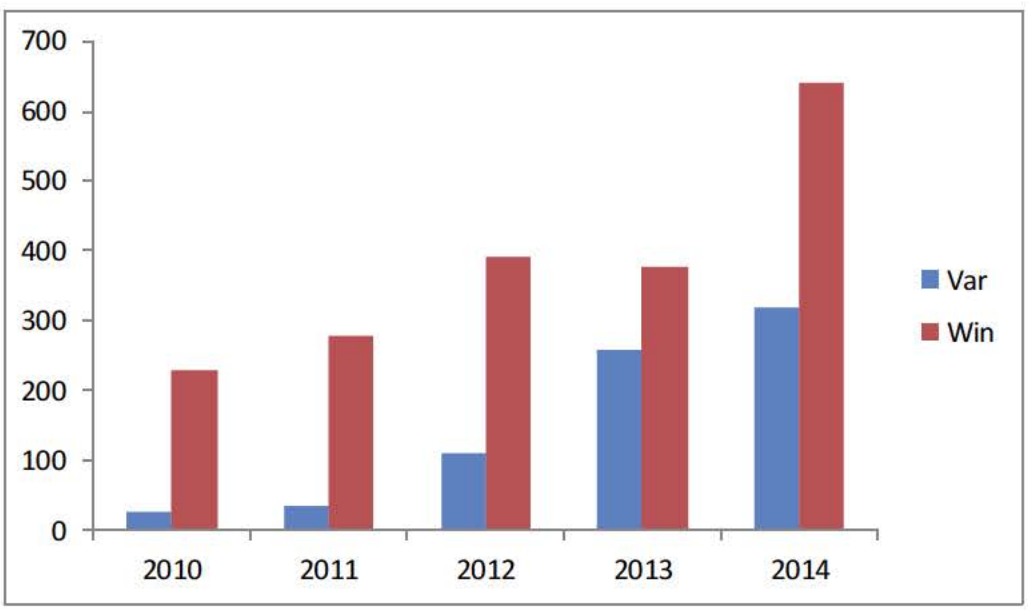
Between November 15 and April 15, electric and gas utilities are prohibited from disconnecting customers without first receiving permission from the CAD. During this time period, utilities must make significant attempts to personally contact customers who are behind on their bills to negotiate a payment arrangement prior to seeking permission to disconnect. In situations where the utility cannot make contact or is not able to negotiate a reasonable payment arrangement with a customer after making contact, the utility may submit a request to disconnect the customer's service to the CAD. In these situations, the CAD also attempts contact with the customer for the purpose of establishing a reasonable payment arrangement. Whether or not the CAD is able to contact the customer, it will ensure that the customer is on a reasonable payment arrangement. In 2014, the CAD received 642 requests to disconnect from electric and gas utilities. This was a 71% increase from the 376 requests received in 2013 and a 65% increase over the 390 requests received in 2012. The CAD granted

47% of the requests submitted in 2014. This compares to 41% of the requests being granted in 2013 and 38% granted in 2012.

It is noteworthy that the 642 winter request to disconnect received in 2014 is almost equal to the 800 complaints received by the CAD. As discussed in the "complaints section" above, this represents a fundamental shift in the way utilities are conducting their credit and collection activities and in turn the type of assistance the CAD provides to its customers. Most likely due to increasing customer arrearage amounts caused by the prolonged downturn in the economy, utilities are increasingly viewing credit and collection efforts as a year round effort. In the past, many utilities focused their credit and collection efforts primarily during the summer months when they could disconnect service. This practice, however, allows some customers to build very large arrearages during the winter period with a low likelihood of getting caught up in the summer and avoiding disconnection. By focusing their credit and collection efforts on a year round basis, utilities prevent customers from accruing an unmanageable arrearage amount during the winter and in turn becoming disconnected during the summer, as well as better managing their collectibles.

This year round focus on credit and collections by utilities is reflected in Figure 20 below. Variance and winter disconnect requests have been steadily increasing in the past five years, with the most dramatic increase occurring from 2013 to 2014.

Figure 20 - Winter Requests to Disconnect and Variances Received



Refunds to Consumers

The CAD frequently obtains credits or refunds for customers as part of its resolution of customer complaints filed against utilities. In 2014, over $455,600 was abated to approximately 9,000 customers. This is a significant increase over the $9,176 abated in 2013 and the $68,570 abated in 2012. The majority of this abatement amount is attributable to investigations of two CEPs. In one situation, the CAD discovered through its investigation that a CEP had failed to provide customers the rate upon which they had agreed to for the full contract period and instead moved customers to a variable rate one month prior to the end of the customers' contract. In that situation, the CAD ordered the CEP to refund the amount over paid for the one month to all impacted customers. This resulted in $190,191 being returned to over 5,800 customers. In the other situation, the CEP began assessing customers a monthly charge that was not included in the customers' contract. Because the CEP failed to provide proper notice of this change in contract terms, the CAD ordered the CEP to refund the monthly charge assessed to all customers. This resulted in $127,227 being refunded to 2,739 customers.

LOW INCOME PROGRAMS

Electric Low-Income Assistance and Oxygen Pump/Ventilator Programs Pursuant 35-A M.R.S.A. § 3214(6)

The Commission is required by 35-A MRSA § 3214(6) to annually report the results of the Low Income Assistance Program (LIAP) and Oxygen Pump/Ventilator benefits to the Utilities and Energy Committee. The report must, at a minimum, include:

A. For each month of the program year, the number of participants enrolled in low-income assistance programs, the number receiving oxygen pump benefits and the number receiving ventilator benefits;

B. For each month of the program year, the dollar amount of low income assistance program benefits, the dollar amount of oxygen pump benefits and the number receiving ventilator benefits; and

C. An assessment of the effectiveness of the oxygen pump benefit and ventilator benefit with regard to covering only those electric charges directly related to use of an oxygen pump or ventilator by the program participant.

Table 9 summarizes the information relating to the LIAP and Oxygen Pump/Ventilator benefits on a state-wide basis. The statistics are derived from the quarterly reports submitted by T&D utilities.

Table 9 – Program Statistics

	LIAP Program		Oxygen Program		Ventilator Program	
Month	Number of Participants	Amount of Benefit	Number of Participants	Amount of Benefit	Number of Participants	Amount of Benefit
Oct. 2013	1,131	$158,769	48	$1,539	0	$0
Nov. 2013	2,253	$396,404	124	$9,655	0	$0
Dec.2013	6,356	$957,157	243	$10,949	4	$111
Jan. 2014	10,805	$1,042,756	430	$20,948	0	$0
Feb. 2014	12,050	$900,462	444	$16,923	0	$0
Mar. 2014	13,220	$838,339	430	$16,364	0	0
April 2014	13,316	$567,077	422	$16,006	1	$28
May 2014	12,851	$363,911	388	$11,478	1	$26
June 2014	12,234	$264,576	413	$15,365	1	$27
July 2014	11,892	$128,689	377	$11,823	1	$26
Aug. 2014	11,517	$253,314	323	$9,755	1	$26
Sept. 2014	11,170	$1,943,527	321	$10,801	9	$26
Total		$7,814,981		$151,606		$270

11. SUMMARY OF COMMISSION RULEMAKINGS

The following provides a summary of the Commission Rulemakings in 2014.

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

This rule was amended to modify the consumer protection provisions in response to increased competition for small commercial and residential customers.

Chapter 306: Uniform Information Disclosure and Informational Filing Requirements

This rule was amended to remove certain provisions that are now included in Chapter 305 of the Commission's rules.

Chapters 401,403,405,407 and 409: Repeal of Outdated Rules

This Rulemaking was initiated to repeal several outdated rules related to a prior role the Commission had regarding Maine's energy conservation programs.

Chapter 615: Exemption from Regulatory Requirements for Consumer-Owned Water Utilities

This rule was adopted to set forth requirements and procedures related to exemptions, pursuant to 35-A M.R.S. § 6114, from regulatory requirements that otherwise would apply to consumer owned water utilities.

Chapter 870: Late Payment Charges, Interest Rates to Be Paid on Customer Deposits, and Charges for Returned Checks

This rule was amended to establish a just and reasonable interest rate for customer deposits.

Chapter 895: Amendments to Underground Facilities Damage Prevention Requirements

This rule was amended pursuant to law, P.L. 2013, Ch. 557, that directs the Commission to review its Underground Facility Damage Prevention Requirements rule to identify ways to decrease the number of notices (Dig Safe tickets) that do not result in a marking.

12. REPORTS TO THE LEGISLATURE

The Commission submitted the following reports to the Legislature in 2014:

- Report on Fire and Police Protocols Pilot Program For E911, 1/1/14
- Report on Demand Charges Placed on Medium Rate Class Customers, 1/15/14
- Report on Efficient Heating Pilot Programs, 1/15/14
- Report on Geomagnetic Disturbances (GMD) and Electromagnetic Pulse (EMP), 1/20/14
- Report Regarding Plan to Reform Regulation of Consumer-owned Water Utilities, 1/31/14
- 2013 Annual Report, 2/1/14
- DEP/EMT/PUC Regional Greenhouse Gas Initiative Annual Report, 3/15/14
- Annual Renewable Portfolio Standard (RPS) Report, 3/31/14
- Regional Greenhouse Gas Initiative Price Impacts Report, 7/11/14

In addition to the reports to the Legislature, the Office of Program Evaluation and Government Accountability (OPEGA) continued their 2013 work reviewing aspects of the Commission's operations including compliance, accessibility and responsiveness of certain PUC processes.

OPEGA found that with very few exceptions, the Commission operates in full compliance with our rules and statutes and are accessible and responsive to citizens and ratepayers. The Commission has provided OPEGA with updates on our improvements to date and is continuing to work diligently to address the recommendations made by OPEGA.

13. FISCAL INFORMATION

The Commission is required by 35-A M.R.S. §120 to report annually to the Joint Standing Committee on Energy, Utilities and Technology 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. All references in this section are to fiscal years -- July 1 to June 30.

In FY2014, the Commission regulated electric, gas, telephone, water and water common carrier utilities, enforced Maine's underground facilities damage prevention law, and managed the state-wide E911system.

The Emergency Services Communications Fund (E911)

This fund had an unencumbered balance of $1,492,883 and an encumbered balance of $921,887 brought forward from FY2013. $6,743,089 was expended in FY2014. An unencumbered balance of $2,033,909 and an encumbered balance of $1,668,381 were brought forward to FY2015. The surcharge collected in FY2014 was $8,172,405.

In FY2013, the Commission received a General Fund appropriation to partially cover costs related to the operation of two E911 systems during the transition from the existing Enhanced 911 system to the Next Gen 911 system. An unencumbered balance of $2,647,984 and an encumbered balance of $421,982 were brought forward from FY2013. Public Law 2013, chapter 1, Section T-1 authorized the use of the unencumbered balance in FY2014. $4,199,524 was expended in FY2014. An encumbered balance of $10,442 was brought forward to FY2015.

PUC Regulatory Related Accounts

Regulatory Fund The authorized Regulatory Fund assessment for FY2014 was $6,412,326. An unencumbered balance of $2,458,710 and encumbrances of $99,056 were brought forward from FY2013. The Commission spent $6,899,601in FY2014.

An encumbered balance of $370,697and an unencumbered balance of $2,035,611were brought forward to FY2014. The encumbered balances generally represent ongoing contracts.

Reimbursement Fund In FY2014, the Commission collected $8,460 in filing fees, $0 in copying fees and $201,250 in fines. An unencumbered balance of $498,871 and an encumbered balance of $20,212 were brought forward from FY2013. During FY2014, $259,710 was expended. An encumbered balance of $5,581 and an unencumbered balance of $709,733 were brought forward to FY2015.

Education Fund An unencumbered balance of $748 was brought forward from FY2013. In November of 2013, the unencumbered balance was transferred to the Office of the Public Advocate for the purposes of consumer education relating to the electricity industry, as per Public Law 2013, Chapter 116.

Damage Prevention Grant 2014 During FY2014, the Commission was awarded a Damage Prevention Grant from PHMSA in the amount of $45,000.

PUC Regulatory Related Accounts – ARRA

State Electricity Regulators In FY 2010, the Commission was awarded a State Electricity Regulators assistance grant from the Federal Department of Energy. The total amount of the grant is $783,554 with a grant period of November 1, 2009 to October 31, 2014. In FY2014, $85,163 was expended.

The Budget in Perspective

Table 10 details the Commission's FY15 Expenditure plan including position count.

The Regulatory Fund Assessment in Perspective

Table 11 details the most recent ten years of Regulatory Fund assessments from Annual Reports filed by the utilities with the Commission. They include revenues for the previous year ending December 31.

Calculations are made to determine what percentage of the revenues reported by regulated utilities will produce the amount authorized by statute. The derived factors that will raise the authorized amount are applied against the reported revenues of each utility.

Under 35-A M.R.S. § 116, on May 1 of each year the Commission mails an assessment notice to each utility. 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 total assessment for FY2014 was $6,412,326. The assessment breakdown by utility sector was:

Electric	$3,645,339
Telecommunications	$1,323,311
Natural Gas	$ 920,946
Water	$ 519,386
Water Common Carrier	$ 3,344

Table 10 - FY2015 Work Program

Regulatory Fund	
Position Count	56.25
Personal Services	$5,862,642
All Other	$1,963,502
Capital	0
Total	**$7,826,144**
Commission Reimbursement Fund	
All Other	$50,000
Commission Damage Prevention	
All Other	$50,000
Oversight and Evaluation Fund	
All Other	$20,000
Prepaid Wireless	
All Other	$500,000
Regional Greenhouse Gas Initiative	
All Other	$1,500,000
Emergency Services Comm. Bureau (E-911)	
Position Count	9
Personal Services	$812,314
All Other	$7,454,575
Capital	0
Total	**$8,266,889**
State Electricity Regulators (ARRA)	
Position Count (limited period position)	1
Personal Services	$38,291
All Other	0
Capital	0
Total	**$38,291**

Table 11 - Regulatory Fund Assessments

Commission Regulatory Fund Assessments for the Past Ten Years								
Year	Electric Revenues	Telecom Revenues	Water Revenues	Gas Revenues	Water Carriers Revenues	Total Utilities Revenues	Amount Billed	Amount Authorized
2004	524,156,143	508,708,861	105,043,583	64,913,705	3,823,145	1,206,645,437	5,505,000	5,505,000
2005	511,898,621	479,535,534	66,382,651	107,317,453	2,809,273	1,167,943,532	5,505,000	5,505,000
2006	531,365,202	492,780,390	110,130,702	71,921,808	2,949,997	1,209,148,099	5,505,000	5,505,000
2007	493,598,549	436,922,435	111,089,598	66,028,479	3,655,720	1,111,294,781	7,647,403	7,647,403
2008	475,656,450	425,737,517	115,900,129	73,573,876	-0-*	1,090,867,872	7,172,489	7,172,489
2009	411,688,463	385,333,830	119,538,309	75,026,949	-0-*	991,587,551	7,419,695	7,419,695
2010	374,604,109	317,191,824	121,107,181	76,880,341	3,591,115	893,374,570	8,069,573	8,069,573
2011	378,489,543	289,239,378	127,294,136	75,151,597	3,566,079	873,740,733	4,549,291	4,549,291
2012	391,325,882	297,835,978	129,690,285	82,984,999	3,622,645	905,459,789	4,939,248	4,939,248
2013	390,977,395	145,630,198	131,245,317	96,112,747	3,759,034	767,724,691	6,412,326	6,412,326

*Revenues not included in assessment calculation

14. CURRENT COMMISSIONERS' BIOGRAPHIES

Mark A. Vannoy was appointed Chairman of the Maine Public Utilities Commission in December 2014 by Governor Paul R. LePage. He had previously served as Commissioner being appointed in June 2012 and reappointed in May 2013. Prior to coming to the Commission he worked as an Associate Vice President in the infrastructure and civil practice group at Wright Pierce in Topsham, Maine. Before moving to Maine in 2000, he served as an Officer in the United States Navy, completing tours as a NROTC instructor at Cornell University, and a nuclear tour, as the Damage Control Assistant aboard CGN36 USS California. Commissioner Vannoy graduated from the United States Naval Academy in 1993 with a Bachelor of Science in Ocean Engineering. He completed his Masters of Engineering at Cornell University in 2000. His term expires in March 2019.

David P. Littell was appointed to the Maine Public Utilities Commission in September 2010. Until this appointment, he served as the Commissioner of the Maine Department of Environmental Protection for five years starting in 2005, and served two earlier years as Deputy Commissioner. Commissioner Littell was an attorney and partner at Pierce, Atwood from 1992-2003. From 1994-2004, he was an intelligence officer in the United States Navy Reserves and resigned as a lieutenant commander in 2004. Commissioner Littell received his Juris Doctor from Harvard Law School in 1992 and his A.B. from Princeton University's Woodrow Wilson School of Public and International Affairs in 1989. In 2010, he was named a Distinguished Policy Fellow by the University of Maine's Margaret Chase Smith Center. His term expires in March 2015.

15. PAST COMMISSIONERS

1915 – 2014

* Benjamin F. Cleaves	1915-1919
William B. Skelton	1915-1919
Charles W. Mullen	1915-1916
John E. Bunker	1917-1917
Herbert W. Trafton	1918-1936
* Charles E. Gurney	1921-1927
Albert Greenlaw	1924-1933
* Albert J. Stearns	1928-1934
Edward Chase	1934-1940
* Frank E. Southard	1935-1953
C. Carroll Blaisdell	1937-1941
James L. Boyle	1941-1947
George E. Hill	1942-1953
Edgar F. Corliss	1948-1954
* Sumner T. Pike	1954-1955
Frederick N. Allen	1954-1967
Richard J. McMahon	1955-1961
* Thomas E. Delahanty	1955-1958
* David M. Marshall	1958-1969
* Earle M. Hillman	1962-1968
* John G. Feehan	1968-1977
Leslie H. Stanley	1970-1976
* Peter Bradford	1971-1977
	1982-1987
Lincoln Smith	1975-1982
* Ralph H. Gelder	1977-1983
Diantha A. Carrigan	1977-1982
Cheryl Harrington	1982-1991
* David Moskovitz	1984-1989
* Kenneth Gordon	1988-1993
Elizabeth Paine	1989-1995
Heather F. Hunt	1995-1998
William M. Nugent	1991-2003
* Thomas L. Welch	1993-2005
	2011-2014
Stephen L. Diamond	1998-2006
* Sharon M. Reishus	2003-2010
* Kurt Adams	2005-2008
Vendean Vafiades	2007-2012
* Jack Cashman	2008-2011

*** Denotes Chairman**