STATE OF MAINE
PUBLIC UTILITIES COMMISSION

August 14, 2001

SECOND AMENDED ORDER

MAINE PUBLIC SERVICE COMPANY
Request for Approval of Reorganization Approvals and Exemptions and For Affiliated Interest Transaction Approvals

Docket No. 1998-138

MAINE PUBLIC SERVICE COMPANY
Request for Approval of Affiliated Interest Transaction (§707)

Docket No. 2001-522

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

We amend our Orders of September 2, 1998 and July 3, 2001 in Docket No. 98-138 to include corporate guarantees within Maine Public Service Company's (MPS) permitted investment level in Energy Atlantic (EA).

II. BACKGROUND

On September 2, 1998, we granted MPS's request for reorganization along with certain approval exemptions, and the approval of certain affiliated interest transactions related to the formation of a wholly-owned energy marketing affiliate, EA, subject to certain conditions. *Order,* Docket No. 98-138 (Sept. 2, 1998). Our approval included an investment limitation for MPS of $2.0 million in EA. On July 3, 2001, we raised the originally permitted investment limitation to $2.5 million. *Amended Order,* Docket No. 98-138 (July 3, 2001).

On July 26, 2001, MPS requested that we approve an affiliated interest transaction between MPS and EA (Docket No. 2001-522). However, MPS did not actually present for approval a specific transaction for a specified dollar amount at this time. Instead, the Company requested that it be allowed to include within its permitted investment level of $2.5 million, the issuance of MPS's corporate guaranty for certain third-party non-loan contracts entered into by EA. MPS's filing is thus appropriately treated as a request for an amendment to our original Order in Docket No. 98-138.

In our Docket No. 98-138 Order, we specified that the sum total of all equity contributions, inter-company loans, and loan guarantees made by MPS to banks or other lenders on behalf of EA would be consider "investments " that would count against the $2.0 million investment limit. *Order* at 1,8 & 17 (ordering paragraph 4). As mentioned, we recently raised the $2.0 million investment limit to $2.5 million. In doing

so, we did not change the definition of what would considered "investments" subject to the limit.

The Company's now requests our approval of an expanded definition of "investment." MPS wishes to have the ability to issue its corporate guaranty for a third-party contracts that are not loan agreements, and to count any such guaranty towards the current $2.5 million investment limit. The Company has filed a blank copy of such a guaranty as an example of the type of agreement they would propose to issue. The document shows an aggregate dollar amount of the obligation and an end date for the obligation and is, in that regard, similar to a loan agreement. The form also limits MPS's liability to the amount specified.

III. DECISION

MPS's request to issue a closed-end (from the standpoint of dollars and term) corporate guaranty on behalf of EA falls within the spirit of our original approval. As long as MPS remains within its $2.5 million permitted investment limit (the sum of equity contributions, inter-company loans, corporate guarantees from MPS of loans or contracts) with respect to EA, we will not require that MPS seek review of specific individual closed-end (dollars and length) guarantees. We therefore amend page 17, paragraph III. D., of our original Order in Docket No. 98-138 to include:

- MPS making closed-end (dollars and length) corporate guarantees to, or on behalf of, EA for business-related non-loan contracts.

Accordingly, we

O R D E R

1. That MPS's compliance with the permitted investment limit specified in paragraph 2 of our September 2, 1998 Order in Docket No. 98-138 and amended to $2.5 million in our July 3, 2001 Amended Order in Docket No. 98-138 shall be determined by summing the total of equity contributions, inter-company loans, loan guarantees and closed-end corporate guarantees of business–related non-loan contracts made to, or on behalf of, its affiliate, EA.

2. That all other provisions and conditions specified in our September 2, 1998 Order and in our July 3, 2001 Amended Order in Docket No 98-138 remain unchanged.

Dated at Augusta, Maine, this 14th day of August, 2001.

BY ORDER OF THE COMMISSION

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Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
Nugent
Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.

2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.

3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.