

ANNUAL REPORT
OF THE
MAINE PUBLIC UTILITIES COMMISSION

February 1, 1988

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ANNUAL REPORT
OF THE
MAINE PUBLIC UTILITIES COMMISSION

February 1, 1988

Public Utilities Commission
Information Resource Center
State House Station 18
Augusta, ME 04333-0018

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I. INTRODUCTION

Pursuant to 35-A M.R.S.A. §120, the Public Utilities Commission is required to report annually to the Legislature on:

1. The Commission's planned expenditures for the year and its use of funds in the previous year; and
2. The waiver, exemption, receipt and expenditure of any filing fees, expenses, reimbursements or fines collected under Title 35-A.

In addition, pursuant to 35-A M.R.S.A. §4358, the Commission is required to report to the Joint Standing Committee on Appropriations and Financial Affairs on fiscal activities relating to the Nuclear Decommissioning Financing Act. Finally, the Commission has agreed with the Joint Standing Committee on Utilities to include information in its Annual Report relating to:

1. The Commission's treatment of electric utility requests for rates to recover expenses associated with conservation loan programs;
2. The effectiveness of 35-A M.R.S.A. §704 §§3 in deterring utility violations of Chapter 81 of the Commission Rules; and
3. The accumulation of funds in water districts' contingency reserves, the disposition of such funds, and the existence and disposition of any "excessive" amounts in such reserves.

In addition to the above, we have included information relating to organization, case load and other activities.

It is intended that this report will provide a complete and concise picture of Commission activities. The Commission welcomes suggestions from the Legislature or other interested parties that would improve this report in the future.

II. PURPOSE AND ORGANIZATION

Purpose

The Public Utilities Commission's purpose is to protect the public by ensuring that utilities operating in the State of Maine provide adequate and reliable service to the public at rates that are reasonable and just. The Commission is a quasi-judicial body which rules on cases involving rates, service, financing and other activities of the utilities it regulates. The Commission has jurisdiction over 150 water utilities, 15 electric utilities, 1 gas utility, 4 water carriers, 19 telephone utilities, 3 resellers of telephone services, radio common carriers, COCOTS and cellular service providers. These utilities had total revenues in 1987 of more than \$985 million.

Organization

The Public Utilities Commission was created by the Public Laws of 1913 and organized December 1, 1914. The present Commission consists of three members appointed by the Governor, subject to review by the Legislative Committee having jurisdiction over utilities and to confirmation by the Legislature for terms of six years. One member is designated by the Governor as Chairman, and all three devote full time to their duties. [See organizational chart at the end of this section]

The Commission sets regulatory policy through its rulemaking and adjudicatory decisions. Aside from the Commission itself, the agency is divided into five operating divisions as follows:

Administrative Division

The Administrative Division is responsible for fiscal, personnel, contract and docket management, as well as physical plant. The Division provides support services to the other divisions including information resources, word processing and hearing transcription, and assists the Commission in coordinating its activities. The Division has primary responsibility for public information and assists the General Counsel of the Legal Division in providing information to the Legislature.

Consumer Assistance Division

The Consumer Assistance Division (CAD) receives, analyzes and responds to complaints from Maine utility customers. The CAD assists individual customers in resolving their disputes with the utility and analyzes those complaints to determine what utility practices, if any, need to be corrected. The Division analyzes utility rate filings and prepares data requests and testimony on quality of service issues in major rate cases. In addition, the Division participates in Commission initiated investigations and other matters which relate to quality of service, energy conservation and low income payment problems.

Legal Division

The Legal Division represents the Commission before federal and State appellate and trial courts and agencies. It provides examiners and advocates in cases before the Commission and assists in preparing and presenting Commission views on Legislative proposals. Examiners preside over Commission proceedings, rule on questions of procedure and evidence, and prepare written recommended decisions for the Commission. Advocates organize and present the staff's case before the Commission, cross-examine the cases of other parties, file briefs on the issues, and engage in negotiations with the parties for the settlement of all or some of the issues in a case. Complete legal services are provided by the Division on all legal aspects of matters within the Commission's jurisdiction from major rate cases to individual consumer complaints.

Finance Division

The Finance Division is responsible for conducting financial investigations and analysis of telephone, electric, gas and water utilities, and for conducting other research about Maine utilities. The Division analyzes all applications of utilities to issue stocks, bonds or notes. The Division prepares testimony and other material concerning fuel clauses, cost of capital, rate base, revenues, expenses, depreciation and rate design for rate cases. The Division assists in the preparation of questions for

cross-examination on accounting and finance matters, presents direct testimony, evaluates rate case exhibits and advises the Commission on financial and economic issues.

Technical
Analysis
Division

The Technical Analysis Division analyzes the technical aspects of filings made by utilities. Specifically, the Division analyzes and evaluates rate design exhibits, assists in the preparation of engineering related cross-examination and provides expert witnesses in rate proceedings. The Division prepares and reviews cost allocations and rate studies, reviews plans and specifications on all major utility construction projects, conservation programs and power purchases, conducts on-site inspection of system improvements, advises the Commission and CAD regarding line extensions, inspects gas pipelines to ensure safe operations and conducts on site investigations of gas explosions and electrical accidents involving loss of human life. Finally, the Division reviews standards of service, utility reports, fuel clauses and fuel generation rates, using computer modeling techniques where appropriate.

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

COMMISSION
 Chairman
 Administrative Secretary
 Commissioners (2)
 Administrative Secretary

Technical Analysis Division
 Director
 Secretary
 Senior Utility Engineer
 Utility Engineer
 Senior Rate Analyst
 Rate Analyst (2)
 Senior Utility Planner
 Utility Planner (3)
 Utility Technical Analyst

Consumer Assistance Division
 Director
 Clerk Typist III
 Ass't. to the Director
 Sr. Consumer Assistance Specialist (2)
 Consumer Assistance Specialist (3)

Administration
 Administrative Director
 Clerk Typist III
 Assistant Administrative Director
 Clerk III
 Clerk Typist II (2)
 Word Processing Supervisor
 Word Processing Operator (3)
 Librarian III
 Administrative Assistant
 Accountant II
 Hearing Reporters (3)

Finance Division
 Director
 Clerk Steno III
 Deputy Director
 Senior Utility Analyst (2)
 Utility Analyst (3)
 Utility Accountant

Legal Division
 General Counsel
 Senior Legal Secretary
 Deputy General Counsel
 Senior Attorney Examiner
 Legal Secretary
 Staff Attorney (7)
 Legal Secretary
 Paralegal Assistant

III. FISCAL INFORMATION.

The Public Utilities Commission is required by 35-A M.R.S.A. §120 to report annually to the Joint Standing Committee on Utilities on its planned expenditures for the year and on its use of funds in the previous year. The Commission is also required to report to the Joint Standing Committee on Appropriations and Financial Affairs on activity relating to the Nuclear Decommissioning Financing Act. This section of the Report fulfills these statutory requirements and provides additional information regarding the Commission's budget.

The Commission has two major sources of funding, in FY 87 a General Fund appropriation of approximately \$810,000 and a Regulatory Fund of \$2,079,000. The Regulatory Fund is raised through an assessment on utilities pursuant to 35-A M.R.S.A. §116. The assessment process is described in Section 5 of this chapter.

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

The Commission was authorized 65 full-time positions in FY 87, 22 in the General Fund and 43 in the Regulatory Fund.

1. Fiscal Year 87

In FY 87, the Commission expended approximately \$3.3 million regulating more than 200 utilities with gross revenues exceeding \$985 million. This figure includes funds expended for renovation of the Commission offices at 242 State Street in Augusta. Exhibit A details FY 87 expenditures by line category. Exhibit B summarizes General Fund activity and activity in other funds administered by the Commission.

General Fund The General Fund allocation for FY 87 was \$810,617. \$800,546 was expended, principally for Personal Services. \$10,070 was lapsed to the General Fund. This lapsed amount represents salary savings from vacancies that went unfilled during part of FY 87.

Regulatory Fund The Regulatory Fund assessment for FY 87 was \$2,079,000. In addition to the assessment, an unencumbered balance of \$254,801 and encumbrances of \$266,997 were brought forward from FY 86.^{1/} \$2,014,840 was expended. Details of these expenditures are presented in Exhibit A. An encumbered balance of \$285,484 and an unencumbered balance of \$300,473 were brought forward to FY 88.^{2/} The encumbered balances generally represent ongoing contracts for consulting services.

Decommissioning Fund This account was closed in FY 86. There was no activity during FY 87.

Reimbursement Fund Exhibit B indicates the reimbursement fund has been divided into 2 accounts - - Filing Fees and Miscellaneous Reimbursements. The filing fee account had an unencumbered balance of \$20,956 brought forward to FY 87. No filing fees were received during FY 87. During FY 87 \$10,578 was expended leaving an encumbered balance of \$422

1/

Pursuant to 35-A M.R.S.A. §116, §5, balances up to 7% of the Regulatory Fund may be brought forward to the next fiscal year. If those funds are to be moved from one line category to another, the approval of the Governor is required. Any amount over 7% must be reallocated by the Legislature or used to reduce the utility assessment in the following year.

2/

The Commission is seeking approval of the Legislature to allocate the unencumbered balance brought forward from FY 87 to FY 89 to purchase a new computer system.

brought forward to FY 88. After adjusting for an accounting error, an unencumbered balance of \$9,956 was brought forward to FY 88. This amount was not needed to process the petition with which it was tiled (Hydro Quebec Phase II) and will be refunded to Central Maine Power Company (\$8,178) and Bangor Hydro-Electric Company (\$1,778).

During FY 86, \$11,000 was received from Central Maine Power Company with its petition for approval of the Lewiston Falls Hydro-Electric Redevelopment Project. \$10,578 was spent on consulting services leaving an encumbered balance of \$422.

Miscellaneous reimbursements consist of funds received for copies of documents such as monthly dockets, agendas and decisions and for other miscellaneous items. \$25,248 was brought forward from FY 86. An additional \$8,535 was received during FY 87. An unencumbered balance of \$33,783 was brought forward to FY 88.

In FY 87, no fines were collected by the Commission.

2. Fiscal Year 88 Exhibit C details the Commission's FY 88 General Fund and Regulatory Fund budgets. The FY 88 budget figures are included in the left hand column. Encumbered balances brought forward from FY 87 and adjustments reflecting approved reclassifications are included in Column 2. The right hand column represents the total funds available to the Commission in FY 88 by account and line category. The bottom figure in the right hand column represents the total of all funds available to the Commission in FY 88.
3. Fiscal Year 89 Budget The Commission is seeking to increase the annual Regulatory Fund assessment by \$70,000 to a total of \$2,379,000 in FY 89. The additional funds will be used to provide operating expenses for the new computer system including hardware and software maintenance and 2 new positions - - an

information specialist and a clerical support person. In addition, the Commission is seeking Legislative approval to reallocate approximately \$300,000 brought forward from FY 87 to FY 89 to purchase a new computer system.

Exhibit D details the FY 89 General Fund and Regulatory Fund budgets in the left hand column. Column 2 breaks out the requested increase by line category. The right hand column represents the total of the current budget and the proposed increase.

4. The Budget
in Perspective

Exhibit E details the Commission's General Fund and Regulatory Fund budgets for a three-year period. The left hand column has amounts actually expended in FY 87. Column 2 contains FY 88's expenditure plan and column 3 contains the FY 89 Budget.

5. The Regulatory
Fund Assessment
In Perspective

Exhibit F details the Regulatory Fund assessments since FY 80. Annual Reports filed by the utilities with the Commission include revenues for the previous year ending December 31. Calculations are made to determine what percentage of the total reported revenues will provide the amount authorized by statute - \$2,309,000 in FY 89. The factor derived that will raise the authorized amount is applied against the reported revenues of each utility. Pursuant to 35-A M.R.S.A. §116, on May 1st of each year an assessment is mailed to each utility regulated by the Commission. The assessments are due on July 1st. Funds derived from this assessment are for use during the fiscal year beginning on the same date.

6. Management
Audits

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

1. The degree to which a utility's construction program evidences planning adequate to identify realistic needs of its customers;

2. The degree to which a utility's operations are conducted in an effective, prudent and efficient manner;
3. The degree to which a utility minimizes or avoids inefficiencies which otherwise would increase cost to customers; and
4. Any other consideration which the Commission finds relevant to rate setting under Chapter 3, sections 301 and 303.

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

In FY 87 pursuant to Section 113, the Commission ordered a management audit of affiliated interests of New England Telephone & Telegraph Company. The New England Telephone Company audit has been completed at a cost of approximately \$26,000.

7. Public Utilities Commission Facilities Fund 35-A M.R.S.A. §116, §17 authorized two special assessments of \$250,000 each to make necessary improvements in the facilities housing the Public Utilities Commission at 242 State Street, in Augusta. The second and last assessment was due on July 1, 1986. All of these funds were expended in FY 87. Accrued interest in the amount of approximately \$27,000 remains as an unencumbered balance in this account. In FY 86, \$125,000 was transferred from PUC Regulatory Fund All Other to Capital to fund that part of the renovations which exceeded resources available in the Facilities Fund. In FY 87 \$66,079 of this amount was expended. In addition, \$40,000 provided by the Bureau of Improvements to assist in making the building handicapped accessible was expended.

EXHIBIT A

FY 87 EXPENDITURES

<u>Account Name</u>	<u>Amount</u>
<u>General Fund - 1187.1</u>	
Positions	(22)
Personal Services	745,224
Consulting Services	0
All Other	55,322
Capital	<u>0</u>
General Fund Total	800,546
<u>Regulatory Fund - 4187.1</u>	
Positions	(43)
Personal Services	1,186,388
Consulting Services	274,546
All Other	446,582
Capital	<u>107,324</u>
Regulatory Fund Total	2,014,840
Facilities Fund - 4187.2	500,000
<u>Decommissioning Fund - 4187.5</u>	0
<u>Reimbursement Fund</u>	
<u>Filing Fees - 4187.4</u>	10,578
<u>Misc. Reimbursements - 4187.6</u>	<u>0</u>
All Expenditures Total	<u>3,325,964</u>

EXHIBIT B

PUC FUND ACTIVITY BY ACCOUNT FOR FY 1987

<u>Account Name</u>	<u>Amount</u>
<u>General Fund - 1187.1</u>	
Balance Brought Forward From Previous Year	0
General Fund Allocation	810,617
Less Expended	800,547
6/30/87 Balance Lapsed To General Fund	10,070
<u>Regulatory Fund - 4187.1</u>	
Balance Brought Forward From Previous Year	254,801
Encumbrances Brought Forward From Previous Year	266,997
Funds Received	2,079,000
Less Expended	2,014,841
Encumbered Balance Brought Forward To FY 88	285,484
Unencumbered Balance Brought Forward To FY 88	300,473
<u>Facilities Fund - 4187.2</u>	
Balance Brought Forward From Previous Year	260,106
Funds Received	250,000
Interest Earned	17,649
Less Expended	500,000
Unencumbered Balance Brought Forward to FY 88	27,755
<u>Decommissioning Fund - 4187.5</u>	
Encumbrances Brought Forward From Previous Year	0
Less Expended	0
<u>Reimbursement Fund</u>	
<u>Filing Fees - 4187.4</u>	
Balance Brought Forward From Previous Year	20,956
Encumbrances Brought Forward From Previous Year	0
Funds Received	0
Less Expended	10,578
Encumbered Balance Brought Forward To FY 88	4,822
Less Accounting Error	(4,400)
Adj. Unencumbered Balance Brought Forward to FY 88	422
Unencumbered Balance Brought Forward to FY 88	5,556
Add Accounting Error	4,400
Adj. Unencumbered Balance Brought Forward to FY 88	9,956
<u>Misc. Reimbursements - 4187.6</u>	
Balance Brought Forward from Previous Year	25,248
Funds Received	8,535
Unencumbered Balance Brought Forward To FY 88	33,783



EXHIBIT C

FY 88 BUDGET & ADJUSTMENTS

	<u>Budget</u>	<u>Brought Fwd.</u>		<u>Adjusted Budget</u>
<u>General Fund - 1187.1</u>				
Positions	(22)			(22)
Personal Services	\$ 818,622	1,095	1*	\$ 819,717
Consulting	0	0		0
All Other	55,323	(1,095)	1*	54,228
Capital	0	0		0
TOTAL	<u>\$ 873,945</u>	<u>0</u>		<u>\$ 873,945</u>
<u>Regulatory Fund - 4187.1</u>				
Positions	(43)	0		(43)
Personal Services	\$1,469,133	2,840	2*	\$1,471,973
Consulting	369,229	\$ 121,961	3*	491,190
All Other	369,438	49,923	4*	419,361
Capital	11,200	110,759	5*	121,959
TOTAL	<u>\$2,219,000</u>	<u>\$ 285,483</u>		<u>\$2,504,483</u>
<u>Facilities Fund - 4187.1</u>				
Capital	0	\$ 27,755	6*	\$ 27,755
<u>Reimbursement Fund</u>				
Filing Fees - 4187	200,000	4,822	7*	\$ 204,822
Misc. - 4187.6	50,000	0		50,000
GRAND TOTAL	<u>\$3,342,945</u>	<u>\$ 318,060</u>		<u>\$3,661,005</u>

- 1* Includes increase of Personal Services and decreases of All Other by \$1,095 to fund approved reclassifications.
- 2* Includes increase of Personal Services and decreases of All Other by \$2,840 to fund approved reclassifications.
- 3* Encumbered balance brought forward - \$121,961
- 4* Encumbered balance brought forward - \$52,763 less \$2,840 line category transfer to fund approved reclassification
- 5* Encumbered balance brought forward - \$110,759
- 6* Disposition Pending - \$27,755
- 7* Encumbered balance brought forward - \$4,822



EXHIBIT D

FY 89 GENERAL FUND BUDGET & PROPOSED INCREASES

FY 89

	Budget	Request	Adjusted
Positions	(22)	(0)	(22)
Personal Services	\$ 864,779	5,567 1*	\$ 870,346
Consulting Services	0	0	0
All Other	55,323	(5,567) 1*	49,756
Capital	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	\$ 920,102	0	\$ 920,102

FY 89 REGULATORY FUND BUDGET & PROPOSED INCREASES

FY 89

	Budget	Request	Adjusted
Positions	(43)	(2)	(45)
Personal Services	\$1,544,445	56,067 2*	\$1,600,512
Consulting Services	369,275	0	369,275
All Other	385,480	11,933 3*	397,413
Capital	<u>9,800</u>	<u>302,472</u> 4*	<u>312,272</u>
TOTAL	\$2,309,000	\$370,472	\$2,679,472

1* Includes increase of Personal Services and decrease of All Other by \$4,167 and \$1,400 to fund approved reclassification and proposed transfer to unclassified service.

2* Includes increase of Personal Services and decrease of All Other by \$3,067 to fund approved reclassification. Also includes \$53,000 to fund two requested positions.

3* Includes the decrease mentioned above of \$3,067 and includes \$15,000 to support 2 new positions and computer maintenance service.

4* Includes \$300,472 to be reallocated for computer system and maintenance as well as \$2,000 Capital support for 2 new positions.

EXHIBIT E

PUC BUDGET IN PERSPECTIVE

	<u>FY 87</u> <u>Expended</u>	<u>FY 88</u> <u>Workplan</u>	<u>FY 89</u> <u>Budget</u>
<u>General Fund - 1187.1</u>			
Positions	(22)	(22)	(22)
Personal Services	\$745,224	\$818,622	\$870,346 1*
Consultants	0	0	0
All Other	55,322	55,323	49,756 1*
Capital	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	\$800,546	\$873,945	\$920,102
 <u>Regulatory Fund - 4187.1</u>			
Positions	(45)	(45)	(45)
Personal Services	\$1,186,388	\$1,463,133	\$1,600,512 2*
Consultants	274,546	491,190*	369,275
All Other	446,582	428,201**	397,413 3*
Capital	<u>107,324</u>	<u>121,959***</u>	<u>312,272 4*</u>
TOTAL	\$2,014,840	\$2,504,483	\$2,679,472
<u>Decommissioning Fund</u>	0	0	0
<u>Purchase Power Fund</u>	0	0	0
<u>Facilities Fund</u>	500,000		0
<u>Reimbursement Fund</u>			
Filing fees	10,578	200,000	200,000
Misc. Reimbursements	0	50,000	50,000
 ALL RESOURCES	 <u>\$3,325,964</u>	 <u>\$3,628,428</u>	 <u>\$3,849,574</u>

* Includes encumbered balance brought forward of \$121,961.

** Includes encumbered balance brought forward of \$52,763.

*** Includes encumbered balance brought forward of \$110,759.

(Footnotes continued)

EXHIBIT E
(cont'd)

PUC BUDGET IN PERSPECTIVE

- 1* Includes increase of Personal Services and decrease of All Other by \$4,167 and \$1,400 to fund approved reclassification and proposed transfer to unclassified service.
- 2* Includes increase of Personal Services and decrease of All Other by \$3,067 to fund approved reclassification. Also includes \$53,000 to fund 2 requested positions.
- 3* Includes the decrease mentioned above of \$3,067 and includes \$15,000 to support 2 new positions and computer maintenance support.
- 4* Includes \$300,472 to be reallocated for computer system as well as \$2,000 Capital support for 2 new positions.

Assessment Detail

For Use in FY	Mailing Date/ Due Date	\$ Annual Revenues Electric	\$ Telecom.	\$ Water	\$ Gas	\$ CBID	\$ Total Revenues (Utilities)	\$ Assessment Factor	\$ Net Amount Assessed by (PUC)	\$ Gross Assessment
FY 1980	11/79-01/01/80	186,278,293	139,683,694	24,086,603	6,749,736		356,798,326	.00021	74,816 (Nearest \$10)	75,000
FY 1981	05/80-07/01/80	206,762,413	153,652,974	25,465,331	7,374,962		393,255,630	.000381	149,830 (Nearest \$10)	150,000
FY 1982	05/81-07/01/81	216,243,682	165,108,544	28,421,070	8,932,172		418,705,468	.00035824	149,796 (Nearest \$10)	150,000
FY 1982	06/81-08/01/81	216,243,682	165,103,544	28,421,070	8,932,172		418,705,468	.0007165	299,983 (Nearest \$5)	300,000
FY 1983	05/82-07/01/82	462,967,673	182,850,133	32,220,884	14,428,444	803,933	692,471,067	.00187733	1,299,996 (Nearest \$1)	1,300,000
FY 1984	05/83-07/01/83	508,838,895	194,922,674	36,803,237	19,309,123	959,425	760,329,404	.00170366	1,299,999 (Nearest \$1)	1,300,000
FY 1984	06/83-08/01/83	508,838,895	194,922,674	36,939,287	19,308,123	959,425	760,829,404	.0002103	159,984 (Nearest \$1)	160,000
FY 1985	05/84-07/01/84	546,977,166	210,502,523	40,372,798	21,206,118	984,106	820,042,711	.001943801	1,593,904 (Nearest \$1)	1,594,000
FY/1986	05/85-07/01/85	630,565,108	210,877,202	42,290,155	20,517,627	1,080,600	905,330,692	.002092053	1,893,914 (Nearest \$1)	1,894,000
FY 1986	05/85-07/01/85	630,565,108	210,877,202	42,290,155	20,517,627	1,080,600	905,330,692	.0002762359	249,999 (Nearest \$1)	250,000
FY 1987	05/86-07/01/86	670,908,924	238,902,099	43,400,274	19,213,032	1,211,241	973,635,570	.0019916011	1,938,997 (Nearest \$1)	1,939,000
FY 1987	05/86-07/01/86	670,908,924	238,902,099	43,400,274	19,213,032	1,211,241	973,635,570	.0002568575	249,993 (Nearest \$1)	250,000
FY 1987	11/86-12/01/86	670,908,924	238,902,099	43,400,274	19,213,032	1,211,241	973,635,570	.000143887018	139,999 (Nearest \$1)	140,000
FY/1988	05/87-7/01/87	645,757,051	275,047,659	45,215,855	17,911,730	936,922	984,869,197	.002253091	2,219,000 (Nearest \$1)	2,219,000

IV. CASE STATISTICS AND OTHER ACTIVITIES.

1. Caseload At the end of calendar year* 1986, 126 cases were pending on the Public Utilities Commission Docket. During 1987, 315 new cases were docketed. The number of new cases docketed is higher than 1986 (246). 98 of the 126 pre-1987 cases and 244 of the 315 new cases were closed during 1987, 12 of these cases were assigned docket numbers but not initiated. At the end of 1987, 99 cases remained on the Commission's docket. Thus, in 1987, the Commission closed 342 cases. (See Exhibits G and H)

Exhibit G breaks down Commission activity in 1987 by type of utility and type of Commission initiated action, i.e., investigations and rulemakings.

Exhibit H further details the types of cases that were docketed during 1987.

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

*

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

<u>TERM</u>	<u>EXPLANATION</u>
Rates - General	Pursuant to Sections 307 and 310, ^{1/} the Commission reviews proposed changes in rates. General rate filings involve general increases in rates that significantly affect the utility's revenues. The Commission may suspend these filings for up to nine months. At the end of nine months, in the absence of action by the Commission, these rates become effective by operation of law.
Rates - Limited	Limited rate filings involve minor adjustments to individual tariffs and do not significantly impact on overall utility revenues.
Rates - Temporary	Section 312 empowers the Commission to temporarily alter existing utility rates. This authority allows the Commission to respond quickly to emergency situations.
Rates - Water District	Under Section 6104, rate filings by municipal and quasi-municipal water utilities are effective by operation of law unless a valid petition is received.
Rates - Customer-Owned Electric Utilities	Under Section 3502 rate filings by customer-owned electric utilities are effective by operation of law unless a valid petition is received.
Rate Reduction	Pursuant to Chapter 90, Revenue Adjustments were made for Tax Reform Act of 1986 and decreased cost of Capital rate reductions.
Security Issuances	Pursuant to Section 902, the Commission must approve the issuance of securities by utilities.

1/

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

Agreements/ Contracts	Pursuant to Section 307 and Section 703, the Commission must approve contracts between utilities and customers.
Reorganization/ Affiliated Interests	Under Sections 707 and 708, the Commission must approve financial transactions between a utility and an affiliated interest as well as utility reorganizations.
Cogeneration Petitions	Under Section 3306, the Commission is required to resolve certain disputes between cogenerators and utilities.
Commission Rulemakings	Section 111 authorizes the Commission to promulgate all necessary rules.
Commission Investigations	Section 1303 authorizes the Commission to investigate a utility whenever it believes any rate is unreasonable or that any service is inadequate or for any other appropriate reason.
Commission Delegations	The Commission delegates to its staff certain duties in order to more efficiently accomplish the purposes of the Commission.
Advisory Rulings	Chapter 11, Section 5 of the Commission Rules provide that any interested person may petition the Commission for an advisory ruling with respect to the applicability of any statute or rule administered by the Commission.
Ten-Person Complaints	Section 1302 provides for Commission investigation of written complaints signed by ten or more persons made against any public utility.
Purchase/Sale Petitions	Under Sections 1101, 1102 and 1103, the Commission reviews the purchase and sale of an entire utility system and approves abandonment of property or discontinuance of service.
Public Convenience and Necessity	Pursuant to Sections 2102 through 2105, a utility [electric, gas or telephone] must seek Commission approval in order to provide service to a city or town in which another utility is already providing or is authorized to provide service.

Exemptions/Waivers	Pursuant to Chapters 11 & 12 of the Commission Rules, the Commission may grant exemptions or waivers from certain of the Commission's rules.
Cost of Fuel Adjustments	Section 3101 requires an electric utility to seek Commission approval at least annually in order to adjust its charges to customers to reflect increases or decreases in the cost of fuel used in the generation and supply of electricity. A fuel adjustment filing triggers a Section 1303 investigation. Concurrent with the filing of cost of fuel adjustments, the electric utility must file short-term avoided costs.
Cost of Gas Adjustments	Pursuant to Section 4703, a gas utility must seek Commission approval in order to adjust its gas charges to its customers to reflect increases or decreases in the cost of gas.
Conservation	Pursuant to Section 3154, utilities may file to recover reasonable costs associated with the implementation of conservation programs; and, pursuant to Chapter 38, utilities are authorized to undertake certain demand-side energy management programs not specifically ordered by the Commission providing the programs meet the cost-effectiveness standard.

2. Rate Case
Decisions

In 1987, the Public Utilities Commission decided 7 general rate cases, in which water utilities requested increases totaling \$2.7 million.* The Commission granted \$2.4 million in rate increases and rejected \$.3 million. In addition, the Commission staff initiated Chapter 90/Rate Proceedings which resulted in more than \$50 million in rate reductions in 1987. Exhibit I presents

overall 1987 rate case decision data by utility type. Exhibits J, K, L, M, N and O present specific data on individual cases grouped by utility type. Exhibit P presents data on total rate increases requested by utilities and granted for all regulated utilities since 1980.

The exhibits pertaining to electrical rate increases do not reflect changes in fuel charges passed on to consumers. Nonetheless, a significant portion of total electrical billings represent the cost of fuel. For the major electric utilities fuel adjustment changes are processed in accordance with Chapter 34 of the Commission Rules. As Exhibit Q indicates, in 1987 fuel

*

These figures are for rate proceedings concluded in 1987. Some of these rate cases were actually filed prior to 1987. The figures do not include proceedings filed in 1987 which were not concluded by the end of the year.

revenues accounted for approximately \$288 million of the approximately \$742 million in gross operating revenues for Central Maine Power Company, Bangor Hydro-Electric Company and Maine Public Service Company combined. This exhibit also charts the historic proportionate ratio of fuel revenue to gross revenues for Maine's three largest electric utilities since 1985.

Also, referring to Exhibit Q, in 1987 Northern Utilities cost of gas accounted for approximately \$9.6 million of its \$17.8 million in gross operating revenues.

A large portion of the Commission's work is generally devoted to a small number of cases, usually involving the larger utilities. Exhibit R demonstrates this fact. Of 109 days of hearings held by the Commission in 1987, 48 or 44% of these were devoted to 2 cases.

EXHIBIT G

	<u>Electric</u>	<u>Telecommunication</u>	<u>Gas</u>	<u>Water</u>	<u>Water Carrier</u>	<u>Rulemakings</u>	<u>Investigations</u>	<u>Delegations</u>	<u>Misc.</u>	<u>Total</u>
1985 CASE SUMMARY										
Cases Docketed in 1985	45	72	24	74	1	18	14	5	1	254
Cases Decided in 1985	64	72	38	72	0	18	8	5	0	277
Cases Pending 12/31/85	37	42	3	22	1	9	10	0	2	126
1986 CASE SUMMARY										
Cases Docketed in 1986	36	90	13	55	13	17	2	6	6*	246
Cases Decided in 1986	47	88	9	61	13	15	3	2	8*	246
Cases Pending 12/31/86	26	44	7	16	1	8	9	0	0	126
1987 CASE SUMMARY										
Cases Docketed in 1987	80	94	12	81	5	18	10	2	13**	315
Cases Decided in 1987	81	105	16	76	6	15	28	2	13**	342
Cases Pending 12/31/87	25	33	3	21	0	11	6	0	0	99

* 5 of these cases were assigned docket numbers but not initiated.

** 12 of these cases were assigned docket numbers but not initiated.

EXHIBIT H

1987 Cases Docketed

Type	Filings					Comm. Initiated
	Electric	Gas	Telecom.	Water Carrier	Others	
Rates - General			1	10	3	
Rates - Limited	22	5	48	12	1	
Rates - Temporary						
Rates - Water District (\$6104)				13		
Rates - Customer Owned Electric (\$3502)						
Rate Reduction - (C.90)	3	1	18	9		
Securities Issues	7	1	1	26		
Agreements/Contracts	10	1	2	1		
Reorganizations/Affiliated Interests			5	1		
Cogeneration Petitions (C.36)						18
Commission Rulenumakings						13
Commission Investigations						2
Commission Delegations						
Advisory Rulings	1		1	1		
Ten-Person Complaints	1		4	1		
Purchase/Sale Petitions						
Public Convenience & Necessity	3		8		1	
Exemptions/Waivers - Rules/Statutes	9	1	4	4		
Cost of Fuel Adjustments	6					
Cost of Gas Adjustments		2				
Conservation (C.38)	6					
Others	<u>9</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>5</u>	<u>1</u>
	77	12	94	81	12	34
						= <u>315</u>

* Docket Numbers assigned to cases not initiated.

EXHIBIT I

Summary of Rate Adjustments for 1987

Chapter 90/Rate Proceedings

<u>Category</u>	<u>Cases</u>	<u>Adjustment</u>
Electric	4	(\$37,550,000)
Gas	1	(150,000)
Telephone	19	(12,900,000)
Water	7	<u>(200,000)</u>
Total		<u>(\$50,800,000)</u>

Summary of Regular Rate Proceedings

<u>Category</u>	<u>Cases</u>	<u>Requested</u>	<u>Granted</u>	<u>Difference</u>
*Water (Investor Owned)	7	<u>\$2,721,864</u>	<u>2,368,839</u>	<u>\$353,025</u>

*

There were 18 Municipal and Quasi-municipal Section 6104 rate filings not included here. Of these 16 were effective by operation of law in the absence of a valid customer petition and 2 were investigated. (see Exhibit O)

EXHIBIT J

CHAPTER 90/RATE PROCEEDINGS
ELECTRIC UTILITIES 1987

<u>Company Name</u>	<u>Docket No.</u>	<u>Adjustment Revenue (\$ Millions)</u>	<u>Notes</u>
Central Maine Power	85-212/87-81	(6.7)	Final Seabrook and TRA 1986
	85-212/87-81	(9.8)	Cost of Capital and TRA
	85-212/87-81	<u>(8.3)</u>	1988 Effects of TRA
		(24.8)	
Bangor Hydro-Electric	86-242	(6.2)	Interim Cost of Capital & TRA
	86-242	<u>(5.0)</u>	Final Rate Case Decision
		(11.2)	
Maine Public Service	87-167	(1.5)	TRA
Grand Total		<u>(37.5)</u>	

The following utility's revenues were adjusted by a small amount and are not included in the above table:

<u>Company Name</u>	<u>Docket No.</u>	<u>Adjustment Revenue</u>	<u>Notes</u>
Stonington Deer Isle	87-166	(\$47,276)	TRA 1986

EXHIBIT K

CHAPTER 90/RATE PROCEEDINGS
GAS UTILITIES 1987

<u>DOCKET NUMBER</u>	<u>COMPANIES</u>	<u>TOTAL REVENUE CHANGES</u>
87-164	Northern Utilities	150,000

EXHIBIT L

CHAPTER 90/RATE PROCEEDINGS
TELEPHONE UTILITIES 1987

<u>DOCKET NUMBER</u>	<u>TELEPHONE COMPANIES</u>	<u>TOTAL REVENUE CHANGES</u>
87-157	Bryant Pond Telephone Co.	\$ (12,662)
87-70	China Telephone Co.	(99,628)
87-168	Cobbosseecontee Te. & Tel. Co.	(1,340)
87-158	Community Service Telephone Co.	(201,367)
87-210	Continental Tel. Co. of Maine	(439,828)
87-159	Hampden Telephone Co.	(30,739)
87-209	Hartland & St. Albans Tel. Co.	(65,891)
87-169	The Island Telephone Co.	(207)
87-170	Lincolntonville Telephone Co.	(7,410)
87-160	Oxford County Tel. & Tel. Co.	(103,009)
87-161	The Pine Tree Tel. & Tel. Co.	(211,272)
87-162	Saco River Tel. & Tel. Co.	(296,804)
87-208	Somerset Telephone Co.	(120,416)
87-71	Standish Telephone Co.	(182,057)
87-165	Union River Telephone Co.	(13,582)
87-171	Unity Telephone Co.	(57,604)
87-163	Warren Telephone Co.	(15,229)
87-172	West Penobscot Tel. & Tel.	<u>(56,145)</u>
	Total Independent Telephone Company Changes.	(\$1,915,190)
86-224	*New England Tel. & Tel. Rate reduction (4/1/87) One-time customer credit (4/1/87) Additional reduction (1/1/88)	(9,200,000) (900,000) (902,000) <u>(11,003,000)</u>
	Total Telephone Company Revenue Change	(\$12,917,190)

*

This Chapter 90 proceeding was included in the Commission's investigation into NET's rates.

EXHIBIT M

CHAPTER 90/RATE PROCEEDINGS
INVESTOR OWNED WATER UTILITIES 1987

<u>Docket No.</u>	<u>Utility</u>	<u>TOTAL REVENUE CHANGES</u>
87-78	Biddeford & Saco	\$ (165,730)
87-77	Bucksport	0
87-117	Camden & Rockland	0
87-94	Machias	0
	Maine Water Co.	
87-115	Damariscotta Division	(16,370)
87-113	Freeport "	(10,761)
87-116	Kezar Falls "	0
87-114	Oakland "	0
87-93	Northeast Harbor	<u>0</u>
	Total Water Utility Changes	\$ (192,861)

EXHIBIT N

INVESTOR OWNED WATER UTILITY
REGULAR RATE PROCEEDING 1987

<u>Docket No.</u>	<u>Utility</u>	<u>Amount Requested</u>	<u>Amount Allowed</u>	<u>Return on Rate Base</u>	<u>Equity</u>
86-184	Bar Harbor	\$ 354,005	\$ 331,071	9.25 %	10.5 %
87-56	Caribou	861,402	758,188	10.0 %	9.4 %
87-57	Greenville	175,385	144,225	10.0 %	9.4 %
87-58	Millinocket	610,555	498,756	7.64 %	3.5 %
87-59	Skowhegan	600,868	527,473	10.0 %	9.4 %
86-168	Long Pond	26,637	25,612	9.25%	10.5 %
87-73	Winter Harbor Water Co.	<u>93,012</u>	<u>83,514</u>	11.05%	N/A
	Total	\$2,721,864	\$2,368,839		

EXHIBIT O

MUNICIPAL & QUASI-MUNICIPAL WATER UTILITIES
RATE CASES PURSUANT TO §6104
EFFECTIVE IN 1987

<u>Docket No.</u>	<u>Utility</u>	<u>Proposed Revenue</u>	<u>Increase Over Prior Year</u>	<u>% Increase</u>
86-232	St. Francis Water District	\$ 14,435	\$ 8,223	132.4
86-241	Pittsfield Water Works	200,635	46,261	30.
87-25	Kennebec Water District	1,506,271	191,545	14.6
87-60	York Water System	1,020,811	161,358	18.8
87-63	Brunswick & Topsham Water Dist.	1,858,306	524,845	39.4
87-126	Castine Water Dept.	87,829	39,593	82.1
87-132	Presque Isle Water District	570,011	84,192	17.30
87-138	Newport Water District	179,862	135,069	33.26
87-183	Canton Water District	27,883	7,185	34.70
87-197	Santord Water District	1,302,198	420,354	47.75
87-264	Rumford Water District	274,475	46,297	20.20
87-291	Limerick Water District	30,960	6,198	25.30
87-292	Searsport Water District	249,000	436,670	21.27
87-80	Southwest Harbor Water	185,486	41,927	29.2
	<u>TOTAL</u>	<u>\$7,508,162</u>	<u>\$1,756,717</u>	
*87-104	Madawaska Water District	291,218	70,219	31.7
*87-123	Milbridge Water District	23,807	15,673	192.7
*87-101	Berwick Water Dept.	276,249	121,193	(18.2)
	<u>TOTAL</u>	<u>\$ 591,274</u>	<u>207,085</u>	
**87-88	Brewer Water District	876,472	845,541	108.9
<u>GRAND TOTAL</u>		<u>\$8,975,908</u>	<u>\$ 2,809,343</u>	

* These cases were filed pursuant to §6104 and failed to meet the filing requirements

** This is a rate change filed pursuant to §6104 in which customers filed petitions for rate investigations in accordance with Section 6104 (7). The Commission found petitions to be invalid and commenced a §1303 investigation.

EXHIBIT P

PUC RATE CASE DECISIONS 1980-1986
(All Utility Categories)*

<u>Year</u>	<u>Rate Increases Requested</u>	<u>Rates Allowed</u>	<u>Difference</u>
1980	\$ 60.6 million	\$37.4 million	\$23.2 million
1981	\$ 94.2 million	\$60.6 million	\$33.6 million
1982	\$140.5 million	\$75.1 million	\$65.4 million
1983	\$120.5 million	\$39.0 million	\$81.5 million
1984	\$ 61.1 million	\$29.1 million	\$32.0 million
1985	\$130.2 million	\$70.4 million	\$59.8 million
1986	\$ 65.5 million	\$36.8 million	\$28.7 million
**1987	\$ 2.7 million	\$ 2.4 million	\$.3 million

*_____

All data pertains to rate cases concluded in years listed. Data presented by years are not directly comparable. Data presented does not include fuel adjustment increases depicted in Exhibit Q.

**_____

These figures do not include staff initiated Chapter 90/Rate Proceedings which resulted in over \$50 million in rate reductions. (See summary Exhibit I)

Public Utilities Commission
Information Resource Center
State House Station 18
Augusta, ME 04333-0018

FUEL IN ELECTRIC RATES
(\$000)

Company	1985 Gross Revenue	1985 Fuel Revenue	1985 Fuel %	% Change in Fuel Revenue	1986 Gross Revenue	1986 Fuel Revenue	1986 Fuel %	% Change in Fuel Revenue	1987 Gross Revenue	1987 Fuel Revenue	1987 Fuel %	% Change in Fuel Revenue
C.M.P.	\$534,734	\$237,962	44.5	(5.1)	\$508,809	\$171,432	33.7	(28.0)	\$597,929	\$239,058	40.0	39.4
B.H.E.	98,430	46,255	47.0	(1.4)	102,608	36,609	35.7	(20.9)	96,424	32,823	34.0	(10.3)
M.P.S.	40,105	14,378	35.6	(15.7)	43,432	13,795	31.8	(4.1)	47,430	15,848	33.4	14.9
	<u>\$673,269</u>	<u>\$298,595</u>	<u>44.4</u>	<u>(3.7)</u>	<u>\$654,849</u>	<u>\$221,836</u>	<u>33.9</u>	<u>(25.7)</u>	<u>\$741,783</u>	<u>\$287,729</u>	<u>38.8</u>	<u>(29.7)</u>

COST OF GAS ADJUSTMENT IN NATURAL GAS RATES
(\$000)

Company	1985 Gross Revenue	1985 Gas Cost	1985 % Gas	% Change in Gas Revenue	1986 Gross Revenue	1986 Gas Cost	1986 % Gas	% Change in Gas Revenue	1987 Gross Revenue	1987 Gas Cost	1987 % Gas	% Change in Gas Cost
N.U.	\$19,213	\$12,201	63.5	(11.3)	\$17,604	\$10,044	56.4	(17.7)	\$17,818	\$ 9,589	54.5	(4.5)

EXHIBIT R

Days of Hearings Held in 1987

Bangor Hydro-Electric Company Rate Investigation (86-242)	<u>42</u>
Central Maine Power Company Purchase of Power From Hydro-Quebec (87-40/87-268)	<u>6</u>
TOTAL	<u>48</u>
Other than major cases	<u>61</u>
TOTAL	<u>109</u>

3. Consumer Assistance Division

Complaint Handling Process In 1987, the Consumer Assistance Division (CAD) improved its complaint handling process to assure a timely resolution of complaints and to more quickly detect complaint patterns which indicate generic problems with utility companies. The CAD now logs all of its closed complaints on a computer. This has made possible the more detailed comparative data of this report and will allow the CAD to speed up its complaint analysis process in the future. During the past year CAD has also developed new complaint forms, form letters and procedures in an effort to make the complaint handling process as responsive and efficient as possible.

CAD recordkeeping has been improved to determine how a customer contact is made, i.e., phone, walk-in, or letter, as well as whether the contact was a complaint, information request, or referral. A "complaint" is an actual dispute in which the CAD becomes involved and either mediates or issues a formal written decision. The "information" category involves a customer request for information about a utility's rates or tariffs, general information about customer rights or other matters relating to utilities. The third category of "referral" describes situations in which a customer contacts CAD and has not contacted the utility first, in which case the customer is referred back to the utility in order to give the utility the opportunity to resolve the dispute. A referral also includes contacts which request assistance in areas outside the jurisdiction of PUC, in which case the customer is referred to the appropriate agency.

Total Contacts The CAD did not start recording customer inquiries and referrals until February of 1987, so the figures that follow do not include customer information requests or referrals for January, 1987. However, these figures do include complaints received by

CAD in January, 1987. During 1987 the Consumer Assistance Division received 3,229 contacts from utility customers: 1916 complaints (59.3%), 1140 (35.3%) information requests and 173 referrals (5.4%). The overwhelming majority of these contacts were by the telephone 2,778 with 35 walk-ins and 175 letters.

The Consumer Assistance Division closed 1,923 complaints during 1987 (see Exhibit W). This includes 240 contacts and complaints pending at end of 1986. Only 140 complaints were pending at the end of 1987. The overwhelming majority of the complaints (1,718 or 89%) were from residential customers.

Exhibit S shows the total contacts, including requests to disconnect under the Winter Disconnection Rule, handled by the CAD since 1980

Adjustments

A total of \$104,815.29 was adjusted or reimbursed to utility customers as a result of CAD mediation in 119 cases (See Exhibit S). Almost 80% of these adjustments were due to incorrect demand meters for two commercial customers. These figures do not include a refund to all Time-of-Use and thermal storage residential customers of Central Maine Power Company which will be granted in 1988 as a result of a PUC staff investigation of the monthly customer service charge. This refund is expected to total about \$80,000.

Appeals

Ten appeals of CAD decisions were filed with the Commission: 3 by the utility (involving determinations of violation) and 7 by either customers or utilities involving non-violation disputes. These latter cases most often involved water main extension disputes. Of these 10 appeals, 2 are still pending and 8 initial CAD decisions were upheld in whole or in part.

EXHIBIT S

CONSUMER ASSISTANCE DIVISION
COMPLAINTS/CONTACTS 1980-1987

<u>Year</u>	<u>Number of Contacts</u> (Including requests to Disconnect)
1980	3,359
1981	4,673
1982	4,811
1983	4,428
1984	5,741
1985	4,351
1986	5,127
1987	4,013

CUSTOMER CHARGES ADJUSTED/WAIVED 1981-1987

<u>Year</u>	<u>Amount</u>
1981	\$ 61,703.71
1982	\$ 60,606.24
1983	\$ 94,934.70
1984	\$123,041.48
1985	\$ 52,594.40
1986	\$ 18,186.43
1987	\$104,815.29

CUSTOMER CHARGES ADJUSTED/WAIVED 1987

<u>TELEPHONE:</u>	(58 Customers)	\$ 7,152.38
<u>ELECTRIC:</u>	(46 Customers)	92,628.27
<u>WATER:</u>	(9 Customers)	4,726.69
<u>GAS:</u>	(3 Customers)	307.95
<u>NON REGULATED:</u>		<u>- 0 -</u>
TOTAL:		\$ 104,815.29

Violations

The CAD issued 126 determinations of violation of the Commission's Rules in 1987. Most of these determinations were issued against electric utilities, 107. Telephone utilities had 7 violations, water utilities had 3 violations and the gas utility had 9 violations. 62% of these violations related to implementation of the Winter Disconnect Rule in 1986-1987. Exhibit T shows the number and type of violations by utility.

EXHIBIT T

Violations

<u>Electric Utilities (107)</u>	<u>Types of Violations</u>	<u>Total Violations</u>
Bangor Hydro-Electric	8 Disconnect Notices 4 Disconnection 4 Payment Arrangement 1 Deposit 1 Overbilling 7 Winter Disconnection Rule	25
Central Maine Power	8 Disconnect 2 Disconnection Notices 1 Deposit 1 Billing 63 Winter Disconnection Rule	73
Houlton Water Co. (Elec. Dept.)	1 Payment Arrangement	1
Madison Electric Works	1 Winter Disconnection Rule	1
Maine Public Service	3 Disconnections 2 Disconnection Notices	5
Eastern Maine Electric Coop.	2 Winter Disconnection Rule	2
<u>Telephone Utilities (7)</u>		
New England Telephone	3 Disconnections 1 Deposit Refund	4
Portland Marine Radio	2 Overbilling	2
Unity Telephone	1 Disconnection Notice	1
<u>Water Utilities (3)</u>		
Bangor Water District	1 Disconnection	1
Searsport Water District	1 Disconnection	1
Winthrop Water District	1 Disconnection Notice	1
<u>Gas Utility (9)</u>		
Northern Utilities	2 Requests for Deposit 7 Winter Disconnection Rule	9

Winter
Disconnection Rule

The CAD received 784 requests to disconnect residential customers in the 1986-1987 winter period. Of these 784 requests, 188 or 24% were granted and 596 or 76% were denied because the customer paid, made a payment arrangement or because of insufficient documentation submitted with the request. For the first time, violations of the Winter Rule were documented. Exhibit U details the requests to disconnect from each utility that submitted them.

Requests to disconnect dropped 50% from the previous year. In part this was due to the increased effort at personal contact instituted by some utilities (Maine Public Service Company, for example, submitted no requests to disconnect), as well as a more rigorous review of requests to disconnect by the CAD.

EXHIBIT U

CONSUMER ASSISTANCE DIVISION
UTILITY WINTER WAIVER REQUESTS TO DISCONNECT

1985-1986

	<u>*Disconnect/ Ratio</u>	<u>Request Granted</u>	<u>Request Denied</u>	<u>Violation</u>
Central Maine Power	596/1.5	171	425	61
Bangor Hydro-Electric	59/.78	5	54	7
Eastern Maine Electric	75/8.7	8	67	2
Madison Electric Dept.	17/9.7	2	15	1
Northern Utilities	<u>37/2.9</u>	<u>2</u>	<u>35</u>	<u>7</u>
<u>TOTALS</u>	784	188	596	78

*Per 1000 customers.



Complaint
Analysis

Exhibit W shows the total of all complaints by type of utility and type of complaint*. Exhibits X-1 through X-3 details closed complaints by utility. The total complaints column for each utility shows the number of total complaints for that utility that were closed in 1987 and the number of complaints per 1000 customers (both residential and non-residential) for that utility. The complaint ratio seeks to relate the number of complaints to the size of the utility. The Companies are arranged in order of highest number of complaints per 1000 customers. For companies with less than 1000 customers the complaints per 1000 customers figure was calculated by using the following formula :

$$\frac{\text{\# of Actual Complaints}}{\text{\# of Actual Customers}} = \frac{\text{\# of Complaints if Utility had 1000 customers}}{1000 \text{ customers}}$$

This formula is for comparative purposes only. Only utilities that CAD received complaints on are listed.

Each complaint category is totaled and the percentage of that category to the total number of complaints filed against that type of utility is given. The percentage of that category to all complaints filed against that utility is also provided. The number of violations do not include those issued as a result of the Winter Disconnection Rule which are summarized elsewhere.

This data alone does not allow firm conclusions to be drawn about a utility's credit and collection procedures. For example, a "complaint" does not necessarily mean that a utility did anything wrong. It does mean a utility was unable to resolve a dispute with a customer. These statistics do not show how the complaint was resolved. In addition, a "snap shot" is not as useful as a trend over time. Therefore, the compilation of this type of information over a several year period will provide valuable insight. Even so, this data is useful to guide preliminary inquiry and establish

*Exhibit V explains CAD complaint codes.

priorities for more formal Commission action in rate investigations, other adjudicatory proceedings or Administrative Court. For example, the Commission assessed a penalty of .25% on Bangor Hydro-Electric Company's rate of return in 1987 (Docket 86-242) partly as a result of the Consumer Assistance Divison's documentation of management inefficiency and non-compliance with the Winter Disconnection Rule. The frequency with which the complaint ratio of smaller utilities exceeds the average will be examined further over the next year.

EXHIBIT V

CAD COMPLAINT CODES

- I. Service
 - S1 Request for New Service
 - S2 Request for Service Repairs
 - S3 Service Charges
 - S4 Line Extensions
 - S5 Directory Listings
 - S6 Extended Area Service
 - S7 Outages
 - S8 Meter Checks
 - S9 High Usage
 - S10 Municipal Calling
 - S11 Damage Clause

- II. Billings
 - B1 Payment Arrangements
 - B2 Overbilled
 - B3 Mileage
 - B4 Estimated Billings

- III. Disconnect
 - D1 Notices
 - D2 Disconnections

- IV. Deposits
 - P1 Request for
 - P2 Request for Refund

- V. Miscellaneous
 - M1 General Protest
 - M2 Customer Owned Equipment
 - M3 COCOT Complaints
 - M4 Energy Conservation Program

- VI. Special Files
 - U Unregulated Areas
 - V Variance Request

COMPLAINTS CLOSED BY THE
CONSUMER ASSISTANCE DIVISION
1987

EXHIBIT W

TYPE OF UTILITY	ELECTRIC	TELEPHONE	WATER	GAS	TOTAL
<u>SERVICE</u>					
S1	69	49	14	7	139
S2	48	96	25	1	170
S3	26	18	3	--	47
S4	100	14	32	2	148
S5	--	14	--	--	14
S6	--	10	--	--	10
S7	31	2	2	--	35
S8	10	--	--	1	11
S9	54	4	6	--	64
S10	--	2	--	--	2
S11	1	--	1	--	2
TOTAL #	339	209	83	11	642
%	29.3%	36.6%	58%	21.2%	33.4%
<u>DISCONNECT</u>					
D1	274	63	14	6	357
D2	148	30	10	10	198
TOTAL #	422	93	24	16	555
%	36.5%	16.3%	17%	30.8%	28.9%
<u>DEPOSITS</u>					
P1	35	11	2	4	52
P2	10	3	--	1	14
TOTAL #	45	14	2	5	66
%	3.9%	2.5%	1%	9.6%	3.4%
<u>BILLINGS</u>					
B1	146	41	--	2	189
B2	85	105	17	12	219
B3	--	1	--	--	1
B4	--	--	1	1	2
TOTAL #	231	147	18	15	411
%	20%	25.7%	13%	28.8%	21.4%
<u>RATE DESIGN</u>					
R1	37	11	--	1	49
R2	13	7	--	--	20
TOTAL #	50	18	0	1	69
%	4.3	3.2%	0%	1.9%	3.6%
<u>MISCELLANEOUS</u>					
M1	62	77	16	4	159
M2	5	4	--	--	9
M3	--	9	--	--	9
M4	3	--	--	--	3
TOTAL #	70	90	16	4	180
%	6.1%	15.8%	11%	7.7%	9.4%
<u>COMPLAINT TOTAL</u>					
	1157	571	143	52	1923
<u>VIOLATIONS</u>					
	36	7	3	2	48

*The percentage shown is a comparison of the category compared to the number of complaints.

Electric Utility
Complaints

There were a total of 1,157 electric utility complaints closed in 1987, 60% of the total complaints received. The greatest number of complaints were in the category of disconnection (36.5%). This was also the area in which CAD found the greatest number of violations of Commission Rules. 27 (75%) of the 36 violations documented against electric utilities concerned disconnection procedures. The next highest area of complaints was service with 29.3%. The most frequent types of complaints involved requests for service and line extensions. The third highest complaint category was billing disputes which made up 20% of the electric complaints received. The most frequent billing complaint concerned payment arrangements and overbillings.

EXHIBIT X

1987 ELECTRIC UTILITY COMPLAINTS

COMPANY	SERVICE	DISCONNECTS	DEPOSITS	BILLING	RATE DESIGN	MISCELLANEOUS	TOTAL # COMPLAINTS/ # COMPLAINTS PER 1000 CUSTOMERS	VIOLATIONS
	TOTAL # / %	TOTAL # / %	TOTAL # / %	TOTAL # / %	TOTAL # / %	TOTAL # / %		
VAN BUREN LIGHT & POWER DISTRICT	0 0%	10 66.67%	1 6.67%	4 26.67%	0 0%	0 0%	15 10.45	0
MADISON ELECTRIC WORKS DEPARTMENT	2 18.18%	4 36.36%	2 18.18%	3 27.27%	0 0%	0 0%	11 5.27	0
HOULTON WATER CO. (ELECTRIC DEPT.)	2 16.67%	4 33.33%	0 0%	5 41.67%	1 8.33%	0 0%	12 2.51	1
FOX ISLAND ELECTRIC COOPERATIVE, INC.	1 33.33%	1 33.33%	0 0%	1 33.33%	0 0%	0 0%	3 2.18	0
BANGOR HYDRO-ELECTRIC CO.	90 45.91%	50 25.5%	3 1.53%	42 21.43%	1 .5%	10 5.10%	196 1.92	18
CENTRAL MAINE POWER CO.	217 25.59%	326 38.44%	37 4.36%	163 19.22%	48 5.66%	57 6.72%	848 1.87	12
MAINE PUBLIC SERVICE CO.	17 32.69%	24 46.15%	0 0%	8 15.38%	0 0%	3 5.77%	52 1.57	5
STONINGTON & DEER ISLE POWER COMPANY	1 33.3%	1 33.3%	0 0%	1 33.3%	0 0%	0 0%	3 1.33	0
EASTERN MAINE ELECTRIC COOPERATIVE, INC.	6 50%	2 16.67%	1 8.33%	3 25%	0 0%	0 0%	12 1.12	0
LUBEC WATER & ELECTRIC DISTRICT	1 100%	0 0%	0 0%	0 0%	0 0%	0 0%	1 .86	0
UNION RIVER ELECTRIC COOPERATIVE, INC.	1 100%	0 0%	0 0%	0 0%	0 0%	0 0%	1 .59	0
KENNEBUNK LIGHT & POWER CO.	0 0%	0 0%	1 50%	1 50%	0 0%	0 0%	2 .53	0
SWANS ISLAND ELECTRIC COOPERATIVE	1 100%	0 0%	0 0%	0 0%	0 0%	0 0%	1 0	0
TOTAL ALL COMPANIES	339 29.3%	422 36.47%	45 3.89%	231 19.97%	50 4.32%	70 6.05%	1157	36

NOTE: Companies Arranged in Order of Highest # of Complaints per 1000 Customers

Telephone Utility
Complaints

There were 571 telephone utility complaints closed in 1987. Telephone utility complaints made up 30% of the total complaints closed in 1987. Most telephone complaints (36.6%) related to service issues. Billing disputes made up the next highest number of complaints (25.7%). The third highest complaint category involved disconnections (16.3%). The CAD issued 7 violation determinations to telephone utilities, 4 of which resulted from improper disconnections.

EXHIBIT X-1

1987 TELEPHONE UTILITY COMPLAINTS

COMPANY	SERVICE	DISCONNECTS	DEPOSITS	BILLING RATE DESIGN	MISCELLANEOUS	TOTAL # COMPLAINTS/ # COMPLAINTS PER 1000 CUSTOMERS	VIOLATIONS
	TOTAL # / %	TOTAL # / %	TOTAL # / %	TOTAL # / %	TOTAL # / %		
WARREN TELEPHONE COMPANY	5 100%	0 0%	0 0%	0 0%	0 0%	5 4.912	0
CHINA TELEPHONE CO.	2 28.6%	1 14.3%	0 0%	2 28.6%	2 28.6%	7 3.245	0
HAMPDEN TELEPHONE CO.	2 33.3%	1 16.7%	0 0%	1 16.7%	2 33.3%	6 2.948	0
STANDISH TELEPHONE CO.	9 69.2%	1 7.7%	1 7.7%	2 15.4%	0 0%	13 2.744	0
LINCOLNVILLE TELE. CO.	2 66.7%	1 33.3%	0 0%	0 0%	0 0%	3 2.358	0
SOMERSET TELEPHONE CO.	3 20%	9 60%	0 0%	1 6.7%	2 13.3%	15 1.986	0
OXFORD COUNTY TELE. & TELE. COMPANY	4 66.7%	0 0%	0 0%	2 33.3%	0 0%	6 1.730	0
SACO RIVER TELE. & TELE. COMPANY	4 57.1%	1 14.3%	0 0%	2 28.6%	0 0%	7 1.492	0
UNION RIVER TELEPHONE CO.	0 0%	0 0%	0 0%	0 0%	1 100%	1 1.49	0
UNITY TELEPHONE COMPANY	2 50%	2 50%	0 0%	0 0%	0 0%	4 1.470	1
CONTINENTAL TELEPHONE CO.	23 46%	11 22%	0 0%	6 12%	10 20%	50 1.374	0
WEST PENOBSCOT TELE. & TELE. COMPANY	0 0%	0 0%	0 0%	2 100%	0 0%	2 1.357	0
COMMUNITY SERVICE TELEPHONE COMPANY	3 42.9%	0 0%	1 14.3%	1 14.3%	2 28.6%	7 .957	0
HARTLAND & ST. ALBANS TELEPHONE COMPANY	1 50%	0 0%	1 50%	0 0%	0 0%	2 .845	0

NOTE: Companies Arranged in Order of Highest # of
Complaints per 1000 Customers

1987 TELEPHONE UTILITY COMPLAINTS

COMPANY	SERVICE TOTAL		DISCONNECTS TOTAL		DEPOSITS TOTAL		BILLING RATE DESIGN TOTAL		MISCELLANEOUS TOTAL		TOTAL # COMPLAINTS/ # COMPLAINTS PER 1000 CUSTOMERS		VIOLATIONS		
	#	%	#	%	#	%	#	%	#	%	#	%			
NEW ENGLAND TELE. CO.	142	36.2%	66	16.8%	11	2.8%	101	25.8%	18	4.6%	54	13.8%	392	.816	4
PINE TREE TELE. & TELE. COMPANY	1	33.4%	0	0%	0	0%	0	0%	0	0%	2	66.7%	3	.747	0
AT&T	4	16%	0	0%	0	0%	15	60%	0	0%	6	24%	25	---	0
MEI	0	0%	0	0%	0	0%	3	75%	0	0%	1	25%	4	---	0
PORTLAND MARINE RADIO	1	12.5%	0	0%	0	0%	6	75%	0	0%	1	12.5%	8	---	2
SPRINT	0	0%	0	0%	0	0%	3	50%	0	0%	3	50%	6	---	0
COCOTS	1	20%	0	0%	0	0%	0	0%	0	0%	4	80%	5	---	0
TOTAL ALL COMPANIES	209	36.7%	93	16.29%	14	2.45%	147	25.74%	18	3.15%	90	15.76%	571	---	7

NOTE: Companies Arranged in Order of Highest # of Complaints per 1000 Customers

Gas Utility
Complaints

Maine has one gas utility, Northern Utilities, Inc. Northern Utilities had a total of 52 complaints which is 3.36 complaints per 1000 customers and 3% of the total complaints received by CAD in 1987. The highest category of complaints was disconnections with 30.8%. The second highest complaint category was billing with 28.8%, and the third highest category was service with 21.2%. Northern Utilities had 2 violations, both of which concerned deposits.

1987 GAS UTILITY COMPLAINTS

COMPANY	SERVICE		DISCONNECTS		DEPOSITS		BILLING		RATE DESIGN		MISCELLANEOUS		TOTAL # COMPLAINTS/ # COMPLAINTS PER 1000 CUSTOMERS		VIOLATIONS
	TOTAL # / %		TOTAL # / %		TOTAL # / %		TOTAL # / %		TOTAL # / %		TOTAL # / %		TOTAL # / %		
NORTHERN UTILITIES, INC.	11 21.2%		16 30.8%		5 9.6%		15 28.8%		1 1.9%		4 7.7%		52 3.36		2

NOTE: Companies Arranged in Order of Highest # of
Complaints per 1000 Customers

Water Utility
Complaints

There were a total of 143 water utility complaints closed in 1987. Water utility complaints made up 7% of the total complaints closed by CAD in 1987. Most water complaints related to service issues (58%), particularly line extensions. Disconnections had the second highest number of complaints with 17%. Billing issues constituted the third category with 13%. All of the 3 violations found related to disconnections.

1987 WATER UTILITY COMPLAINTS

COMPANY	SERVICE TOTAL # / %	DISCONNECTS TOTAL # / %	DEPOSITS TOTAL # / %	BILLING TOTAL # / %	RATE DESIGN TOTAL # / %	MISCELLANEOUS TOTAL # / %	TOTAL # COMPLAINTS/ # COMPLAINTS PER 1000 CUSTOMERS	VIOLATIONS
*PASSAMAQUODDY WATER DISTRICT	7 88%	0 0%	0 0%	0 0%	0 0%	1 12%	8 10.1	0
*WINTER HARBOR WATER CO.	0 0%	1 50%	0 0%	0 0%	0 0%	1 50%	2 8	0
*CORNISH WATER DISTRICT	2 100%	0 0%	0 0%	0 0%	0 0%	0 0%	2 8	0
*RICHMOND UTILITIES DISTRICT	1 33.3%	0 0%	0 0%	1 33.3%	0 0%	1 33.3%	3 6	0
*RANGELEY WATER COMPANY	1 50%	0 0%	0 0%	0 0%	0 0%	1 50%	2 6	0
*DANFORTH WATER DISTRICT	0 0%	0 0%	0 0%	0 0%	0 0%	1 100%	1 6	0
*EUSTIS WATER	0 0%	0 0%	0 0%	1 100%	0 0%	0 0%	1 6	0
*SEARSPORT WATER DISTRICT	2 50%	2 50%	0 0%	0 0%	0 0%	0 0%	4 5	1
*GUILFORD-SANGERVILLE WATER DISTRICT	0 0%	1 50%	1 50%	0 0%	0 0%	0 0%	2 3	0
*SOUTHWEST HARBOR WATER DEPARTMENT	0 0%	1 50%	0 0%	1 50%	0 0%	0 0%	2 3	0
*MILO WATER DISTRICT	2 100%	0 0%	0 0%	0 0%	0 0%	0 0%	2 3	0
*WALDOBORO WATER COMPANY	1 100%	0 0%	0 0%	0 0%	0 0%	0 0%	1 3	0
*CASTINE WATER DISTRICT	1 100%	0 0%	0 0%	0 0%	0 0%	0 0%	1 3	0

Note: Companies are arranged in order of the highest # of complaints per 1000 customers. For companies with less than 1000 customers, the complaints per 1000 customers figure was calculated as if the utility had 1000 customers. This figure is for comparative purposes only.

* Companies with less than 1000 customers
 ** Under 100 customers (no complaint ratio done)

1987 WATER UTILITY COMPLAINTS

COMPANY	SERVICE	DISCONNECTS	DEPOSITS	BILLING	RATE DESIGN	MISCELLANEOUS	TOTAL # COMPLAINTS/ # COMPLAINTS PER 1000 CUSTOMERS	VIOLATIONS
	TOTAL # / %	TOTAL # / %	TOTAL # / %	TOTAL # / %	TOTAL # / %	TOTAL # / %		
BELFAST WATER COMPANY	0 0%	3 75%	0 0%	1 25%	0 0%	0 0%	4 2.65	0
*MARS HILL UTILITY DISTRICT	0 0%	0 0%	0 0%	1 100%	0 0%	0 0%	1 2	0
*BAILEVILLE WATER DISTRICT	1 100%	0 0%	0 0%	0 0%	0 0%	0 0%	1 2	0
*FRYEBURG WATER COMPANY	1 100%	0 0%	0 0%	0 0%	0 0%	0 0%	1 2	0
BOOTHBAY HARBOR WATER SYSTEM	3 75%	1 25%	0 0%	0 0%	0 0%	0 0%	4 1.86	0
CARIBOU WATER WORKS	1 33.3%	1 33.3%	0 0%	0 0%	0 0%	1 33.3%	3 1.69	0
LISBON WATER DISTRICT	1 50%	0 0%	0 0%	1 50%	0 0%	0 0%	2 1.03	0
*DEXTER UTILITY DISTRICT	1 100%	0 0%	0 0%	0 0%	0 0%	0 0%	1 1	0
*DOVER-FOXCROFT WATER DISTRICT	0 0%	0 0%	0 0%	0 0%	0 0%	1 100%	1 1	0
*FORT FAIRFIELD UTILITIES DISTRICT	0 0%	0 0%	0 0%	1 100%	0 0%	0 0%	1 1	0
*HALLOWELL WATER DISTRICT	0 0%	1 100%	0 0%	0 0%	0 0%	0 0%	1 1	0
*SOUTH BERWICK WATER DISTRICT	1 100%	0 0%	0 0%	0 0%	0 0%	0 0%	1 1	0
*BRIDGTON WATER DISTRICT	1 100%	0 0%	0 0%	0 0%	0 0%	0 0%	1 1	0

Note: Companies are arranged in order of the highest # of complaints per 1000 customers. For companies with less than 1000 customers, the complaints per 1000 customers figure was calculated as if the utility had 1000 customers. This figure is for comparative purposes only.

* Companies with less than 1000 customers
** Under 100 customers (no complaint ratio done)

EXHIBIT X-3 (con't.)

1987 WATER UTILITY COMPLAINTS

COMPANY	SERVICE		DISCONNECTS		DEPOSITS		BILLING		RATE DESIGN		MISCELLANEOUS		TOTAL # COMPLAINTS/ # COMPLAINTS PER 1000 CUSTOMERS		VIOLATIONS
	TOTAL # / %		TOTAL # / %		TOTAL # / %		TOTAL # / %		TOTAL # / %		TOTAL # / %		TOTAL # / %		
*WINTHROP WATER DISTRICT	0 0%		1 100%		0 0%		0 0%		0 0%		0 0%		1 1		1
YORK WATER DISTRICT	4 100%		0 0%		0 0%		0 0%		0 0%		0 0%		4 .97		0
GARDINER WATER DISTRICT	2 67%		1 33.3%		0 0%		0 0%		0 0%		0 0%		3 .97		0
MULLINOCKET WATER COMPANY	1 50%		1 50%		0 0%		0 0%		0 0%		0 0%		2 .92		0
PITTSFIELD WATER WORKS	1 100%		0 0%		0 0%		0 0%		0 0%		0 0%		1 .86		0
CALAIS WATER DEPARTMENT	1 100%		0 0%		0 0%		0 0%		0 0%		0 0%		1 .85		0
ELLSWORTH WATER DEPT.	1 100%		0 0%		0 0%		0 0%		0 0%		0 0%		1 .81		0
KENNEBUNK/KENNEBUNKPORT & WELLS WATER DISTRICT	5 71%		0 0%		0 0%		1 14%		0 0%		1 14%		7 .79		0
HAMPDEN WATER DISTRICT	0 0%		0 0%		0 0%		0 0%		0 0%		1 100%		1 .76		0
KENNEBUNK WATER DISTRICT	6 100%		0 0%		0 0%		0 0%		0 0%		0 0%		6 .75		0
FARMINGTON VILLAGE CORP.	1 100%		0 0%		0 0%		0 0%		0 0%		0 0%		1 .71		0
BAR HARBOR WATER COMPANY	1 100%		0 0%		0 0%		0 0%		0 0%		0 0%		1 .66		0
PORTLAND WATER DISTRICT	14 50%		4 14%		1 4%		8 29%		0 0%		1 4%		28 .65		0

Note: Companies are arranged in order of the highest # of complaints per 1000 customers. For companies with less than 1000 customers, the complaints per 1000 customers figure was calculated as if the utility had 1000 customers. This figure is for comparative purposes only.

* Companies with less than 1000 customers
** Under 100 customers (no complaint ratio done)

1987 WATER UTILITY COMPLAINTS

COMPANY	SERVICE	DISCONNECTS	DEPOSITS	BILLING	RATE DESIGN	MISCELLANEOUS	TOTAL # COMPLAINTS/ # COMPLAINTS PER 1000 CUSTOMERS	VIOLATIONS
	TOTAL # / %	TOTAL # / %	TOTAL # / %	TOTAL # / %	TOTAL # / %	TOTAL # / %		
ORONO-VEAZIE WATER DISTRICT	1 100%	0 0%	0 0%	0 0%	0 0%	0 0%	1 .57	0
HOULTON WATER COMPANY	0 0%	1 100%	0 0%	0 0%	0 0%	0 0%	1 .52	0
SKOWHEGAN WATER COMPANY	0 0%	0 0%	0 0%	0 0%	0 0%	1 100%	1 .50	0
BIDDEFORD & SACO WATER COMPANY	6 100%	0 0%	0 0%	0 0%	0 0%	0 0%	6 .49	0
CAMDEN & ROCKLAND WATER COMPANY	3 100%	0 0%	0 0%	0 0%	0 0%	0 0%	3 .45	0
YARMOUTH WATER DISTRICT	1 100%	0 0%	0 0%	0 0%	0 0%	0 0%	1 .32	0
BREWER WATER DISTRICT	1 100%	0 0%	0 0%	0 0%	0 0%	0 0%	1 .32	0
BANGOR WATER DISTRICT	1 25%	1 25%	0 0%	0 0%	0 0%	2 50%	4 .31	1
SANFORD WATER DISTRICT	0 0%	1 100%	0 0%	0 0%	0 0%	0 0%	1 .21	0
BRUNSWICK & TOPSHAM WATER DISTRICT	0 0%	0 0%	0 0%	1 100%	0 0%	0 0%	1 .20	0
AUGUSTA WATER DISTRICT	0 0%	1 100%	0 0%	0 0%	0 0%	0 0%	1 .18	0
LEWISTON PUBLIC WORKS WATER DIVISION	0 0%	0 0%	0 0%	1 100%	0 0%	0 0%	1 .11	0
**NEW SHARON WATER DISTRICT	4 100%	0 0%	0 0%	0 0%	0 0%	0 0%	4 --	0

Note: Companies are arranged in order of the highest # of complaints per 1000 customers. For companies with less than 1000 customers, the complaints per 1000 customers figure was calculated as if the utility had 1000 customers. This figure is for comparative purposes only.

* Companies with less than 1000 customers
 ** Under 100 customers (no complaint ratio done)

1987 WATER UTILITY COMPLAINTS

COMPANY	SERVICE		DISCONNECTS		DEPOSITS		BILLING		RATE DESIGN		MISCELLANEOUS		TOTAL # COMPLAINTS/ # COMPLAINTS PER 1000 CUSTOMERS		VIOLATIONS
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	
**MILBRIDGE WATER COMPANY	1	50%	0	0%	0	0%	0	0%	0	0%	1	50%	2	--	0
**HIGHLAND WATER COMPANY	0	0%	0	0%	0	0%	0	0%	0	0%	2	100%	2	--	0
**FARMINGTON FALLS WATER COMPANY	0	0%	1	100%	0	0%	0	0%	0	0%	0	0%	1	--	0
**SEARSMONT WATER COMPANY	1	100%	0	0%	0	0%	0	0%	0	0%	0	0%	1	--	0
**STARKS WATER DISTRICT	0	0%	1	100%	0	0%	0	0%	0	0%	0	0%	1	--	0
TOTAL ALL COMPANIES	83	58%	24	17%	2	1%	18	13%	0	0%	16	11%	143		3

Note: Companies are arranged in order of the highest # of complaints per 1000 customers. For companies with less than 1000 customers, the complaints per 1000 customers figure was calculated as if the utility had 1000 customers. This figure is for comparative purposes only.

* Companies with less than 1000 customers
 ** Under 100 customers (no complaint ratio done)

4. Municipal Water
Departments and
Quasi-Municipal
Water District
Reserve Funds

In February 1986, the Joint Standing Committee on Utilities requested that the Commission include in its Annual Report information on water districts' accumulation of funds in their contingency reserves, the disposition of such funds and the existence and disposition of any "excessive" amounts in such reserves. Because of the accounting instructions in Chapter 67 of the Commission's Rules, contingency funds are lumped together with other reserves and excess funds are lumped together with sinking fund reserves. Therefore, it is not possible to separately identify contingency and excess reserves. This problem will be eliminated in future years due to the adoption of a new system of accounts effective January 1, 1987 and a new annual report format required for 1987.

In 1987, the Commission Staff met with interested water districts to develop a proposed rulemaking as required by 35-A M.R.S.A. § 6105, that will define excessive surplus, set forth uses of surplus funds and provide for the return of excessive surplus to customers. The proposed rulemaking will be issued in the near future.

The Commission has reviewed the experience of water utilities with the 5% allowance (surplus) for contingency reserves pursuant to 35-A M.R.S.A. § 6105(4)E for 1984 - 1986. In 1984, districts averaged a 6.22% surplus. In 1985, the average surplus was 4.93% and in 1986 3.0% for a three year average of 4.64%. However, these averages mask the large incidence of excessive surpluses among some districts. Four districts averaged in excess of 40% for the 1984 - 1986 period, and 37 out of 108 districts had a three year average surplus in excess of the 5% allowed by law. Further, in 1986, the average surplus/total capitalization ratio rose to 45% from 39% in 1985 for all districts.

5. Violations and Penalties Relating to Disconnection and Deposit Rules

35-A M.R.S.A. §704 §§3 provides that the Commission may bring an action in Administrative Court against a public utility that has willfully or recklessly violated Chapters 81, 86, or 87 of the Commission's rules. There was no activity pursuant to this provision in 1987.

6. Conservation Programs

This section reviews the efforts of Maine utilities and their regulators during the past year to foster cost-effective energy conservation and load management.

New and amended PUC Rules have changed the way Maine electric utilities conduct their long-term planning. The costs and benefits of conservation and load management measures on the customer's side of the meter are now weighed in the same scale with the more traditional generation and purchased power resources on the supply side. To meet the forecast electricity needs of its customers, each major electric utility must now file each year a thirty-year plan which results from a thorough review of all viable options, including conservation and load management measures. From among all such energy resources, the plan must select that combination of measures which meets its customers' needs at the lowest overall cost. Two rulemaking proceedings during 1987 established this new approach.

Since 1981, when the Commission first adopted rules on Cogeneration and Small Power Production (Chapter 36), each major electric utility has been required to file annually a long-range plan, showing how its projected demands would be met "with the lowest practicable operating and capital costs". Commission proceedings have typically subjected such plans to thorough, critical review by a broad range of interested parties, and the resulting plan has found frequent use beyond its initial purpose of calculating a utility's avoided generation cost.

On March 11, 1987, in Docket No. 86-215, the Commission made a number of changes in Chapter 36, including several which expand and refine the required planning process. In keeping with the long life of many utility investments and the long-term planning decisions, each utility must now look thirty years ahead rather than fifteen. The load forecast must now include expected changes in the daily and seasonal patterns of demand, before and after utility load management programs. The energy resource plan for meeting customer needs must now include all cost-effective conservation and load management programs which the utility could undertake. Each refinement in the planning process leads to a refinement in the calculation of avoided cost, thus creating and publishing better long-term cost and price information.

The amended Chapter 36 imposes a high standard of analysis, both on the system planners at the major electric utilities and on those who review their work for public and private interests. The utilities have required some time to develop new skills and money to acquire new tools. The first filings under the amended Chapter 36 occurred at or near year's end, and will be under close scrutiny during much of 1988.

On March 10, 1987, in Docket No. 86-81, the Commission adopted its rule concerning cost-effectiveness of utility energy efficiency investments and programs (Chapter 38). This rule authorizes and encourages electric utilities to invest in energy conservation and load management programs whenever they cost less than equivalent energy generation or purchase. In making this comparison, energy efficiency costs shared or paid by the customer are added to the utility's cost. Any such program which meets this cost test may be undertaken without prior Commission approval, provided it does not have a significant rate impact. As a result of this rule, utilities have begun several new programs without the requirement of prior regulatory review.

The new rule also establishes reporting requirements that will permit the Commission to determine whether each energy efficiency program is in fact cost-effective. Each utility must file quarterly reports detailing the costs and benefits of each of its demand-side programs. The Commission expects to present summary data on achieved electricity savings by each major utility in future annual reports.

Among the energy efficiency programs begun by utilities in 1987 under the new Chapter 38 rules, one which stands out as both innovative and promising is Central Maine Power Company's "Power Partners" program. For the first time in electric utility regulation anywhere, this program allows conservation and load management projects to compete directly with power supply projects. Under the two-year pilot program, CMP has begun to solicit proposals for energy management projects that yield annual electric savings greater than 100,000 KWH or reduce peak demand by 100 Kw or more. Customers and third-party energy consultants will bid competitively with cogenerators and small power producers to fill the two 50 MW decrements of purchased power advertised in December 1987.

Each project proposal under "Power Partners" must show detailed calculations of expected costs and benefits, including daily, seasonal and annual electric savings and how these energy or capacity savings will be measured and verified. The proposal must describe many other details of the project, including the participant's bid price, equipment specifications and documentation of its performance reliability, projected annual cash flows, investment returns, and financing plans, how, if at all, the energy or capacity savings can be directly controlled (dispatched) by the utility, and external costs and benefits, such as environmental impacts.

Maine utilities began several other new energy efficiency programs under the expedited procedures of Chapter 38, and more are expected in 1988.

Treating conservation and load management as normal utility work, Commission rules and practice have shifted recovery of most conservation expenditure to general rate cases, reserving Chapter 37 recovery for pilot or experimental programs and other special cases. The only cost recovery under the Chapter 37 Energy Conservation Adjustment during 1987 was by Bangor Hydro-Electric Company, which recovered \$213,419 during the first three months of the year.

V. YEAR IN REVIEW

In 1987 the Commission devoted a large portion of its resources to processing the Bangor Hydro-Electric Company rate investigation and the Central Maine Power Company petition for approval of the purchase of power from Hydro-Quebec, and to resolving issues related to the Federal Tax Reform Act of 1986, declining interest rates, and changes in the telecommunications industry. Details of these and other issues are included below.

Chapter 90/Rate Proceedings

October 22, 1986, the Tax Reform Act of 1986 (the Act) was signed into law by President Reagan. Among other things, the Act reduced corporate tax rates including those of investor-owned utilities. Also, at that time, the cost of money in the capital markets had fallen dramatically from levels of the early 1980's. Consequently, many utilities' rates were based on excessive rates of return.

On November 12, 1986, the Commission issued a proposed rule (Chapter 90) that would set up a standard procedure for analyzing the rates of each investor-owned utility* in order to quickly and effectively reflect the impact of lower tax rates, lower cost of capital and other pertinent factors.

On February 11, 1987, Chapter 90 of the Maine Public Utilities Commission's Rules became effective and the Commission Staff began its review.

By the end of 1987, the Staff had analyzed the revenue requirements of all investor-owned utilities and over \$50 million in rate decreases had been approved. Maine was the only state in the country to complete rate adjustments due to the Act in 1987.

*

4 electric utilities, 19 telephone, 27 water and 1 gas.

All of the utilities eventually reached a negotiated agreement with the Staff and other interested parties. Thus, Chapter 90's goal of minimizing rate case expense and costly litigation was achieved.

In the case of electric utilities, fuel and purchased power cost increases slightly outweighed the decreases gained in other areas. Although oil prices remained relatively flat, the increased amount of power purchased from cogenerators and small power producers resulted in increases in purchased power costs.

In the telephone area, the Commission approved \$12.9 million of rate decreases in 1987. The majority of this decrease (approximately \$11.0 million) was attributed to New England Telephone (NET), which was subject to a complete examination of its earnings and rates. In addition to analyzing the Company's operating procedures, full investigations of the Company's depreciation rates and affiliated interests were completed.

In 1987 NET's depreciation expense increased by nearly \$9 million. First, the amount of plant in service has increased over the last few years, as growth and modernization required substantial investments. Second, NET's allowed depreciation expense had been set too low in prior years. The actual obsolescence of the company's plant and equipment occurred more rapidly than was anticipated when the rates were set, for both physical, economic and technological reasons.* Further, having additional plant in service requires a fair return be

*

See section on Telecommunications.

provided to the utility for that investment. However, as with the electric companies, the rate of return paid has decreased over the last few years. Both the cost of borrowing and the cost of equity funds have decreased and the results of NET's 1987 rate case reflected these facts. Thus, although Maine now has an expanding and more modern telecommunications network, and although NET is recovering its investment somewhat faster, NET's ratepayers were still able to experience an \$11 million reduction in rates.

Maine has 18 independent (non-Bell) telephone companies, the rates of which were analyzed by the Commission Staff.

Considerations somewhat similar to those encountered in the NET case surfaced in the investigations of the independents. These companies also are expanding and upgrading their equipment. Their cost of raising funds has fallen over the past few years, and some of their plant was retired sooner than anticipated. Due to toll settlements and other factors, most have local rates lower than those of NET and many had not undergone rate cases for many years (some up to 30 years). Most are locally-owned and except for the largest, Contel, all have offices in the communities they serve. Thus, these companies were approached somewhat differently than NET in the Chapter 90 investigations.

With the independents, rate of return regulation was not precisely followed. Rather the specific areas of concern for each company were identified and addressed. In effect, a type of incentive regulatory policy was pursued, provided that service quality was satisfactory and rates were considered just and reasonable. In that light, approximately \$1.9 million in rate decreases were instituted by the independent telephone companies. These decreases were in the areas of local rates and mileage charges, with optional calling plans and a partial credit for toll charges implemented in two companies.

The Commission also examined all of Maine's 27 investor-owned water utilities in order to determine if any revenue adjustments were in order. Here, revenues of eleven of the companies were not adjusted due to size considerations (i.e., their net income is so small that the Act would have little effect). Seven companies filed rate cases on their own and the Staff filed proposed adjustments for nine utilities. The end result was a net decrease in rates of about \$14,000.

The final utility examined was Northern Utilities whose Chapter 90 proceeding was complicated by the presence of other issues, including the utility's desire to increase its promotion of gas usage and the transfer of a pipeline running from Kittery to Portland from Northern to one of its subsidiaries. After a protracted period of negotiation, a decrease in rates of \$150,000 (less than 1%) was put into effect, and agreements were reached on the value of the transferred pipeline and the level of promotion which Northern would undertake.

In summary, the Chapter 90 process is estimated to have saved ratepayers over \$50 million (or a 5% reduction in rates). Rate case expenses were kept to a minimum, and the regulatory process improved.

Telecommunications

In 1987 the Commission made several decisions in the telecommunications area including a major investigation of NET's rates which resulted in a decrease in local telephone rates for all NET customers, the represcription of NET's depreciation rates for both interstate and intrastate investments, the implementation of a program to allow certain monthly low-income telephone customers to receive a waiver of the FCC mandated Customer Access Line Charge (CALC), and the approval of the first flexible tariff for NET to allow more freedom to compete with non-regulated

telecommunications service providers. In addition, the Commission commenced a rulemaking on competition.

Investigation of Rates

The most significant NET case in 1987 was Docket No. 86-224. This case was an investigation of NET's rates initiated by the Commission. Details of this case have been included in the Section on Chapter 90.

Depreciation Rates

Prior to the initiation of the Rate Investigation by the Commission, NET had filed, in Docket No. 86-213, to change its depreciation rates. This was in conjunction with the regular three-year depreciation rescription scheduled by the FCC. This case was consolidated with the Rate Investigation in which the parties stipulated to an overall depreciation rate of approximately 8.6%. Details of this case have also been included in the Section on Chapter 90.

FCC Customer Access Line Charge

The Commission's order in the Rate Investigation also decided the issue of providing a subsidy to match the Customer Access Line Charge waiver allowed by the FCC. An FCC order in 1985 had allowed a waiver of the CALC for qualifying low-income customers if the state matched the waiver. The Commission had, in 1984, required NET to provide a reduced installation charge for low-income customers and this subsidy could be used to match about half of the CALC waiver. However, the remaining monies had to come from another source. Legislation was introduced in both the 1986 and 1987 Sessions of the Maine Legislature to fund the state share of the CALC waiver from the General Fund. This legislation had not been approved and, at the urging of some of the parties in the Rate Investigation, the Commission required NET to fund the CALC waiver from rates.

As part of the Chapter 90 process, the independent telephone companies agreed to implement the reduced installation charge and the CALC waiver for certain low income customers.

The staff of the Commission has worked with the Department of Human Services, the Office of the Public Advocate, the Division of Community Services, NET, the independent telephone companies and several consumer groups to implement the program. It is expected to be available to qualified low income telephone subscribers early in 1988.

Quickway CENTREX
Service Flexible
Pricing Plan

Prior to the divestiture of AT&T, NET was allowed to sell or lease Private Branch Exchange (PBX) equipment to customers who needed a large number of telephone lines in one location. After the divestiture in January, 1984, NET could no longer sell or lease customer premises equipment, such as PBX's. Private vendors and AT&T continued to sell and lease such equipment in Maine. NET responded by developing CENTREX service which offered many of the same features as PBX's from the Company's central switching offices. The rate at which Centrex service was offered to customers was approved by the Commission and became part of the Company's tariffs. NET was allowed to enter into special contracts for CENTREX service with approval by the Commission. This placed NET at a competitive disadvantage in that competitors proposing PBX installations could study NET's CENTREX tariffs and determine exactly what NET's price for comparable services would be. The competitors could then either underprice NET for comparable service or offer extra services for a slightly higher price.

NET petitioned the Commission to allow flexible pricing of CENTREX services. The Company requested that it be allowed to file rates setting a range within which it could negotiate a price with any given customer. This range would be set to ensure that if a customer received the lowest price, NET would still recover in excess of its cost of providing the service. Any loss of revenue from CENTREX would be made up by the stockholders and not the other ratepayers.

The Commission approved a stipulation in this case proposed by the staff and the Public Advocate which allows NET to file tariffs establishing a range for the pricing of CENTREX service and allowing the staff of the Commission to keep those tariffs protected. Thus, potential competitors can no longer use NET's tariffs to the disadvantage of the Company.

Competition

Early in 1987, the Commission terminated the informal investigation of competition in the telecommunications industry it had initiated the previous year and commenced a formal rulemaking proceeding to implement in rule form the product of its investigation. The staff drafted a proposed rule and distributed it to interested parties in September, 1987. The draft rule embodies a system of access charges that permits open competition where competing carriers can provide network components at costs that are equal to or less than the costs of the existing utility. The access charge structure is also designed to preserve universal service. The Commission has held a series of five informal meetings with these parties to solicit their preliminary comments. The staff is preparing an updated proposed rule which is expected to be issued early in 1988. That rule will address competitive provision of toll services and some related aspects of telecommunications.

Other forms of competition have recently been explored by the Commission:

In 1984 and 1985, three resellers of intrastate WATS and FX services were authorized on a limited basis; two are now in operation;

In 1985, the Commission addressed the public utility status of cooperative sharing of telecommunications services. The Commission found that telephone cooperatives were not telephone utilities to be regulated under Maine law;

In 1985 and 1986, two rulemaking proceedings resulted in authorization of customer-owned coin-operated telephones (COCOTS). By December 1, 1987, 261 applications to provide this service had been received. 124 installations are now in service;

In 1986, NET Nova and Intellipath Centrex pricing was detariffed, except for the non-competitive exchange access components of those services; and

In 1987, a rule was adopted allowing relaxed regulation of potentially competitive radio common carrier (RCC) and cellular service providers to include provisions for flexible pricing by those utilities. Five RCC's and three cellular utilities have been authorized to serve, and applications by three additional cellular providers are being processed.

The Commission's experiments with competition in resale and COCOT forms of telecommunications have not been free of complications. The staff is currently investigating problem areas such as Alternate Operator Services and hotel/motel surcharge structures.

Bangor
Hydro-Electric
Company Rate
Investigation

On December 22, 1986, the Commission began an investigation of Bangor Hydro's rates. The investigation was initiated to consider adjustments to the Company's rates to reflect, among other things, lower corporate tax rates associated with the Tax Reform Act of 1986 and significant reductions in interest rates.

Because it had been several years since the Commission had conducted a full rate case for Bangor Hydro, the range of the investigation was broadened to include such issues as the Company's revenue requirement, management efficiency, power purchase contracts, rate design, off-system sales and attrition. The investigation took place over a period of twelve months, involved several weeks of public hearings and

produced hundreds of pages of transcript. The Commission's decision is embodied in a 125-page Order which was issued on December 22, 1987.

On April 1, 1987, the parties agreed to, and the Commission approved, a temporary rate reduction of \$6,252,715. The December 22, 1987 Order calls for an additional reduction in retail base rates of \$4,896,000 resulting in a total reduction in the Company's revenue requirement of \$11,148,715.

In conjunction with the investigation, the Commission approved an adjustment for the Company's fuel costs that will be phased into rates over the next five years. This year's fuel cost adjustment of \$16,398,199 will offset the decrease in retail base rates ordered in this case and will produce increases for each of the Company's customer classes.

Another major component of the investigation was a review of Bangor Hydro's rate design. Rate design involves a determination of the appropriate allocation of the Company's revenue requirement among customer classes. The December 22nd Order calls for the decrease in base rate revenue to be spread on an equal percentage basis across all customer classes and the allocation of fuel costs to be applied to each customer class based on voltage of service and level of electrical KWH use. The new rate design will also:

Shift some customers among classes;

Increase the minimum charge for residential customers to be based on 100 kilowatt hours per month;

Implement mandatory time-of-use rates for Bangor Hydro's 30 largest industrial customers;

Implement mandatory time-of-use rates for residential customers who use more than 2000 kilowatt hours in any one winter month; and

Include a permanent interruptible rate program with both a year-round component and a winter component.

The December 22nd Order also permits Bangor Hydro to negotiate a more flexible rate with its largest customer, LCP Chemicals. The negotiated rate is to be tied to the price LCP receives for its product. The Order also requires that any resulting adjustments to LCP's rate benefit Bangor Hydro's rate-payers.

Another major aspect of the Commission's investigation was a review of the Company's management practices. The Commission found that, particularly in the credit and collections and the conservation and demand management areas, the Company was being managed inefficiently. Management deficiencies in these and other areas led the Commission to make a downward adjustment to the Company's return on equity resulting in a \$196,000 decrease in retail rates.

Hydro-Quebec

On February 20, 1987, Central Maine Power Company (CMP) filed a notice of intent to file a petition for a certificate of public convenience and necessity for the purchase of generating capacity and energy from Hydro-Quebec. Simultaneously, CMP requested a preliminary finding that its activities in pursuit of this purchase (further negotiations with Hydro-Quebec and various regulatory approvals) were reasonable and were in the public interest. To address the preliminary matter, the Commission opened an investigation pursuant to 35-A M.R.S.A. § 1303. On June 25, 1987, the Commission issued an order approving further activities in pursuit of the proposed purchase.

On July 9, 1987, CMP filed its petition along with testimony and exhibits. The proposed power purchase would range from 200 MW to a maximum of 900 MW during the 30-year period from 1992 to 2021. CMP proposed to resell some of this power. The statute requiring approval for large power purchases requires the Commission to complete the proceeding within one year. However, during the summer CMP issued a request for proposals by cogenerators and small power producers to fill two decrements (amounting to 100 MW) and received responses proposing over 1,400 MW of capacity. The parties agreed that it was necessary to review this response in connection with the Hydro-Quebec proceeding and that CMP should withdraw the petition and refile it so the deadline for Commission decision would be delayed. Consequently, CMP withdrew the petition and refiled it on October 30, 1987.

The Commission received 35 petitions to intervene in the certificate proceeding. On December 10, 1987, the Commission issued an order addressing intervention. It granted the petitions to participate "as of right" for all customers and municipalities. It denied intervention "as of right" by cogenerators and small power producers, other utilities and one conservation group, but allowed their participation as "interested parties". The Order denied, or considered withdrawn, four petitions. The Commission ordered three groups of intervenors to consolidate their discovery and cross-examination.

On December 16 and 17, 1987, the Commission held the first round of hearings in this prefiled case, which were limited to cross-examination on the terms of the contract between CMP and Hydro-Quebec.

On January 8, 1988, CMP filed further testimony updating its proposal in light of the response to the request for proposals for cogeneration and small power production. Further hearings are scheduled for February, March, May, and June of 1988.

NEPOOL

Central Maine Power Company (CMP) and Bangor Hydro-Electric Company (BHE) are members of the New England Power Pool (NEPOOL) Agreement along with many other utilities in the New England area. The NEPOOL Agreement provides for the joint planning and operation of power plants, including central dispatching, and the sharing of capacity responsibilities among its members. In 1987 the Commission was involved in two major matters involving NEPOOL. The first was the Commission's own investigation of whether continued participation in NEPOOL by CMP and BHE is in the public interest. The Commission found that while continued participation in NEPOOL appeared to be beneficial at the present time, within a few years the detriments of participation may outweigh the benefits. Thus, the Commission is continuing to monitor this situation and encouraging planning to maximize the long term interests of Maine utilities and customers. Pursuant to legislation passed in the last session, the Commission has adopted a rule (Chapter 39) which provides for a periodic review of the merits of NEPOOL involvement by Maine utilities.

The second NEPOOL matter in which the Commission was involved is the filing by NEPOOL at the Federal Energy Regulatory Commission of its proposed Performance Incentive Program or "PIP" (NEPOOL is regulated by FERC, not by the states). PIP will provide a new method to allocate responsibility for capacity and reserve requirements among the members of NEPOOL. PIP is purportedly designed to encourage more efficient operation by utilities by correlating their capacity responsibilities to the efficiency of their plants. However, PIP has the defects of both increasing overall reserve requirements and spreading the reserve requirement of new capacity among all NEPOOL members rather than to those members which actually own or participate in the source. The Commission is participating in the NEPOOL case at FERC both individually and as a member of the New

England Conference of Public Utility Commissioners (NECPUC). A proposed settlement was reached and filed with FERC that included NEPOOL and four New England states. Maine and Vermont filed comments in opposition to the stipulation and requested a hearing. The request was granted and hearings on the proposal and the issues raised by Maine and Vermont were held in early November. The MPUC presented expert testimony in support of a superior alternative to the NEPOOL filing. Briefs were filed in December and January and a preliminary decision by the Administrative Law Judge is expected to follow. The preliminary decision may be appealed to the FERC.

Northern Utilities
Portland Pipeline
Project

Northern Utilities (Northern) and its parent company, Bay State Gas entered into a 10 year lease with the Portland Pipeline (PPC) to allow Northern to renovate one of the three pipelines owned by PPC running from Portland, Maine to Montreal, Quebec to allow natural gas to be transported into Maine from Canada. The process of investigating this supply alternative and negotiating all the necessary agreements had started in 1985 and was finalized in 1987. The PUC had been monitoring the progress of the project from its inception, but until late in 1986 there was no action required by the Commission to approve any aspect of the project.

Late in 1986, Northern filed an application, Docket No. 86-223, to sell its existing pipeline from Eliot to Portland to Northern's wholly-owned subsidiary, the Granite State Pipeline Company. Granite State is the wholesale company which receives gas from the various suppliers serving Northern and transports that gas to Northern's Maine and New Hampshire retail divisions. Prior to the Portland Pipeline Conversion, all gas transported through the Eliot to Portland pipeline was used by Northern's Maine customers. The introduction of a new supply of gas from

Canada meant that the Portland to Eliot line would now carry gas for interstate use. Thus, transfer of the pipeline to Granite State was considered appropriate. The Commission approved a stipulation negotiated between the Staff, the Public Advocate and Northern Utilities approving the transfer.

The overall result of the Portland Pipeline Project have been positive for Maine's natural gas customers. The transfer of the Eliot to Portland pipeline reduced Northern's rate base, lowering its rate. The gas supplied from Canada is lower in cost than some of Northern's other gas supplies further lowering costs. Finally, the availability of gas from a second source has meant that Northern can virtually eliminate the use of costly liquified natural gas and propane, which will further lower gas costs. The estimated impact on Northern's Maine customers from the Portland Pipeline project is about a 10% reduction in costs.

VI. CONCLUSION

In this report we have provided to the Legislature detailed information pertaining to the activities of the Maine Public Utilities Commission over the past year. In Section III, the Commission has fulfilled its statutory reporting requirements under 35-A M.R.S.A. §§120, and 4358. In Chapter IV, the Commission has fulfilled its commitments to provide certain additional information to the Utilities' Committee.

The Commission continues to work closely with the Legislature on issues affecting the Public Utilities Commission and Maine ratepayers, and is prepared to provide any additional information on request.



