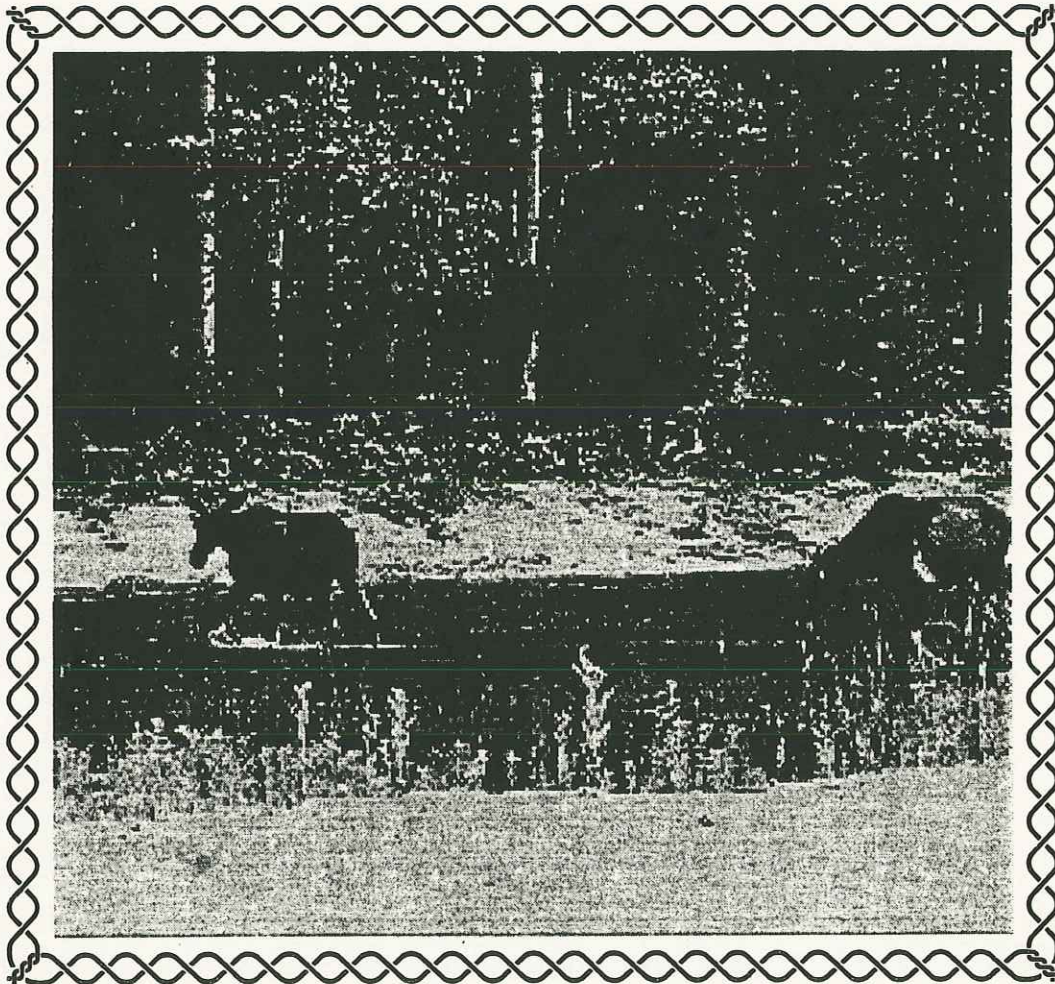


STATE OF MAINE PUBLIC UTILITIES COMMISSION



ANNUAL REPORT

1997

Public Utilities Commission
Information Resource Center
State House Station #18
Augusta, Me. 04333-0018

Contact information:

**Maine Public Utilities Commission
242 State Street
18 State House Station
Augusta, Maine 04333-0018**

**Tel: 207-287-3831
Fax: 207-287-1039**

Website: <http://www.state.me.us/mpuc/homepage.htm>

Consumer Hotline: 1-800-452-4699

Email: Maine.puc@state.me.us

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State of Maine

Public Utilities Commission

242 State St. - 18 State House Station - Augusta Maine

February 1998

Commissioners

Heather F. Hunt
Commissioner

William M. Nugent
Commissioner

Thomas L. Welch
Chairman

Fundamental changes in the regulation of major utility industries continued in 1997. The Maine Legislature passed and Governor King signed into law the right of consumers to buy electricity from competitive providers beginning March 1, 2000, altering the very structure of a nearly century-old regulatory model. The telecommunications industry is moving toward greater competition, spurred by the Federal Communications Act of 1996 and Maine legislative initiatives to reduce the cost of instate long distance phone calls. Other significant events in 1997 included the Maine Yankee nuclear plant shutdown, the implementation of the Maine Schools and Library Network, the NYNEX merger with Bell Atlantic, and progress on proposed pipelines to access Canadian natural gas that will ultimately bring new energy supplies, and new choices, to Maine's consumers.

Division Directors

Joanne Steneck
Legal

Faith Huntington
Technical Analysis

Wayne Olson
Finance

Dennis Keschl
Administration

Matt Thayer
Consumer Assistance

Regulation will not disappear with the restructuring of the electric, telecommunications, and gas industries. Regulation must, however, continue to evolve to ensure that our legislative mandates can be carried out efficiently and effectively in rapidly changing markets. When competition replaces traditional regulation, we must ensure that the barriers to effective competition are removed and assist consumers to participate effectively in newly competitive markets. Where more traditional regulation continues to govern, we will continue to find ways to make our processes more efficient.

Consumer education will assume an even more prominent role at the PUC as customers begin to choose among new competitors. Our Consumer Assistance Division, for example, has undertaken a number of new initiatives, from internal changes that allow for same-day resolution of utility customer complaints to consumer bulletins and Internet alerts, that have and will continue to help customers make informed choices about their new options.

The next few years are critical for the PUC and the Legislature as we work through the difficult birth of a fundamentally different system for delivering electric, telephone and gas service to consumers. We, and the staff of the Public Utilities Commission, are looking forward to meeting these challenges in the coming years and are committed to providing the Legislature and the public with clear and accurate information and analysis.



Thomas L. Welch
Chairman



William M. Nugent
Commissioner



Heather F. Hunt
Commissioner

Acronyms

BHE	Bangor Hydro Electric Company
CAD	Consumer Assistance Division
CMP	Central Maine Power Company
DEP	Department of Environmental Protection
DHS	Department of Human Services
FAME	Finance Authority of Maine
FCC	Federal Communications Commission
FERC	Federal Energy Regulatory Commission
FY	Fiscal Year
ISO	Independent System Operator
LD	Legislative Document
LDC	Local Distribution Company
LNG	Liquefied Natural Gas
MPS	Maine Public Service
M&NP	Maritimes and Northeast Pipelines
MRSA	Maine Revised Statutes Annotated
MWUA	Maine Water Utilities Association
NEB	Canadian National Energy Board
NEPOOL	New England Power Pool
NU	Northern Utilities
OPA	Office of Public Advocate
PERC	Penobscot Energy Recovery Company
PNGTS	Portland Natural Gas Transmission System
PUC/MPUC	Maine Public Utilities Commission
QF	Qualifying Facility
TA	Technical Analysis
T&D	Transmission and Distribution
TELRIC	Total Element Long-Run Incremental Cost
TROs	Temporary Restraining Orders

Contact List

Abbott, Jean - <i>TA Secretary</i>	7-1364	Pushard, Debra - <i>Legal Secretary</i>	7-1566
Armstrong, Donna - <i>Clerk III</i>	7-1352	Reishus, Sharon - <i>Utility Analyst</i>	7-1378
Ballou, Peter - <i>Dep General Counsel</i>	7-1388	Robichaud, Ray - <i>Admin Assist</i>	7-1357
Bergeron, Denis - <i>Utility Analyst</i>	7-1366	Shifman, Joel - <i>Sr Utility Analyst</i>	7-1381
Bero, Betty - <i>Sr. CAD Specialist</i>	7-1399	Siwinski, Grant - <i>Sr Utility Analyst</i>	7-1382
Bragdon, Trina - <i>Staff Attorney</i>	7-1392	Soldano, Rick - <i>CAD Specialist</i>	7-3831
Brewer, Gilbert - <i>Staff Attorney</i>	7-1398	Steneck, Joanne - <i>General Counsel</i>	7-1390
Broad, Mary - <i>Clerk of the PUC</i>	7-1396	Stratton, Mary - <i>CAD Specialist</i>	7-3831
Buckley, James - <i>Special Counsel</i>	7-1387	Sukaskas, Joe - <i>Utility Analyst</i>	7-1375
Campbell, Mary - <i>Adm. Secretary</i>	7-1360	Sutton, Robert - <i>Accountant II</i>	7-1358
Carver, David - <i>Utility Analyst</i>	7-1380	Tannenbaum, Mitch - <i>Sr Staff Attorney</i>	7-1391
Cohen, Chuck - <i>Staff Attorney</i>	7-1394	Thayer, Matt - <i>CAD Director</i>	7-1594
Cook, Ann - <i>Computer System Mgr</i>	7-8519	Thibodeau, Carmen - <i>Hearings Reporter</i>	7-6078
Cowie, Doug - <i>Sr. Utility Analyst</i>	7-1369	Thornton, Sandra - <i>CAD Specialist</i>	7-3831
Cyr, Paula - <i>Clerk III</i>	7-6074	Von Magnus, Eric - <i>Utility Analyst</i>	7-1372
Davidson, Derek - <i>Deputy Director, CAD</i>	7-1596	Welch, Thomas - <i>Chairman</i>	7-3831
Doyle, Jim - <i>Utility Analyst</i>	7-1383		
Dunn, Steve - <i>Complaint Supervisor</i>	7-1592	CAD Hotline.....	1-800-452-4699
Fink, Lisa - <i>Staff Attorney</i>	7-1389	INTAKE.....	7-1597
French, Tammy - <i>Legal Secretary</i>	7-6075	FAX.....	7-1039
Friese, Diane- <i>Human Resources</i>	7-1560	RELAY FOR DEAF.....	1-800-457-1220
Fullerton, Judy - <i>Finance Div. Secretary</i>	7-1376		
Gibson, Bill - <i>Utility Analyst</i>	7-1374		
Hammond, Ray - <i>Utility Analyst</i>	7-1368		
Hanson, Belinda - <i>Comp. Tech. Support</i>	7-1356		
Hunt, Heather - <i>Commissioner</i>	7-3831		
Huntington, Faith - <i>Director of TA</i>	7-1373		
Kaler, Maralee - <i>Hearings Reporter</i>	7-1355		
Kania, Rich - <i>Deputy Director of Finance</i>	7-1379		
Kennedy, Linda - <i>CAD Specialist</i>	7-1590		
Keschl, Dennis - <i>Administrative Director</i>	7-1365		
Kivela, Richard - <i>Utility Analyst</i>	7-1562		
Leonard, Norman - <i>Utility Analyst</i>	7-1371		
Library.....	7-1560		
Lindley, Phil <i>Public Info Contact</i>	7-1598		
MacLennan, Carol - <i>Staff Attorney</i>	7-1393		
Monroe, Angela - <i>Utility Analyst</i>	7-1397		
Nason, Sarah - <i>Sr. Legal Secretary</i>	7-1384		
Niles, Mary - <i>CAD Specialist</i>	7-1597		
Nugent, William - <i>Commissioner</i>	7-3831		
Olson, Wayne - <i>Finance Div. Director</i>	7-1377		
Peaslee, Laurel - <i>Legal Secretary</i>	7-1386		
Poetzsch, Kathy - <i>CAD Secretary</i>	7-8328		
Poland, Naomi - <i>Legal Secretary</i>	7-1385		

For all staff phones "Prefix 7" = 287
The area code for Maine is (207)

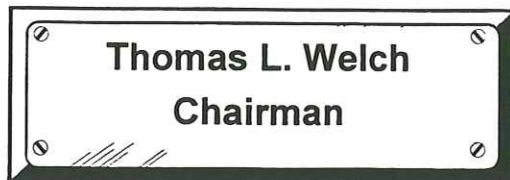
For E-mail addresses = first.last@state.me.us
(example=phil.lindley@state.me.us)

Website:

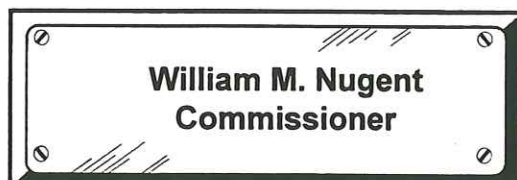
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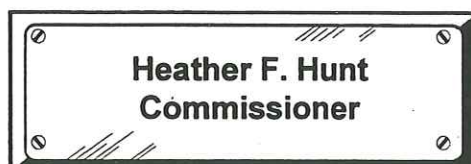
Commissioner's Biography's



Thomas L. Welch was appointed Chairman of the Maine Public Utilities Commission in May of 1993. Prior to joining the Commission, he was Chief Deputy Attorney General in the Pennsylvania Office of Attorney General, was a General Attorney for Bell Atlantic and Bell of Pennsylvania, and practiced law in San Francisco. He has also been Assistant Professor of Law at Villanova University School of Law and Adjunct Professor of Law at Dickinson School of Law. Chairman Welch graduated from Stanford University in 1972 and Harvard Law School in 1975.



First seated as a Commissioner in October 1991, William M. Nugent was confirmed to a second 6-year term on June 6, 1997. Prior to coming to the Commission, Commissioner Nugent was (in reverse chronological order): President of the Greater Portland Chamber of Commerce, Chief Operating Officer of Envirollogic Data, Inc., Commissioner of the Michigan Lottery, Michigan's Deputy Budget Director, an aide to the Governor of Michigan and the Mayor of Detroit, a staff member of a White House Council, a staff assistant in the Office of the Secretary of Defense, a newsman and editor. Commissioner Nugent graduated Phi Beta Kappa from Fordham University, attended the U.S. Military Academy at West Point, and studied as a Heinz Fellow at the University of Pittsburgh.



Heather F. Hunt, of Brunswick, Maine, was confirmed as a Commissioner of the Maine Public Utilities Commission in September 1995. Prior to joining the Commission, Commissioner Hunt was Commissioner of the Connecticut Department of Public Utility Control. Earlier, she was Deputy Legal Counsel to former Connecticut Governor Lowell P. Weicker, Jr. (Ind.). Commissioner Hunt graduated from Fairfield University, Fairfield, Connecticut in 1988 and Western New England College School of Law, Springfield, Massachusetts in 1992.

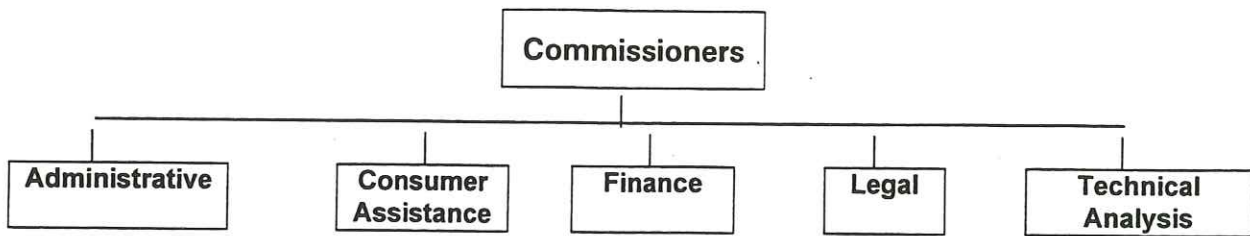
State of Maine Public Utilities Commissioners

1915 - 1997

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

* Chairman

Organizational Chart



The three full-time **Commissioners** are nominated by the Governor, reviewed by the Utilities and Energy Committee of the Maine Legislature and confirmed by the full Senate, for staggered terms of six years. One Commissioner is designated as Chairperson by the Governor. The Commissioners make all final PUC decisions.

The Commission's staff includes accountants, engineers, lawyers, financial analysts, and administrative and support staff. The Commission is divided into five operating divisions:

The Administrative Division is responsible for fiscal, personnel, contract and docket management, physical plant, computer operations and the Information Resource Center. This division provides support services to the other divisions and assists the Commission in coordinating its activities.

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

The Finance Division is responsible for conducting financial investigations and analyses of telephone, electric, gas and water utilities operations. This division analyzes all applications by utilities to issue securities. Finance staff prepare testimony and other economic analysis concerning rate base, revenues, expenses, depreciation, and cost-of-capital issues. Staff are assigned as advisors and advocates on cases before the Commission.

The Legal Division is responsible for providing hearing officers, advisors and advocates in cases before the Commission and assists in preparing and presenting Commission views on Legislative proposals. Legal staff are also assigned as advisors and advocates on cases before the Commission. This division also represents the Commission before federal and state appellate and trial courts.

The Technical Analysis Division (TA) is responsible for advising the Commission on questions of engineering, rate design, energy science, statistics and other technical elements of policy analysis for all utility areas. TA staff are assigned as advisors and advocates on cases before the Commission.

Regulatory Process Review

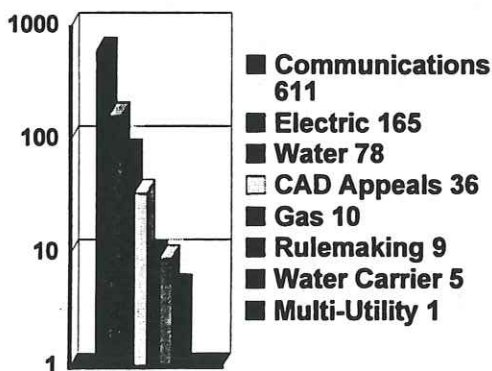
The Maine Legislature created the Public Utilities Commission in 1913, and it began operating on December 1, 1914. The Commission has broad powers to regulate more than 383 utility companies and districts that generate more than \$1.7 billion per year in electric, telephone, water and gas utility revenues. The PUC also responds to customer questions and complaints, grants utility operating authority, regulates utility service standards and monitors utility operations for safety and reliability.

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

Looking to the future, the Commission continues its efforts to streamline the regulatory process and encourage competition in the utility industries it regulates. These efforts are in response to directives by the Maine State Legislature and the United States Congress. The major electric restructuring legislation passed in Maine during the 118th First Special Legislative Session (*see Electric Section p. 13 for more information*) resulted in the Commission's opening six informal inquiries and three rulemakings in 1997, including those dealing with consumer information, bidding processes and standard offer, treatment of qualifying facilities and energy conservation. Likewise, the Commission completed rulemakings in the telecommunications area to reduce access charges that could ultimately lower prices for consumers.

In addition to rulemakings, the Commission began a number of major adjudicatory proceedings affecting electric, telecommunications and gas utilities. In most of these cases, the Commission has assigned its staff to act only as advisors to the Commission rather than assigning some staff as advisors and some as advocates. The advisors have taken an active role in these cases including cross-examining witnesses and issuing data requests, when necessary. This approach to staffing allows the Commission to extend its resources while assisting the Commissioners in developing the record evidence needed to make its decisions.

915 CASES DECIDED IN 1997



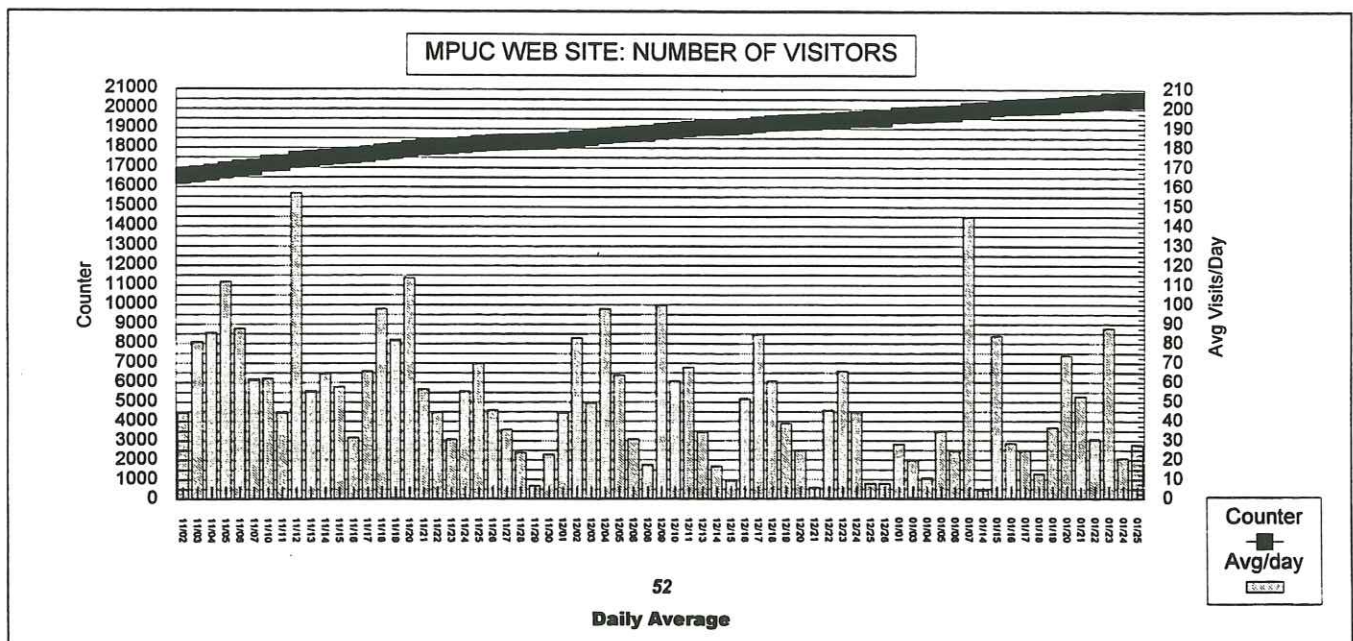
PUC Internet on the World Wide Web

Since 1996, the PUC's website (www.state.me.us/mpuc) has been visited by more than 20,000 visitors, an average of 50 visits per day. The website has been enhanced with more information and features this year and continues to provide current information on Commission activities -- often posted the same day as they occur -- to the 60 million users of the Internet worldwide and more importantly, to the growing numbers of Maine Internet users. With the completion of the schools and libraries internet network, all Maine residents can access the PUC's website through their local school or public library.

The Commission's website contains up-to-the-minute information on deliberative session agendas, new cases filed, recent decisions and orders, press releases and other time-important information. The site also contains list of regulated utilities, staff contact information, and Commission rules and State statutes.

The electric industry restructuring activities have been a source of increased activity on the website. There is worldwide interest in Maine's efforts in utility regulation, and many website users have commented (through e-mail) that accessing the PUC's website via the Internet has been the easiest and most comprehensive way to get information on restructuring issues in Maine.

The Consumer Assistance Division recently added a section to the PUC website. This section contains consumer bulletins, consumer tips, contact information and a fill-in-the-blanks electronic complaint form. By the end of the year, all Commission Orders dated from 1993 onward will be available, and those dated from 1997 to the present will be indexed by utility and issue. Planned improvements include the ability to electronically file case-specific comments with the Commission using a fill-in form, access to utility tariffs, and live audio from the Commission's deliberative sessions.



Consumer Assistance

Mission

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

Responding to Customer Needs

The past year has been a busy one for the CAD. To be more responsive to customers and utilities, the CAD established goals to answer all customer calls live and to settle as many complaints as possible the day they are received. To achieve this, the CAD transitioned from a consumer hotline call distribution system utilizing a single staff person to answer calls and disseminate complaints to other staff, to a system where all CAD specialists handle consumer information and complaint calls live. This change represents a major transition from only a few years ago when most calls were received by an answering machine and later returned. The CAD also changed its primary dispute resolution method from one based on a comprehensive review of utility information and the creation of extensive documentation to a more consumer-friendly method based on mediation, consensus and immediate resolution of the dispute. This process is based on the immediate initiation of a three-way conference call between the customer, the utility, and the CAD Specialist and is designed to resolve all issues before the call ends. The mediation process has reduced the data exchanged between the utilities and CAD, has shortened the average settlement time for disputes eligible for mediation from weeks to days, and has reduced the number of CAD decisions appealed.

Consumer Education

Consumers now have the opportunity to shop around and choose the best deal for their in-state and out-of-state toll service, and soon will be able to choose their natural gas and electricity providers. Along with an opportunity for savings, there will be potential pitfalls for customers. Consumers will need to make informed choices regarding the services they desire and be wary of deceptive marketing practices by companies vying for their business. This past year the CAD increased its efforts to educate consumers about their choices and responsibilities in a competitive utility market, by releasing several consumer bulletins, creating its own Internet web site, and participating in a State-wide telephone consumer education campaign. The consumer bulletins alerted consumers to deceptive marketing practices by telecommunications carriers, and advised consumers on using directory assistance and shopping for

Consumer Assistance

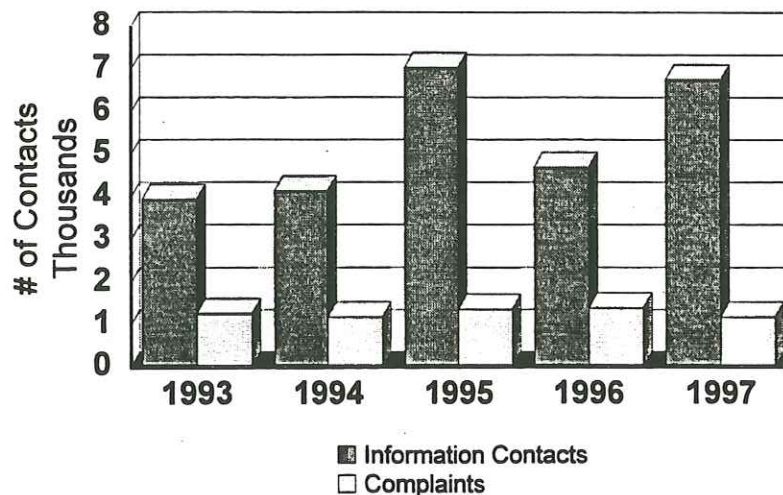
telephone service. The CAD web site provides valuable information to utility consumers regarding their rights and responsibilities, a different consumer tip each month covering a current utility issue, and a consumer comment box where consumers can ask questions and express their opinions.

The CAD also educated utilities by conducting several training workshops and by issuing three CAD bulletins. The workshops were held for the Maine Rural Water Association and covered the Commission's consumer protection rules. The bulletins provided information to the state's utilities regarding compliance with the Commission's rules for conducting meter tests, winter disconnection, and medical emergencies.

Consumer Contact Summary

In addition to the educational efforts, CAD also handled 7,971 customer contacts in 1997, which is a 23% increase over the 1996 total of 6,119 (see Figure I). This increase is attributable to a 30% increase in the number of information contacts received in 1997 (6,781), compared to those received in 1996 (4,416). With the exception of 1995 the number of information contacts received in 1997 was the most ever received by the CAD. In 1995 that number of contacts resulted from a change in call handling procedures which resulted in callers trying to reach their utility, reaching CAD instead. The increase in information contacts in 1997 appears to be part of a long-term trend of increasing information contacts.

Information Contacts 1993 - 1997



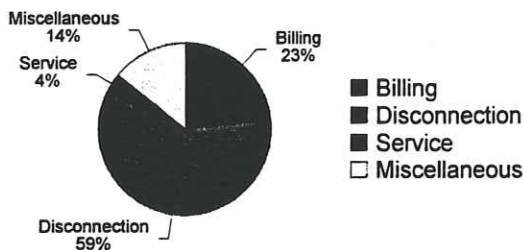
Consumer Assistance

The CAD also received 1,190 complaints in 1997, down from 1,403 complaints received in 1996. In addition, the CAD received 17 requests for exemptions from MPUC consumer protection rules during 1997 and 1,779 requests to disconnect electric or natural gas customers during the winter of 1997 under the Commission's winter disconnection rule.

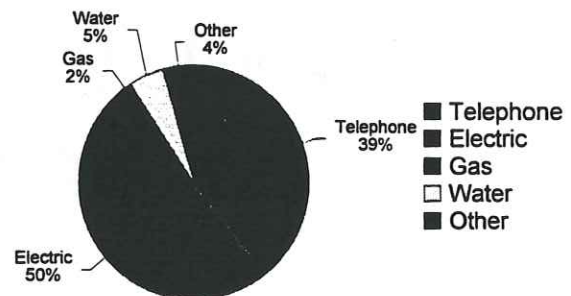
As seen in Figure II, the majority of complaints (89%) continue to be against electric and telephone utilities. More than half of all complaints, as seen in Figure III, were related to actual or threatened disconnection and 23% were related to billing disputes.

The CAD overhauled its entire operation this past year in an effort to better serve its customers. These changes appear to be one factor in the increased customer contacts and the decreased number of complaints received in 1997. The increase in customer contacts is at least partially attributable to the CAD answering more calls live. Many of these calls were disputes that were quickly resolved over the phone. Under the CAD's former dispute resolution system, many of these contacts would have been classified as complaints. Under the new system, many of these apparent disputes were so quickly resolved over the phone, they were not formally logged as complaints. The over-the-phone complaint resolution system, combined with the CAD's strong commitment to customer service, will ensure that customers and utilities receive the highest quality service possible in 1998.

Closed Cases By Category 1997



Closed Complaint Types 1997



ELECTRIC HIGHLIGHTS

- * **Comprehensive industry restructuring legislation enacted.**
- * **Maine Yankee's owners decide to permanently close the plant. The Commission initiates an audit to examine the plant's management, operation and premature shutdown.**
- * **The Commission authorizes a temporary rate increase of \$5.1 million for Bangor Hydro-Electric Company; a decision on BHE's request for a \$22.3 million (17%) permanent rate increase scheduled for early 1998.**
- * **Multi-year rate plans continue for Central Maine Power and Maine Public Service Company. CMP's rates increase by 1.1%; MPS's by 2.9%.**

Electric Restructuring

Last year the Maine Legislature passed L.D. 1804, An Act to Restructure the State's Electric Industry (The Act). Governor King signed the Act in May and it became law in September, 1997. The Act grants Maine consumers the right to buy electric generation services directly from suppliers in a competitive market beginning March 1, 2000. The Act also directs several other changes and new measures to implement retail access. These include:

- ◆ requiring Maine's large electric utilities to divest their generation assets and related businesses,
- ◆ placing separation requirements and market share limits on the generation-related business activities, including retail sales, that remain with transmission and distribution (T&D) utilities,
- ◆ providing for licensing of competitive suppliers, and provisions for consumer protection,
- ◆ establishing a consumer education advisory board to investigate and recommend methods and programs to inform the public about retail access,

Electric

- ♦ establishing standard offer service so that customers who do not, or cannot, purchase from the competitive market continue to receive electric service,
- ♦ allowing utilities a reasonable opportunity to recover stranded (non-economic) costs that result from retail competition,
- ♦ requiring every competitive electricity provider to meet its obligations with supply comprised of at least 30% renewable resources, and
- ♦ directing T&D utilities to bid for and implement energy conservation programs.

The Act will introduce the discipline of competition into electricity markets in Maine. A competitive market for electric generation should in the long run, lower costs to consumers and provide choices among a variety of suppliers and product options. Nationally, many other states have, or are in the process of, adopting policies and strategies similar to Maine's. In New England, Rhode Island began retail competition in 1997, and Massachusetts and New Hampshire are scheduled to begin in 1998.

The Commission actively participated in the processes that led to Maine's electric restructuring legislation. With passage of the Act, the Commission began to implement its provisions. The Commission initiated six inquiries and three rulemakings including those for standard offer service, customer education programs, energy efficiency programs, and bill unbundling.

The Commission also began adjudicatory proceedings to examine the generation asset divestiture plans of CMP and MPS, as well as a proceeding that will determine the level and structure of CMP's rates when retail access begins.

Maine Yankee

This year, the owners of Maine Yankee decided to permanently close the 860 megawatt nuclear plant in Wiscasset. The closure has significant cost implications for Maine's investor-owned utilities, which collectively own 50% of Maine Yankee.

The Commission initiated an audit of Maine Yankee to examine the reasonableness of its management, operation and premature closure. The first phase identified \$95.9 million in unreasonable costs associated with the 1996-1997 period; the second phase is currently in progress and scheduled for completion in early 1998. The Commission is also participating in proceedings at the Federal Energy Regulatory Commission addressing the ratemaking issues surrounding the closure.

Electric

Bangor Hydro-Electric Company

In April of this year, BHE filed a petition for a temporary rate increase pursuant to 35-A M.R.S.A. § 1322, requesting an increase of \$10 million (on an annual basis) to take effect as soon as possible. In May, BHE filed for a general, permanent increase in rates of about \$5. million effective in early 1998, with an additional increase of \$4.5 million on January 1, 1999. BHE also proposed to defer costs related to Maine Yankee for future collection in rates. In June, the Commission issued an Order allowing BHE a temporary rate increase of \$5,098,561. The Commission required BHE to offset this increase by paying down a regulatory asset, thereby reducing future rates.

Following the conclusion of the temporary rate increase proceeding, BHE revised its permanent rate increase request to \$22.8 million. The Commission conducted evidentiary hearings and held public witness hearings on BHE's rate increase request. A request by BHE for emergency rate relief based on the undisputed portion of the rate increase, \$5.1 million was granted by the Commission in December 1997, in effect replacing the emergency rates previously granted. The Commission is scheduled to issue its order on BHE's permanent rate increase by February 9, 1998.

Central Maine Power Company

1997 was the third year of CMP's multi-year rate plan. During this year the Commission completed a mid-period review of the plan; authorized a 1.1% increase to CMP's rates; and processed more than 40 special rate and contract proposals submitted by CMP pursuant to the pricing flexibility provisions of the rate plan.

Maine Public Service Company

1997 was the second year of MPS's multi-year rate plan. In January, the Commission approved the 2.9% increase in MPS's rates allowed under the plan. The Commission also processed approximately ten filings MPS made for special rates and contracts pursuant to the pricing flexibility provisions of its plan.

Cost Savings from Power Contract Restructuring

The Commission approved the buydown or buyout of a number of relatively expensive QF power supply contracts between various utilities and independent power plants, in order to reduce the ultimate cost of providing electricity to ratepayers. The most significant contract restructurings completed in 1997 included the Ashland and Greenville Steam facilities in CMP's service area, BHE's Penobscot Energy Recovery Company facility, and the Wheelabrator-Sherman contract with MPS. Both the PERC and the Wheelabrator-Sherman transactions involved loans financed by FAME.

TELECOMMUNICATIONS HIGHLIGHTS

- * **The Maine Legislature passed a law directing the Public Utilities Commission to align intrastate access rates with interstate rates. This action will result in lower long distance toll rates in Maine.**
- * **All Bell Atlantic local service customers have the ability to choose their own "One Plus" intrastate long distance carrier.**
- * **The Federal Communications Commission approved changes to the low-income Lifeline and Link-Up plans that allow Maine to leverage an additional \$3.50 in monthly federal support per customer.**
- * **On October 23, 1997, the final connections were made for Maine's Schools and Libraries network. All of Maine's participating schools and libraries are hooked into a statewide 56k frame relay network.**

Telecommunication Terms and Definitions

One problem with deregulation is that it can be confusing for consumers. We believe that in the long run the benefits outweigh the difficulties, but it will take informed consumers to make it all work out. The list below provides some of the terms that consumers may find useful to know over the coming years.

- **Access Charges:** The rates that a long-distance carrier pays to local telephone companies for connecting to the local network. Access charges are a key element of toll (in-state long distance) rates.
- **Basic Service:** The baseline service for connecting to the telephone network.
- **Dialing Parity:** This feature allows a customer to preselect a long-distance carrier, and use that preselected carrier simply by dialing "1." Maine achieved dialing parity for Bell Atlantic customers on September 15, 1997.
- **Lifeline & Link-Up:** These programs assist low-income consumers in obtaining and paying for telecommunications services.

Telecommunications

- **Local Loop:** The last section of wire that runs to a customer's house from a provider's switch.
- **"The Act":** The Federal Telecommunications Act of 1996. The Act is contributing to the changes occurring throughout the telecommunications industry by requiring the elimination of many market barriers.
- **Universal Service:** The policy of encouraging all members of society to have affordable access to the telecommunications network.

Reducing Maine's High Toll Rates

On January 1, 1997, Maine had the highest intrastate toll and access rates in the nation. The enormity of the difference between Maine and the rest of the nation was difficult to fathom, with Maine's rates standing in excess of 300% of the national average. Maine's basic rates, by contrast, stood at approximately 90% of the national average. This system was maintained through a regulatory environment that was not compatible with effective competition. Many factors combined to create the situation we faced, some of the greatest being historical inequities placed upon Maine by the Federal Communications Commission. Whatever the roots of the problem, it was clear that Maine needed to reduce its access rates, and thereby toll rates as well.

In Docket No. 96-526, the Commission reduced the originating intrastate access rate by 20%, effective July 1, 1997. This reduction, which works out to about 13.5% of an end-to-end access minute, was initiated by the Commission as an interim measure with the long-term goal of bringing intrastate access charges to the interstate level and lowering toll rates.

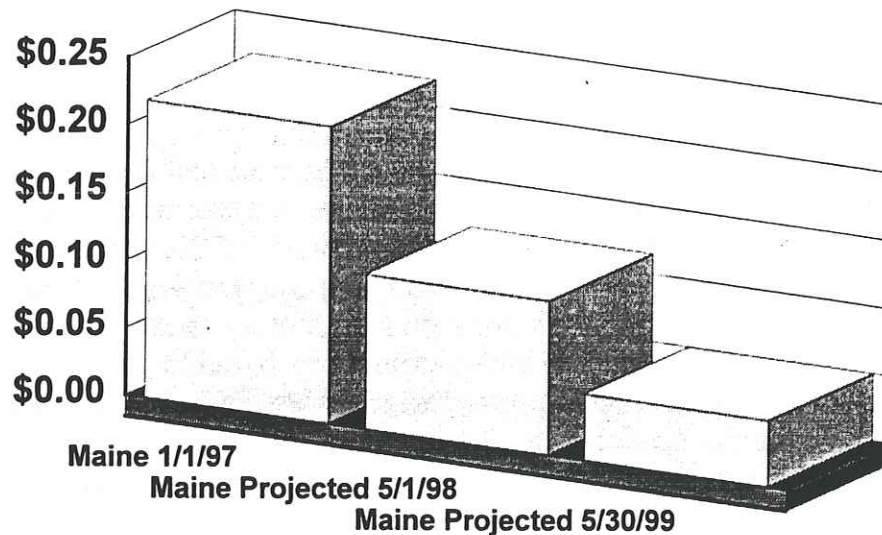
Following the Legislature's passage of Public Law 1997, Chapter 259 (M.R.S.A. 35-A, § 7101-B), which directed the Commission to establish intrastate access rates that were equal to or lower than interstate levels, the Commission opened Docket No. 97-319 to achieve inter and intrastate access parity no later than May 30, 1999. Further, the Commission sought to mirror the interstate access structure to the extent possible.

In addition to establishing a schedule for achieving the access rate reductions, Docket No. 97-319 encouraged parties to negotiate a settlement of many contentious issues prior to assessing access rate cuts on Bell Atlantic. This negotiating phase sought to allow for innovative solutions to issues that might otherwise impede the lowering of access rates. On November 7, 1997, following several months of negotiations, the PUC negotiating staff and other parties filed a stipulation for the Commission's consideration. The Commission held a series of public hearings around

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Maine to gather public input on this stipulation, and will make a decision in early 1998 as to whether or not to accept the negotiated agreement .

Approximate End to End Instate Access Rates



You Make The Call: "One Plus" Dialing or IntraLATA Presubscription

The Federal Telecommunications Act of 1996 allowed Maine to set an aggressive schedule for "One Plus" dialing. "One Plus" dialing allows a customer to choose their instate long distance carrier the same way they can choose their out-of-state carrier. This dialing parity encourages competition, as it is now simple for any customer to choose the best carrier for their individual calling pattern. The Commission ordered Bell Atlantic to institute dialing parity on September 15, 1997. The comment schedule calls all telephone companies in Maine to have dialing parity in place by July of 1998.

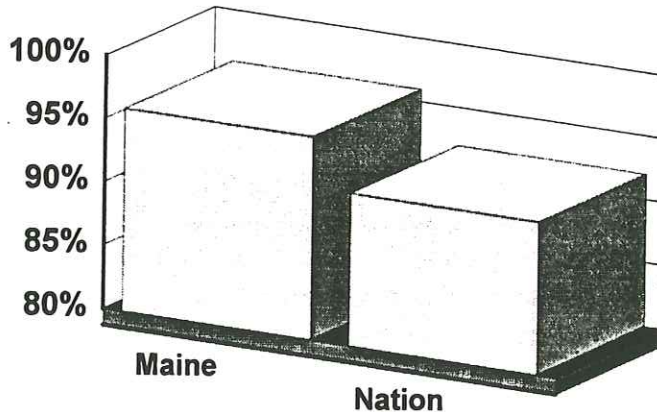
Maine's Advances in Achieving Universal Service

This year marked several important advances in the goal of achieving universal access to telecommunications services. Maine's subscriber rate of over 95% is one of

Telecommunications

the highest in the nation. Further, our low-income consumers have a very high subscription rate (approaching 95%), a tribute to Maine's continuing outreach efforts.

**Maine's Universal Service Participation
vs National Average**



Federal High Cost Support - The Commission has worked closely with the FCC and other states in an effort to secure the high cost support level that a rural state such as Maine should receive under The Act of 1996. Maine's efforts have been recognized both by the FCC and by other state commissions across the nation.

Schools and Libraries - On October 16, 1997, all of Maine's applying schools and libraries were connected into the schools and library network. With the participation of the schools and libraries, residents throughout Maine have 56k access to the Internet. In addition, the Commission has acted to allow Maine's schools and libraries to take advantage of the new federal E-Rate program. This program will provide additional discounts for all telecommunications services, with the highest discounts targeted at the neediest school districts. The E-Rate will also support advanced services, such as Internet access.

Lifeline - Maine has been a national leader in bringing the benefits of telecommunications to all of its residents. Several years ago, the Commission adopted a Lifeline program to assist certain consumers in coping with telecommunications costs. This program has historically provided \$7.00 in support per month to more than 50,000 Maine families. The Commission's long-standing commitment to Lifeline has made Maine eligible to receive an additional \$3.50 per month in federal support effective on January 1, 1998. This leveraged federal contribution will bring assistance to \$10.50 per month to those Maine customers who need support.

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Rural Health Care - On January 1, 1998, nonprofit rural health care providers in Maine became eligible for a federal discount program for certain telecommunications services. The Commission will work to ensure the greatest level of participation possible in order to bring the benefits of telemedicine to Maine's rural communities.

Consumer Education: Making Competition Work

The Commission has made consumer education in the competitive telecommunications environment a priority. Internally, the Commission has focused on providing more information on our World Wide Web site. In the coming year, the Commission anticipates further enhancement of our electronic communications capability. Externally, the Commission's decision concerning Bell Atlantic, regarding improper disconnection of customers, provided funds for the creation of the Maine Telecommunications Education Fund. A Commission created board oversees the fund, and is using television, radio and print to reach all of Maine's telecommunications consumers. The fund seeks to inform consumers of the positive opportunities and the possible perils presented by the newly competitive environment.

Hold the Phone! - Maine Puts the Brakes on Slamming

The Problem - Competition can lead to lower prices and innovation, but it can also open the door for less scrupulous companies that seek to prey on customers unfamiliar with the newly opened market. This abuse often takes the form of slamming, which is an unauthorized change in the carrier providing service to the customer.

The Solution - Recognizing that slamming not only victimizes customers in Maine, but also impedes the overall development of a competitive environment, the Commission acted quickly to inform all carriers that slamming would not be tolerated. Following a letter to all certificated telecommunications carriers in Maine informing them of the existing penalties for violations, the Commission is supporting emergency legislation to stiffen the penalties even further.

Setting the Proper Total Long Run Incremental Cost (TELRIC) for Unbundled Network Elements

In the transitional period preceding full facilities based competition, an important part of telecommunications competition will begin gradually through carriers leasing unbundled network elements to piece together their own network. The prices for these network elements are based upon their long-run, incremental cost. Determining these costs in an equitable manner is a daunting task, but one that is critical to fostering Maine's competitive telecommunications environment. The costs will be determined through the use of intricate models designed to produce results that reflect the forward

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looking rather than the embedded cost of providing telecommunications facilities to a specified geographic region that may be as small as a census block group.

Getting the Bell Rolling - Bell Atlantic's Merger Order and the 14-Point Checklist

Bell Atlantic and NYNEX merged during the year, creating a telecommunications company with annual revenues exceeding \$25 billion. In allowing this merger, the FCC exacted a pledge from the new Bell Atlantic that ensures competitors have a fair opportunity to compete.

This pledge takes the form of several additional requirements on top of the 14-point competitive checklist established by The Act. Bell Atlantic has added incentive to complete the checklist, as the Company must do so before entering the interstate long distance market. The Commission will be working with the FCC to ensure that competitors are afforded a fair shake when attempting to do business in Maine.

GAS HIGHLIGHTS

- * **At the Maine Public Utilities Commission (MPUC):**
Northern Utilities, Inc.: Unbundling Rates and Services
Northern Utilities, Inc.: Cost of Service
Requests for Certificates of Convenience and Necessity to become gas utilities:
 Mid-Maine Gas Utilities, Town of Jay, Bangor Gas, and CMP.
 Summer and Winter Cost of Gas Adjustments.

- * **At the Federal Energy Regulatory Commission (FERC):**
Requests for Certificates of Convenience and Necessity:
 Granite State Gas Transmission Company: to build Liquefied Natural Gas storage tank in Wells, ME.
 Portland Natural Gas Transmission System (PNGTS): request to build pipeline and laterals.
 Maritimes & Northeast Pipeline: request to build pipeline and laterals.

- * **At the Canadian National Energy Board (NEB):**
Requests for Certificates of Convenience and Necessity:
 Maritimes & Northeast Pipeline.
 PNGTS Extension.

Energy Infrastructure Development

Major new gas infrastructure has been proposed for Maine and northern New England. The Portland Natural Gas Transmission System (PNGTS) would traverse southwestern Maine, connecting northern Massachusetts to the Canadian pipeline system at the Canadian border near Pittsburg, New Hampshire. This \$300 million project is proposed to be in service by November 1998. PNGTS has received all major necessary US approvals. A Canadian portion of the project, known as the PNGTS Extension, would complete the connection of the US PNGTS project to the Canadian system. PNGTS would give New England access to large gas supplies in western Canada.

Another pipeline project, the Maritimes & Northeast Pipeline (M&NP), would connect northern Massachusetts to an eastern Canadian pipeline system (yet to be built), crossing the Maine-Canadian border near Calais. This \$400 million project would be in service late in 1999. The M&NP project is currently under review at the Federal Energy Regulatory Commission (FERC). FERC has jurisdiction over interstate pipeline and other gas infrastructure projects. Its review involves a determination of economic need and an extensive environmental review. M&NP has

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received a preliminary approval on economic grounds and the environmental review is underway. In addition, M&NP will have to receive Maine Department of Environmental Protection approvals. M&NP would give New England access to large undersea gas supplies off Nova Scotia.

In addition to the two pipelines, a large Liquefied Natural Gas (LNG) storage tank has been proposed for Wells, Maine. This project is also under review at the FERC and is projected to be in service late in 1999 or 2000. It would cost about \$52 million to build. The Wells project is intended to provide cost-effective LNG supplies for winter peak use in Maine and elsewhere. The LNG will be obtained from Distrigas, an LNG importer located north of Boston.

Currently there are seven (Rumford, Jay, Westbrook, Gorham, Yarmouth, Wiscasset, and Veazie) proposals to build efficient gas-fired electric generation facilities in Maine. These would be non-utility facilities that would sell low cost electric energy in Maine and New England markets, replacing Maine Yankee and other nuclear plants being retired in the Northeast.

If all of these proposed facilities are built, Maine will see construction spending on the order of several billion dollars, as well as access to competitively priced gas and electric energy. The Maine Public Utilities Commission (MPUC) is a participant in all FERC and Canadian cases involving these gas projects.

Local Distribution Company Development

At present, Maine has one small gas utility, or local distribution company (LDC). Northern Utilities, Inc. serves 22,000 customers in Portland and Lewiston-Auburn. With the prospect of two new pipelines crossing the state, many companies are forming and requesting approvals to establish LDCs in other parts of the state. The Commission has already granted Mid-Maine Gas Utility a conditional approval to serve in the Bangor area, and Mid-Maine is requesting approval to serve other parts of the state. CMP and Bangor-Hydro are both forming partnerships with major out-of-state gas utilities (New York State Electric and Gas and Pacific Enterprises, respectively) and are requesting approvals to serve in the Bangor area. CMP is also requesting approval to serve in other areas of Maine. In addition, the Commission has granted authority to Northern Utilities to provide LDC service in all parts of the state other than the Bangor area. We can expect vigorous competition among these companies to establish LDC service in currently unserved parts of the state.

Competitive Restructuring of LDC Service

As presently structured, LDCs arrange the purchase and transportation of natural gas to their distribution system on behalf of their customers and then deliver the

Gas

gas to their customers. LDCs simply pass on the cost of gas to customers and make no profit on gas sales. Their profits are from gas delivery using their local underground distribution system. This structure is known as "bundled service," meaning customers buy both gas and its delivery from their LDC. At present there is a strong movement nationally towards "unbundling" gas service, meaning that customers could buy gas from other sources than their LDC and then have the gas delivered to them by their LDC, as before. Many energy marketers are competing to provide natural gas to LDC delivery customers, and it is widely believed that such competition will lower gas costs.

In Maine, Northern Utilities (NU) is currently developing proposals to make unbundled service available to all of its customers. Specifically, customers would have a choice between remaining a traditional "sales" customer, purchasing both gas and its delivery from NU, or becoming a "transportation only" customer of NU, purchasing gas through a marketer and having it delivered by NU. NU's parent company, Bay State Gas, has run pilot unbundling programs for small customers in Massachusetts for the last two years. We expect that new LDCs will offer unbundled service to their customers as well, bringing the benefits of a competitive gas utility industry to other parts of Maine. NU expects to have the tariffs for unbundled service in place by November 1998.

Water Highlights

- * **Commission approves rate changes in two investor-owned companies and nine municipally-owned districts.**

- * **Two-pronged approach taken to reduce regulatory burden.**

During 1996, the PUC initiated staff-assisted rate cases for small water systems lacking the expertise or funds to formulate new rates. In 1997, three small systems contacted the Commission for this type of assistance: Sandy Point Water Company, Small Point Water Company and Starks Water District. In the first two instances, Staff reviewed the companies' records and developed revenue requirements. The Starks Water District case is currently in the preliminary stages of development. Pending a review of the three cases by the Commission, new tariffs will be approved for these water systems in the near future. In addition, the Commission approved rate changes for eight other water companies or districts.

The Commission has been working this year to reduce regulatory burden and duplication unintentionally imposed on water utilities, using a two-prong approach. First, the Commission worked with other state agencies to reduce regulatory duplication. This effort started as a result of an inquiry by the Maine Water Utilities Association (MWUA) which expressed concern that regulatory overlap existed between the Department of Human Services (DHS) and the PUC. Commission staff met with DHS to discuss MWUA's concerns and determined that an overlap did exist between the PUC's and DHS's review of engineering plans for capacity development. Although the scope of the review is functionally different, the two agencies have agreed to cooperate to avoid redundancy in the future. This cooperation could result in the practical transfer of some current PUC oversight to DHS so that duplicative functions are performed by only one state agency.

Secondly, the PUC is contemplating reducing regulatory burden/oversight by returning the regulation of consumer-owned water utilities to the local level. To accomplish this, the PUC, which is explicitly required to regulate water utilities under state statute, must submit statutory changes to the legislature for approval. The Commission continues to evaluate the merit of deregulating consumer-owned water utilities in favor of local control. Changes made by the legislature could impact water utilities as soon as 1998 or early 1999.

**Investor Owned Water Utilities and Water District Rate Cases
Pursuant to Section 307 Completed in 1997**

Docket No.	Utility Name	Date Filed	Utility Proposed Revenue	Commission Allowed Revenue	Allowed Increase	% Increase Allowed	Effective Date
96-739	CMWC - Bucksport Division	2/14/97	\$560,392	\$552,886	\$347,700	169.50%	7/1/97
96-739	CMWC- Hartland Division	2/14/97	\$192,341	\$191,825	\$92,600	93.30%	8/1/97

**Municipal & Quasi-Municipal Water Utilities Rates Cases
Pursuant to Section 6104 Completed in 1997**

Docket No,	Utility Name	Utility Proposed Revenue	Increase Over Prior Year	% Increase Over Prior Year	Effective
96-727	Milbridge water District	\$80,588	\$20,820	34.83%	2/4/97
97-368	Caribou Utilities District - Waterworks Division	\$851,176	\$103,236	13.80%	9/1/97
97-435	Buckfield Village Corporation	\$90,997	\$73,090	408.16%	10/1/97
97-456	Presque Isle Water District	\$1,025,525	\$104,747	11.38%	11/1/97
97-691	Paris Utility District	\$361,454	\$72,929	25.28%	1/01/98
94-740	Dixfield Water Department	\$190,410	\$92,593	94.66%	1/01/98
97-790	Canton Water District	\$91,593	\$21,355	23.32%	1/01/98
97-791	Madawaska Water District	\$600,000	\$204,044	51.53%	1/01/98
97-792	Winterport Water District	\$100,200	\$23,757	31.07%	1/01/98

Municipal & Quasi-Municipal Water Utilities Rate Cases Filed Pursuant to Section 6104 that we Investigated as a Result of Customer Petition or Procedural Errors

Docket No.	Utility Name	Date Filed	Utility Proposed Revenue	Commission Allowed Revenues	Allowed Increase	% Increase Allowed	Effective Date
96-322	Hampden Water District (a)	6/14/96	\$487,970	\$477,948	\$119,652	33.40%	4/25/97
97-314	Gray Water District (b)	7/7/97	\$348,065	\$348,065	\$24,969	7.73%	9/1/97
97-363	Lewiston Water District (b)	7/31/97	\$2,361,156	\$2,361,156	\$171,943	7.85%	9/1/97

(a) customer petition
(b) procedural errors by district

Activities outside of Maine

Electricity

Shopping for electricity will be a new experience for consumers. As part of our efforts to implement the Electric Restructuring Act, Commission staff have worked throughout the year with staff from the other New England states to develop a uniform regional approach to consumer information disclosure. A regional approach is necessary because New England is expected to become a single cohesive electricity market. We expect that in 1998, at least some of the New England state commissions, including Maine, will promulgate a uniform rule on consumer information disclosure.

The Commission also is working closely with the other New England states to ensure an efficient transition to a competitive wholesale market. In the context of FERC's ongoing review of NEPOOL and the creation of the independent system operator (ISO), the Commission, in conjunction with the other New England states, has participated in discussions with NEPOOL and the ISO regarding specific market mechanisms, system reliability, market power concerns, and ISO independence and self-funding. For the most part, these discussions have been fruitful, avoiding the need for major litigation at FERC.

Major litigation at the FERC is expected because of the premature shutdown of Maine Yankee. With the shutdown, the decommissioning (i.e., dismantling) of the plant is expected to begin in 1998 rather than after 2008. Maine Yankee filed a new decommissioning case at the FERC in November 1997. Maine Yankee's estimate of the cost of decommissioning has gone up from \$377 million to about \$508 million, with the bulk of the increase associated with the early shutdown. The Commission intervened and will participate at the FERC to ensure the reasonableness of Maine Yankee's decommissioning plan and expenses. We expect FERC to conclude its case by the end of 1998.

The FERC case may also include the issue of the prudence of the shutdown, including the prudence of recent operations of the plant leading up to the shutdown. The questions are extremely important to Maine's ratepayers, because the shutdown of Maine Yankee has a significant impact on the costs to Maine electric utilities and regulatory principles dictate that ratepayers should not pay for imprudent costs.

The Commission ordered a management audit during the spring of 1997 to investigate the outage and attempts to restart the plant. The auditors found that approximately \$95 million spent in 1996 and 1997 was imprudent. After the shutdown decision, we ordered a continuation of the audit to investigate the shutdown decision and the recent operational decisions that may have caused the shutdown. The second

Activities outside of Maine

phase of the audit began in late 1997, and will form the basis of the Commission's position at the FERC. If FERC declines to adjudicate the prudence of Maine Yankee, the Commission will do so.

Gas

Over the past year the PUC has intervened and actively participated in proceedings before federal regulatory agencies in both the U.S. and Canada in an effort to encourage the development of natural gas infrastructure and supplies in Maine. We coordinated our participation with the State Planning Office and the Office of the Governor to ensure that Maine's interests were taken into consideration by these authorities. In particular, the Commission retained Canadian counsel to assist these agencies in advancing the state's interests in the approval of a proposed natural gas pipeline access areas of Maine which currently do not have access to natural gas as an energy resource. We filed testimony and, in July, sponsored Charles E. Hewett, Chief Operating Officer, Governor's Office, to present closing argument before the Joint Review Panel of the National Energy Board (NEB) in Halifax, Nova Scotia. MPUC also intervened in two additional NEB proceedings charged with certificating facilities necessary to complete an international pipeline proposed to bring western Canadian gas supplies to Maine by November 1998.

MPUC is also monitoring several proceedings regarding these two interstate pipelines and a proposed liquified natural gas facility proposed for location in Maine before the Federal Energy Regulatory Board (FERC). MPUC has filed letters of comment with the FERC urging expeditious review and approval of resources necessary to protect against a natural gas shortage for the state in the future. As an intervening "public interest party," MPUC participated in recent settlement negotiations between proponents and opponents of the LNG facility before an administrative law judge in Washington, D.C.

Telephone

Maine has a Commissioner and one staff person involved with the Federal Communications Commission (FCC) as part of the Federal-State Joint Board on Separations. That Joint Board deals with the allocation and assignment of a telecommunications company's costs to either the state or federal jurisdiction. For Maine, that allocation involves hundreds of millions of dollars of investment. Even a small change in that allocation could reduce or increase the level of rates needed in Maine by millions of dollars. Last year that Joint Board issued a ruling that was adopted by the FCC which reduced the allocation of cost to Maine by over a million dollars. In 1998 the Joint Board will be considering changes that could have a much greater effect on Maine.

Activities outside of Maine

The Maine Commission has also been actively involved with universal service issues at the federal level. We have taken the position that § 254(b) of the Federal Telecommunications Act of 1996 requires that a Federal Universal Service fund be established that is sufficient in size to allow rates in rural Maine to be comparable with those rates in urban areas of the United States. We have taken a leading role in developing a plan which we believe accomplishes that objective. If successful, our efforts regarding universal service could provide substantial additional support to Maine.

SUMMARIES OF NEW LAWS

**1997 Legislative Summary
1st Regular Session of the 118th Maine Legislature**

The following list is a brief summary of the bills signed into law in 1997 that have affected PUC operation or regulation:

I. ELECTRIC

- Ch. 56 Repeals the Surplus Energy Auction program
(LD 820)
- Ch. 72 Restores DEP review over the construction of new transmission
(LD 218) lines between 100 and 120 kV
- Ch. 316 Electric Restructuring Act -- comprehensively restructures the
(LD 1804) manner of regulation for electric utilities, permitting retail
 competition by power suppliers
- Ch. 447 (1) Requires power marketers who are active now to register
(LD 1871) with the Commission
 (2) Requires the Commission and the Attorney General to perform
 a market power study for the New England electricity market
- Ch. 492 Amends the Electric Rate Stabilization Act to permit approval of
(LD 1771) the BHE/PERC agreement
- Ch. 558 Clarifies the restructuring law to permit the renegotiation of certain
(LD 1899) QF contracts without triggering the Act's divestiture requirements

II. TELECOMMUNICATIONS

- Ch. 72 Creates a commission to study the funding and distribution of
(LD 944) telecommunications equipment for people with disabilities
- Ch. 118 Permits the Commission to exempt telephone utilities from
(LD 262) the statutory (Title 35-A, Section 2102) requirement to obtain
 Commission approval before commencing service
- Ch. 169 Expands the definition of "qualified school" to permit more private
(LD 371) schools to participate in the Schools and Libraries Program

New Laws

- Ch. 259 (LD 812) Requires the Commission to reduce intrastate access rates to the level of federal interstate access rates by May 30, 1999
- Ch. 275 (LD 1294) Permits the Commission to exempt NYNEX's special rate contracts from Commission review and approval
- Ch. 276 (LD 735) Permits the Commission to exempt specified telephone utilities provided specified services from certain statutory requirements, such as prior approval of rates, property transfers, discontinuance of service, etc.
- Ch. 291 (LD 976) (1) Restricts the disclosure of E-911 information
(2) Expands the membership on the E-911 oversight board
(3) Limits the liability of E-911 providers
(4) Provides a penalty for misuse of the E-911 system
- Ch. 409 (LD 1649) Increases the surcharge to fund E-911 and expands its application to include cellular and other wireless services
- Ch. 554 (LD 1589) Creates the Task Force on Information Technology in the Public Sector

III. NATURAL GAS

- Ch. 222 (LD 533) Clarifies that the law establishing the standard of liability for gas companies also applies to intrastate and interstate gas pipelines

IV. WATER

- P&S Ch. 8 (LD 221) Amends the charter of the Madison Water District
- P&S Ch. 15 (LD 724) Amends the charter of the Portland Water District
- P&S Ch. 16 (LD 807) Amends the charter of the Winthrop Utilities District
- P&S Ch. 17 (LD 1073) Creates the Tenants Harbor Standard Water District

New Laws

- P&S Ch. 18 Amends the charter of the Waldoboro Utility District
(LD 935)
- P&S Ch. 21 Creates the Oquossoc Standard Water District
(LD 805)
- P&S Ch. 30 Combines the Jackman water and sewer districts into a single
(LD 667) Jackman Utility District
- P&S Ch. 31 Creates the Mt. Blue Standard Water District
(LD 1344)
- P&S Ch. 35 Creates the Pleasant River Standard Water District
(LD 1770)
- P&S Ch. 36 Amends the charter of the Hebron Water Company
(LD 1665)
- Res. Ch. 40 Authorizes a bond issue by the Town of Southwest Harbor to fund
(LD 1822) a water project
- P&S Ch. 42 Increases the debt limit for the Vinalhaven Water District
(LD 1873)

V. GENERAL

- Ch. 119 Limits the exemption from professional licensing laws for utility
(LD 372) employees to occasions when their work relates to a service regulated by the PUC or FCC
- Ch. 166 Creates a hierarchy of OPA "clients," starting with low-income
(LD 810) customers, moving to residential customers, then small businesses and finally, other customers whom the OPA finds to be inadequately represented
- Ch. 199 Permits utilities and municipalities to agree to requirements
(LD 601) different from the statutory requirements for the establishment of new utility service in subdivisions or shoreland lots

New Laws

- Ch. 229 (LD 1598) (1) Permits the DigSafe Commission to contract with law enforcement agencies to enforce the DigSafe law
(2) Permits utilities to obtain TROs or injunctions to stop non complying excavations
- Ch. 237 (LD 502) Provides guidelines regarding a public utility's establishment of unregulated subsidiaries, including requiring the adoption of rules governing the allocation of costs between the subsidiary and the utility

Summary Fiscal Information

The Public Utilities Commission is required by 35-A M.R.S.A. § 120 to report annually to the Joint Standing Committee on Utilities and Energy on its planned expenditures for the year and on its use of funds in the previous year. This section of the report fulfills this statutory requirement and provides additional information regarding the Commission's budget.

The Commission had one source of funding in FY97, a Regulatory Fund of \$4,918,000. The Regulatory Fund is an assessment on utilities pursuant to 35-A M.R.S.A. § 116. The assessment process is described in Section 4 below.

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

The Commission was authorized 69 full-time positions in FY97.

1. A. Fiscal Year 97

In FY 97, the Commission spent approximately \$4.6 million, regulating 383 utilities with gross revenues exceeding \$1.63 billion. Attachment 1 summarizes Regulatory Fund activity and activity in other funds administered by the Commission. Attachment 2 details FY97 expenditures by line item.

B. Regulatory Fund

The authorized Regulatory Fund assessment for FY97 was \$4,276,900. In addition to the assessment, an unencumbered balance of \$1,615,513 and encumbrances of \$19,471 were brought forward from FY96. \$4,584,330 was expended. Expenditure details are presented in Attachment 2. An encumbered balance of \$44,687 and an unencumbered balance of \$1,250,367 were brought forward to FY97. The encumbered balances generally represent ongoing contracts for consulting services.

C. Filing Fees

In FY 97, no filing fees were received and no expenditures were made.

D. Miscellaneous Reimbursements

Miscellaneous reimbursements consist of funds received for copies of documents such as monthly dockets, agenda and decisions and for other miscellaneous items. \$3,910 was brought forward from FY96. An additional \$15,414 was received during FY97. \$14,480 was expended and an unencumbered balance of \$4,844 was brought forward to be expended during FY98. In FY97, no fines were collected by the Commission.

Summary Fiscal Information

2. Fiscal Year 98

Attachment 3 details the Commission's FY98 Regulatory Fund budget. Encumbered and unencumbered balances brought forward from FY97 are included. The right hand column represents the total funds available to the Commission in FY98 by account and line category.

3. The Budget in Perspective

Attachment 2 details the Commission's Regulatory Fund budget for a 4-year period. The two left hand columns include amounts actually expended in FY96 and FY97. Column 3 contains the FY98 expenditure plan. Column 4 contains the FY99 Budget.

4. The Regulatory Fund Assessment in Perspective

Attachment 4 details the Regulatory Fund assessments since FY80. Annual Reports filed by the utilities with the Commission include revenues for the previous year ending December 31. Calculations are made to determine what percentage of the total reported revenues will provide the amount authorized by statute. 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 1 of each year an assessment is mailed to each utility regulated by the Commission. The assessments are due on July 1. Funds derived from this assessment are for use during the fiscal year beginning on the same date.

5. Management Audits

35-A M.R.S.A. § 113 provides that the Commission may require the performance of a management audit of the operations of any public utility. In FY97 no management audits were ordered by the Commission.

Summary Fiscal Information

Attachment 1

PUC FUND ACTIVITY BY ACCOUNT FOR FY 1997

ACCOUNT NAME	AMOUNT
<hr/>	
REGULATORY FUND	
<hr/>	
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY 96	1,615,513 #
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY 96	19,471
FUNDS RECEIVED DURING FY 97	4,276,900
LESS EXPENDED DURING FY 97	4,584,330
LESS TRANSFORMED TO STATE PLANNING OFFICE	32,500
ENCUMBERED BALANCE BROUGHT FORWARD TO FY 98	44,687
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 98	1,250,367 *
REIMBURSEMENT FUND	
<hr/>	
FILING FEES	
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY 96	0
ENCUMBRANCES BROUGHT FORWARD FROM FY 96	0
FUNDS RECEIVED DURING FY 97	0
LESS EXPENDED DURING FY 97	0
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 98	0
MISC. REIMBURSEMENTS	
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY 96	3,910
FUNDS RECEIVED DURING FY 97	15,414
LESS EXPENDED DURING FY 97	14,480
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 98	4,844

Corrections. An error in reporting the assessment understated the balance forwarded by \$650,752. FY97's assessment was reduced by \$635,468 on May 1, 1997.

* Legislation making \$369,468 has been introduced, making these funds available during FY98 for restructuring consulting needs.

Summary Fiscal Information

Attachment 2

PUC BUDGET IN PERSPECTIVE

	FY96 EXPENDED	FY97 EXPENDED	FY98 BUDGET	FY99 BUDGET
REGULATORY FUND				
POSITIONS	(69)	(69)	(69)	(69)
PERSONAL SERVICES	3,485,729	3,580,498	3,987,077	4,152,288
CONSULTANTS	199,787	271,127	589,901 #1	40,524
ALL OTHER	566,972	639,207	708,042 #2	715,188
CAPITAL	18,553	93,498	10,000	10,000
TOTAL	4,271,041	4,584,330	5,295,020	4,918,000
BUDGET	5,009,373	5,879,385 *2	5,664,488 #3	4,918,000
REIMBURSEMENT FUND				
FILING FEES	0	0	0	0
MISC. REIMBURSEMENT	14,834	14,480	4,844	0
TOTAL	4,285,875	4,598,810	5,299,864	4,918,000

* 1 \$548,567 REFUNDED TO UTILITIES 5/1/97 BY REDUCING ANNUAL ASSESSMENT.

* 2 TOTAL CASH AVAILABLE - AFTER TRANSFERS TO STATE PLANNING OF \$7,500 AND \$25,000 AND AN ADJUSTMENT OF \$1,249 DUE TO BILLING ERROR.

#1 ENCUMBERED BALANCE OF \$40,796 WAS BROUGHT FORWARD FROM FY 97 ALSO ADDED WAS \$245,900 (5% AS PERMITTED BY STATUTE) AND \$86,433 TO FUND AG POSITION

#2 ALL OTHER WAS INCREASED BY AN ENCUMBERED BALANCE OF \$3,891 AND AN UNENCUMBERED BALANCE OF \$746,468 BROUGHT FORWARD FROM FY 97.

#3 \$369,468 OF THE UNENCUMBERED BALANCE FORWARD HAS BEEN REQUESTED FOR USE DURING FY98 TO SUPPLEMENT INCREASED CONSULTING NEEDS.

#4 UNENCUMBERED BALANCE FORWARD FROM FY 97 OF \$4,844.

Summary Fiscal Information

Attachment 3

FY 98 BUDGET & ADJUSTMENTS

	BUDGET	ADJUSTMENT	ADJUSTED BUDGET
REGULATORY FUND			

POSITIONS	(69)	(0)	(69)
PERSONAL SERVICES	3,987,077	0	3,987,077
CONSULTING	216,772	373,129 *1	589,901
ALL OTHER	704,151	3,891 *2	708,042
CAPITAL	10,000	0	10,000

TOTAL	4,918,000	377,020	5,295,020
CAPITAL	0	0	0
REIMBURSEMENT FUND			
FILING FEES	0	0	0
MISC. REIMBURSEMENT	0	4,844 *3	4,844

GRAND TOTAL	4,918,000	381,864	5,299,864

*1 INCLUDES \$40,796 ENCUMBERED BALANCE FROM FY97 AND \$245,900 UNENCUMBERED BROUGHT FORWARD IN SEPTEMBER 1997 TO FUND RESTRUCTURING NEEDS AND \$86,433 ATTORNEY GENERAL POSITION FOR JOINT RESEARCH.

*2 ADD ENCUMBERED BALANCE FORWARD OF \$3,891 FROM FY97.

*3 UNENCUMBERED BALANCE FORWARD OF \$4,844 FROM FY97.

Summary Fiscal Information

Attachment 4

Year	Electric Revenues	Telecom Revenues	Water Revenues	Gas Revenues	Water Carriers Revenues	Total Utilities Revenues	Factor	Amount Billed	Amount Authorized
FY80	186,278,293	139,683,694	24,086,603	6,749,736		356,798,326	0.0210%	74,816	75,000
1981	206,762,413	153,652,974	25,465,331	7,374,962		393,255,680	0.0381%	149,830	150,000
FY82	216,243,682	165,108,544	28,421,070	8,932,172	803,933	418,705,468	0.1074%	449,779	450,000
1983	462,967,673	182,850,133	32,220,884	14,428,444	959,425	693,271,067	0.1875%	1,299,996	1,300,000
FY84	508,838,895	194,922,674	36,803,237	19,309,123	984,106	760,833,354	0.1919%	1,459,983	1,460,000
1985	546,977,166	210,502,523	40,372,798	21,206,118	1,080,600	820,042,711	0.1944%	1,593,904	1,594,000
FY86	630,565,108	210,877,202	42,290,155	20,517,627	1,211,241	905,330,692	0.2368%	2,143,913	2,144,000
1987	670,908,924	238,902,099	43,400,274	19,213,032	936,922	973,635,570	0.2392%	2,328,989	2,329,000
FY88	645,757,051	275,047,659	45,215,835	17,911,730	1,035,357	984,869,197	0.2253%	2,219,000	2,219,000
1989	721,684,049	286,419,434	48,176,192	17,744,522	1,214,007	1,075,059,554	0.2219%	2,386,000	2,386,000
FY90	783,537,776	312,154,685	50,659,705	18,555,805	1,536,596	1,166,121,978	0.2266%	2,642,845	2,696,000
1991	837,377,145	349,185,418	52,855,076	21,928,319	1,537,296	1,262,882,554	0.2562%	3,235,117	3,378,000
FY91	927,601,155	358,682,900	58,784,656	26,182,164	1,569,023	1,372,788,171	0.3103%	4,259,985	4,473,000
1993	1,052,609,125	343,341,527	64,223,522	24,997,942	1,919,595	1,486,741,139	0.2848%	4,233,807	4,918,000
FY93	1,064,245,073	354,876,542	68,315,387	28,108,038	1,284,905	1,517,464,635	0.2806%	4,257,758	4,918,000
1995	1,097,614,456	371,037,052	74,793,749	30,505,910	1,697,223	1,575,236,072	0.2914%	4,590,198	4,918,000
FY95	1,093,553,536	384,936,867	81,529,938	32,091,988	1,924,520	1,593,809,552	0.3086%	4,918,000	4,918,000
1997	1,118,124,742	392,623,445	87,230,402	31,365,288	2,098,648	1,631,268,397	0.2622%	4,276,900	4,918,000
FY97	1,131,080,875	410,824,795	87,549,280	36,068,309		1,667,621,907	0.2568%	4,283,000	4,918,000

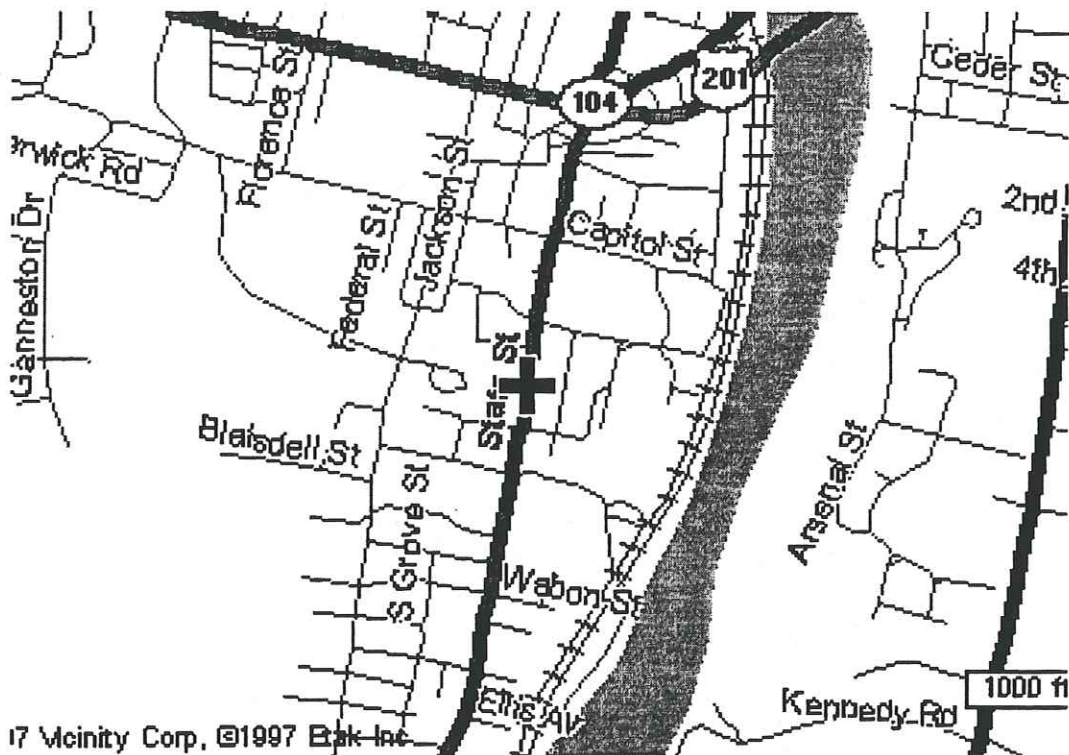
Map Location of PUC

DIRECTIONS TO THE MPUC

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

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

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



Maine Public Utilities Commission

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Photo "Maine Moose" taken by
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We welcome feedback on how we can improve next year's report. Send your comments to Phil Lindley at 207-287-1598 or phil.lindley@state.me.us

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