

MAINE PUBLIC UTILITIES COMMISSION

ANNUAL REPORT

February 1, 1990

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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 M.R.S.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. At the request of the Joint Standing Committee on Utilities the Commission has included information in its Annual Report relating to 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.

At the request of the Committee, the Commission has included in prior reports sections on the treatment of electric utility requests for rates to recover expenses associated with conservation loan programs and the effectiveness of 35-A M.R.S.A. § 704(3) in deterring utility violations of Chapter 81 of the Commission Rules. These sections are no longer relevant and will be discontinued.

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, 14 electric utilities, 4 water carriers, 1 gas utility, 19 telephone utilities, 2 resellers of telephone services, 7 radio common carriers, 156 COCOTs and 8 cellular service providers. These utilities had total revenues in 1989 of more than \$1 billion.

Organization

The Public Utilities Commission was created by the Public Laws of 1913 and organized December 1, 1914. The 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.

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 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.

Included within the Administrative Division are the Information Resource Center and Computer System Management section.

The Information Resource Center, staffed by a full-time Professional Librarian, provides resource and information services to all divisions of the Commission.

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 dockets which relate to quality of service, energy conservation and low income payment matters.

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 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.

Legal Division

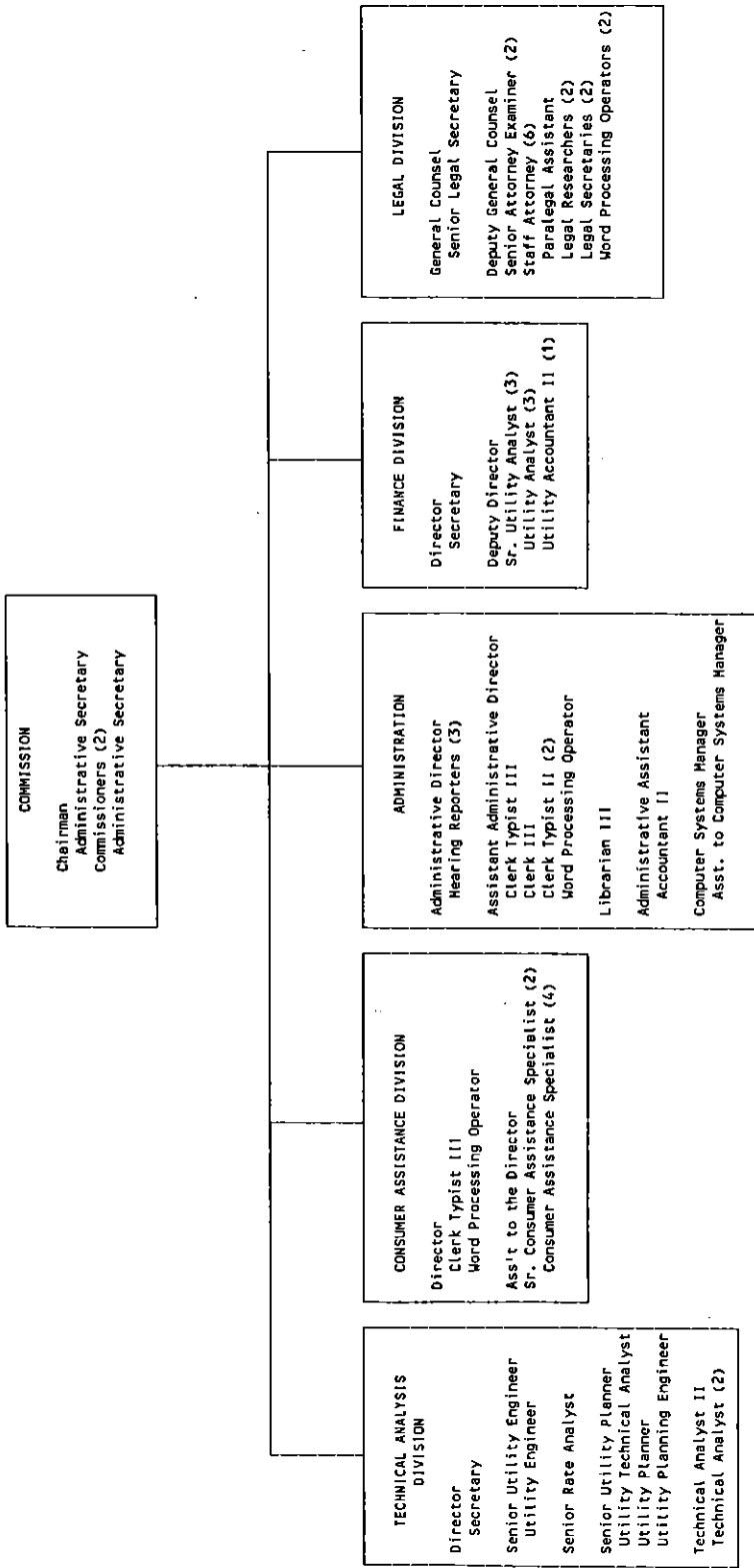
The Legal Division represents the Commission before federal and state appellate and trial courts and agencies. It provides examiners and advocates in cases before the Commission and assists in preparing and presenting Commission views on Legislative proposals. Examiners preside over Commission proceedings, rule on questions of procedure and evidence, and prepare written or oral 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 some or all 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.

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



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 89 a General Fund appropriation of \$921,485 and a Regulatory Fund of \$2,386,000. 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 4 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 67 full-time positions in FY 89, 22 in the General Fund and 45 in the Regulatory Fund.

1. Fiscal Year 89

In FY 89, the Commission expended approximately \$3.2 million regulating more than 200 utilities with gross revenues exceeding \$1 billion. Exhibit A summarizes General Fund activity and activity in other funds administered by the Commission. Exhibit C details FY 89 expenditures by line category.

General Fund	The General Fund allocation for FY 89 was \$921,485. \$921,411 was expended principally for Personal Services. \$74 was lapsed to the General Fund.
Regulatory Fund	The Regulatory Fund assessment for FY 89 was \$2,386,000. In addition to the assessment, an unencumbered balance of \$523,284 and encumbrances of \$107,229 were brought forward from FY 88. ¹ \$2,150,292 was expended. Details of these expenditures are presented in Exhibit C. An encumbered balance of \$105,822 and an unencumbered balance of \$760,399, were brought forward to FY 90. 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 89.
Filing Fees	The filing fee account had an unencumbered balance of \$42,675 and an encumbered balance of \$31,952 brought forward to FY 89, principally associated with the purchase of power from Hydro-Quebec. See Exhibit A.

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 Includes \$300,472 for the purchase of a computer system and \$50,000 for associated software development previously approved by the Legislature.

During FY 89 \$70,843 was expended. An unencumbered balance of \$3,447 was brought forward to FY 90. This amount will be reimbursed to Central Maine Power.

Included in the balance brought forward to FY 89 was \$335.50 from the filing fee associated with the Lewiston Falls Hydro-Electric Redevelopment Project. This amount was refunded to Central Maine Power.

In FY 89, a filing fee associated with a Central Maine Power Company petition to construct a transmission line in Biddeford was waived.

In FY 88, pursuant to PL 1987 c.52, the Commission received \$10,000 from New England Telephone Company to fund the 911 Study Commission. \$4,717 in unexpended funds will be refunded to NET in FY 90.

Pursuant to PL 1989 c.24, the Commission received \$45,000 to study telephone relay services for the hearing impaired. Expenditures from this account will be detailed in next year's report.

Miscellaneous
Reimbursements

Miscellaneous reimbursements consist of funds received for copies of documents such as monthly dockets, agenda and decisions and for other miscellaneous items. \$1,793 was brought forward from FY 88. An additional \$7,926 was received during FY 89. \$8,624 was expended, and an unencumbered balance of \$1,095 was brought forward to FY 90. In FY 89, no fines were collected by this Commission.

2. Fiscal Year 90

Exhibit B details the Commission's FY 90 General Fund and Regulatory Fund budgets. Encumbered balances brought forward from FY 89 are included. The right hand column represents the total funds available to the Commission in FY 90 by account and line category. Pursuant to 35-A M.R.S.A. § 116, sub-§ 5, \$53,155 brought forward from FY 88 was used to reduce the FY 90 Regulatory Fund Assessment.
3. The Budget in Perspective

Exhibit C details the Commission's General Fund and Regulatory Fund budgets for a three-year period. The left hand column includes amounts actually expended in FY 89. Column 2 contains FY 90's expenditure plan and column three contains the FY 91 Budget.
4. The Regulatory Fund Assessment In Perspective

Exhibit D details the Regulatory Fund assessment 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. 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 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 89, the Commission ordered no management audits.

6. Public Utilities
Commission
Facilities Fund

In this fund \$29,978 was brought forward from FY 88. During the year \$922 interest was earned. \$29,950 was expended for roof repairs heaving a balance of \$950. Pursuant to 35-A M.R.S.A. § 116, sub-§ 7, the balance will be used to reduce the next Regulatory Fund Assessment.

PUC FUND ACTIVITY BY ACCOUNT FOR FY 1989

<u>Account Name</u>	<u>Amount</u>
<u>General Fund - 1187.1</u>	
Balance Brought Forward From Previous Year	\$ 0
General Fund Allocation	921,485
Less Expended	921,411
6/30/89 Balance Lapsed To General Fund	74
<u>Regulatory Fund - 4187.1</u>	
Unencumbered Balance Brought Forward From Previous Year	523,284
Encumbered Balance Brought Forward From Previous Year	107,229
Funds Received	2,386,000
Less Expended	2,150,292
Encumbered Balance Brought Forward To FY 90	105,822
Software Development	50,000
Computer System Purchase	300,472
Unencumbered Balance Brought Forward to FY 90	409,927
<u>Facilities Fund - 4187.2</u>	
Unencumbered Balance Brought Forward From Previous Year	29,978
Funds Received	0
Interest Earned	922
Less Expended	29,950
Unencumbered Balance Brought Forward to FY 90	950
<u>Reimbursement Fund</u>	
<u>Filing Fees - 4187.4</u>	
Unencumbered Balance Brought Forward from Previous Year	42,675
Encumbrances Brought Forward from Previous Year	31,952
Funds Received	0
Refunded to Central Maine Power	335
Less Expended	70,843
Unencumbered Balance Brought Forward to FY 90	3,449
<u>Misc. Reimbursements - 4187.6</u>	
Unencumbered Balance Brought Forward from Previous Year	1,793
Funds Received	7,926
Less Expended	8,624
Unencumbered Balance Brought Forward to FY 90	1,095

FY 90 BUDGET & ADJUSTMENTS

	<u>Budget</u>	<u>Brought Fwd.</u>	<u>Adjusted Budget</u>
<u>General Fund - 1187.1</u>			
Positions	(22)		(22)
Personal Services	\$ 944,509	0	\$ 944,509
Consulting	0	0	0
All Other	38,963	0	38,963
Capital	0	0	0
TOTAL	<u>\$ 983,472</u>	<u>0</u>	<u>\$ 983,472</u>
 <u>Regulatory Fund - 4187.1</u>			
Positions	(47)	(0)	(47)
Personal Services	\$1,899,392	\$ 0	\$1,899,392
Consulting	270,000	76,301 ¹	346,301
All Other	513,608	111,783 ²	625,391
Capital	13,000	313,255 ³	326,255
TOTAL	<u>\$2,696,000</u>	<u>\$ 501,339</u>	<u>\$3,197,339</u>
 <u>Facilities Fund - 4187.1</u>			
Capital	\$ 0	\$ 950 ⁴	\$ 950
 <u>Reimbursement Fund</u>			
Filing Fees - 4187.4	\$ 0	\$ 32,947 ⁵	\$ 32,947
Misc. - 4187.6	\$ 0	\$ 1,095	\$ 1,095
GRAND TOTAL	<u>\$3,679,472</u>	<u>\$ 536,331</u>	<u>\$4,215,803</u>

1 Encumbered contracts brought forward to FY 90.

2 Pursuant to PL 1989 c.24, \$45,000 is available to study services for the deaf. Pursuant to PL 1989 c.20, \$50,000 provides for software development associated with the purchase of a computer system. Finally, \$16,783 in encumbered purchase orders are brought forward to FY 90.

(Con't. of footnotes)

- 3 Includes \$300,472 brought forward to purchase a new computer system and \$12,783 in encumbered purchase orders.
- 4 Unencumbered balance forward of \$950 will be used to reduce FY 91 Regulatory Fund Assessment pursuant to 35-A M.R.S.A. § 116, sub-§ 7.
- 5 Unencumbered balance forward of \$3,447 to be reimbursed to Central Maine Power Company, and filing fee from Bangor Hydro-Electric of \$29,500.

PUC BUDGET IN PERSPECTIVE

	FY 89 <u>Expended</u>	FY 90 <u>Workplan</u>	FY 91 <u>Budget</u>
<u>General Fund - 1187.1</u>			
Positions	(22)	(22)	(22)
Personal Services	\$ 871,729	\$ 944,509 ¹	\$ 985,763
Consulting Services	0	0	0
All Other	49,682	38,963 ¹	38,963 ¹
Capital	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	\$ 921,411	\$ 983,472	\$1,024,726
<u>Regulatory Fund - 4187.1</u>			
Positions	(45)	(47)	(47)
Personal Services	\$1,585,982	\$1,899,392	\$2,089,608
Consulting Services	74,980	346,301 ²	270,000
All Other	449,675	625,391 ³	539,392
Capital	<u>39,655</u>	<u>326,255⁴</u>	<u>11,000</u>
TOTAL	\$2,150,292	\$3,197,339	\$2,910,000
<u>Facilities Fund - 4187.2</u>	29,950	950 ⁵	0
<u>Reimbursement Fund</u>			
Filing Fees	70,843	32,947 ⁶	0
Misc. Reimbursements	8,624	1,095 ⁷	0
ALL RESOURCES	<u>\$3,181,120</u>	<u>\$4,215,803</u>	<u>\$3,934,726</u>

¹ Reflects proposed deappropriation of \$40,000 from Personal Services and \$25,000 from All Other in FY 91 and \$25,428 from All Other in FY 91 for a total of \$90,428.

² Includes \$76,301 in encumbered contracts brought forward to FY 90.

(Con't. of footnotes)

- 3 Includes encumbered balance forward of \$16,783, \$50,000 reallocated by the Legislature for software development and \$45,000 provided to study facilities for the deaf. Does not include \$221,207 to be reallocated by the Legislature or unencumbered balance forward of \$188,720.
- 4 Includes \$300,472 brought forward to purchase a new computer system authorized by PL 1989 c.20 and an encumbered balance forward of \$12,783.
- 5 Unencumbered balance forward of \$950 will be used to reduce the FY 91 Regulatory Fund Assessment pursuant to 35-A M.R.S.A. § 116, sub-§ 7.
- 6 Unencumbered balance forward of \$3,447 to be reimbursed to Central Maine Power Company. This amount also includes \$29,500 received from Bangor Hydro-Electric Company in December 1989.
- 7 Unencumbered balance forward of \$1,095.

EXHIBIT D

Assessment Detail

For Use in FY	Mailing Date/ Due Date	\$ Annual Revenues Electric	\$ Telecom.	\$ Water	\$ Gas	\$ Water Carriers	\$ 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	.00014388701	139,999 (Nearest \$1)	140,000
FY 1988	05/87-07/01/87	645,757,051	275,047,659	45,215,835	17,911,730	936,922	984,869,197	.002253091	2,219,000 (Nearest \$1)	2,219,000
FY 1989	05/88-07/01/88	721,684,049	286,419,434	48,176,192	17,744,522	1,035,357	1,075,059,544	.002148	2,309,000 (Nearest \$1)	2,309,000
FY 1989	09/19/88-11/21/88	721,684,049	286,419,434	48,176,192	17,744,522	1,035,357	1,075,059,554	.0000716949	77,000 (Nearest \$1)	77,000
FY 1990	05/01/89-07/01/89	783,537,776	312,154,685	50,659,705	18,555,805	1,214,007	1,166,121,978*	.002266354	2,642,845 (Nearest \$1)	2,642,845
FY 1990	05/26/89-07/01/89		312,154,685				312,154,685*	.000144158	45,000 (Nearest \$1)	45,000

* Does not include utilities with revenues less than \$50,000 per year.

IV. CASE STATISTICS AND OTHER ACTIVITIES

1. Caseload

At the end of calendar year* 1988, 147 cases were pending on the Public Utilities Commission Docket. During 1989, 440 new cases were docketed. The number of new cases docketed is higher than 1988 (348). 105 of the 147 pre-1989 cases and 334 of the 440 new cases were closed during 1989. At the end of 1989, 148 cases remained on the Commission's docket. Thus, in 1989, the Commission closed 439 cases. (See Exhibits E and F)

Exhibit F breaks down Commission activity in 1989 by type of utility and type of Commission initiated action, e.g., investigations and rulemakings, and further details the types of cases that were docketed during 1989.

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 - Municipal and Quasi-Municipal Water Utilities	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.
Security Issuances	Pursuant to Section 902, the Commission must approve the issuance of securities by utilities.
Sell Lease Mortgage of Property	Sections 1101 through 1104 require Commission authorization before a utility can sell, lease, assign mortgage or otherwise dispose of property.
Change of Capital	Pursuant to Section 910, no utility can change its capital or purposes without consent or approval of the Commission.
Change in Depreciation Rates	Chapter 210 of the Commission's Rules provide for a Uniform System of Accounts for Telephone Utilities.

1

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

Agreements/ Contracts	Pursuant to Sections 307 and 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.
Commission Rulemakings	Section 111 authorizes the Commission to promulgate all necessary rules.
Commission Investigation	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 provides 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.
System Development Charge	Pursuant to Section 6107 the Commission shall investigate this charge.
Public Convenience and Necessity	Pursuant to Sections 2102 through 2105, a utility 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.
Extension of Service	Pursuant to Section 2110, Commission authorization is required before a utility may extend its service.

Exemptions/Waivers

Pursuant to Chapters 11 and 120 of the Commission Rules, the Commission may grant exemptions or waivers from certain of the Commission's rules.

Cost of Fuel
Adjustments

Section 3101 and Chapter 36 of the Commission's Rules 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 (for periods less than one year).

NEPOOL Review

Pursuant to Chapter 39 of the Commission's Rules a report of merits in NEPOOL participation is to be filed every three years beginning January 1, 1990. Maine Public Service, Bangor Hydro-Electric and Central Maine Power filed their reports on December 27, 1989.

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 of the Commission's Rules, 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

During calendar year 1989 two Section 3502, customer-owned electric utilities, rate cases and one electric utility general rate case were processed (Exhibit J). In addition, twenty-one Section 6104 municipal and quasi-municipal water utility rate cases (Exhibit H) and eleven general water utility rate cases were processed (Exhibit I).

Exhibit G indicates that the 1989 fuel revenues accounted for approximately \$387 million of approximately \$862 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 revenue for Maine's three largest electric utilities since 1987.

Also, referring to Exhibit G, the 1989 Northern Utilities cost of gas accounted for approximately \$12.3 million of \$21.8 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 K demonstrates this fact. Of 66 days of hearings held by the Commission in 1989, 33 or approximately half of these were devoted to one case.

	<u>Electric</u>	<u>Communications</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>
	1986 CASE SUMMARY									
Cases Docketed in 1986	36	90	13	55	13	17	2	6	6	246
Cases Docketed 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 Docketed 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
	1988 CASE SUMMARY									
Cases Docketed in 1988	76	121	5	104	3	15	10	5	9	348
Cases Decided in 1988	61	108	5	92	2	20	5	5	2	300
Cases Pending 12/31/88	40	46	3	33	1	6	11	0	7	147

EXHIBIT E
(Page 2 of 2)

	<u>Electric</u>	<u>Communications</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>
1989 CASE SUMMARY										
Cases Docketed in 1989	87	173	6	137	14	4	8	3	8	440
Cases Decided in 1989	99	152	4	145	12	6	3	3	15	439
Cases Pending 12/31/89	28	67	5	25	3	4	16	0	0	148

1989 Cases Docketed

Filings

Type	Electric	Gas	Communications	Water	Water Carrier	Others	Comm. Initiated
Rates - General	1			18	5		
Rates - Limited	21		129	28			
Rates - Water District (\$ 6104)				16			
Rates - Customer-Owned Electric (\$ 3502)	2			29			
Securities Issues	12		5	3			
Sell, Lease or Mortgage of Property					2		
Change of Capital	2						
Change in Depreciation Rate			4				
Agreements/Contracts	12			1			
Reorganizations/Affiliated Interests	3	2	4	2			
Commission Rulemakings							4
Commission Investigations							8
Commission Delegations							3
Advisory Rulings			2				
Ten-Person Complaints	1		2	5	2		
System Development Charge (\$ 6107)				2			
Public Convenience & Necessity	4		11		5		
Extension of Service				2			
Exemptions/Waivers - Rules/Statutes	8	2	12	29			2
Cost of Fuel Adjustments/Short-Term Avoided Cost	4						
NEPOOL Review	1						
Cost of Gas Adjustments		2					
Conservation (C.380)	15						
Others	<u>1</u>	<u>—</u>	<u>4</u>	<u>2</u>	<u>—</u>	<u>6*</u>	<u>—</u>
	87	6	173	137	14	6	17 = <u>440</u>

* Includes 6 Docket Numbers assigned to cases not initiated or docketed in error.

FUEL IN ELECTRIC RATES
(\$000)

Company	1987 Gross Revenue	1987 Fuel Revenue	1987 Fuel %	% Change in Fuel Revenue	1988 Gross Revenue	1988 Fuel Revenue	1988 Fuel %	% Change in Fuel Revenue	1989 Gross Revenue	1989 Fuel Revenue	1989 Fuel %	% Change in Fuel Revenue
C.M.P.	\$597,929	\$239,058	40.0	39.4	\$634,597	\$266,823	42.0	11.6	\$685,436	\$305,384	44.6	14.5
B.H.E.	\$96,424	\$32,823	34.0	(10.3)	\$113,042	\$55,002	48.7	67.6	\$119,897	\$60,137	50.2	9.3
M.P.S.	\$47,430	\$15,848	33.4	14.9	\$54,214	\$19,584	36.1	23.6	\$56,837	\$21,616	38.0	10.4
	<u>\$741,783</u>	<u>\$287,729</u>	<u>38.8</u>	<u>(29.7)</u>	<u>\$801,853</u>	<u>\$341,409</u>	<u>42.6</u>	<u>18.7</u>	<u>\$862,170</u>	<u>\$387,137</u>	<u>44.9</u>	<u>13.4</u>

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

Company	1987 Gross Revenue	1987 Gas Cost	1987 % Gas	% Change in Gas Cost	1988 Gross Revenue	1988 Gas Cost	1988 % Gas	% Change in Gas Cost	1989 Gross Revenue	1989 Gas Cost	1989 % Gas	% Change in Gas Cost
N.U.	\$17,745	\$9,940	56.0	(4.3)	\$18,338	\$9,894	54.0	(0.5)	\$21,839,889	\$12,289,723	56.3	24.2

MUNICIPAL & QUASI-MUNICIPAL WATER UTILITIES
RATE CASES PURSUANT TO § 6104
EFFECTIVE IN 1989

<u>Docket No.</u>	<u>Utility</u>	<u>Proposed Revenue</u>	<u>Increase Over Prior Year</u>	<u>% Increase</u>
89-347	Mars Hill Utility District	\$ 173,192	\$ 47,762	38.08
89-007	St. Francis Water Dept.	\$ 27,020	\$ 12,719	88.94
89-061	Kittery Water District	\$2,012,372	\$ 196,604	10.83
89-067	Calais Water Dept.	\$ 306,229	\$ 61,175	24.96
89-185	Yarmouth Water District	\$ 643,056	\$ 83,937	15.01
89-198	Guilford/Sangerville Water District	\$ 200,400	\$ 43,075	27.38
89-282	Limestone Water & Sewer District	\$ 138,245	\$ 6,516	4.94
89-294	Castine Water District	\$ 132,715	\$ 49,414	59.3
89-296	Winthrop Water District	\$ 300,061	\$ 37,125	14.1
89-309	Presque Isle Water Dist.	\$ 791,991	\$ 198,729	33.5
89-335	Bangor Water District	\$2,597,325	\$ 526,891	25.4
89-368	Boothbay Harbor Wtr. Syst.	\$ 584,594	\$ 145,374	33.1
89-379	East Boothbay Wtr. Dist.	\$ 149,717	\$ 38,882	35.08
89-381	Berwick Water Dept.	\$ 271,520	\$ 171,520	136.74
89-412	Hallowell Water District	\$ 203,600	\$ 36,271	26.68
89-413	North Berwick Wtr. Dist.	\$ 204,915	\$ 34,857	20.5
89-414	Anson Water District	\$ 175,136	\$ 60,785	53.2

MUNICIPAL & QUASI-MUNICIPAL WATER UTILITIES
RATE CASES PURSUANT TO § 6104
EFFECTIVE IN 1989

<u>Docket No.</u>	<u>Utility</u>	<u>Proposed Revenue</u>	<u>Increase Over Prior Year</u>	<u>% Increase</u>
*89-062	Harrison Water District	\$ 84,303	\$ 20,942	33.05
*89-063	Bridgton Water District	\$ 173,323	\$ 22,457	14.89
*89-084	Milbridge Water District	\$ 48,673	\$ 22,361	84.98
*89-227	Lisbon Water Department	\$ 360,718	\$ 95,170	35.8

*

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

EXHIBIT I

WATER UTILITY GENERAL RATE CASES
FILED PURSUANT TO §§ 307, 310
EFFECTIVE IN 1989

<u>Docket No.</u>	<u>Utility</u>	<u>Date Filed</u>	<u>Proposed Revenues</u>	<u>Allowed Revenue</u>	<u>Allowed Increase</u>	<u>Effective Date</u>	<u>% Increase</u>
88-222	Machias Water Company	08/31/89	\$ 132,717	\$ 130,218	\$ 12,608	04/01/89	10.72
88-260	Biddeford/Saco Water Co.	10/17/88	\$ 2,935,275	\$ 2,873,059	\$ 390,218	06/05/89	15.72
88-314	Waldoboro Water Company	12/01/88	\$ 151,388	\$ 128,873	\$ 50,951	05/31/89	65.4
88-323	Seal Harbor Water Company	12/13/88	\$ 91,401	\$ 84,586	\$ 16,823	05/19/89	23.7
88-324	Canton Water District	12/19/88	\$ 46,855	\$ 48,058	\$ 25,459	04/04/89	112.7
88-344	Bar Harbor Water Company	12/28/89	\$ 490,063	\$ 449,396	\$ 111,441	06/19/89	23.7
89-015	York Water District	01/20/89	\$ 2,076,341	\$ 1,977,988	* \$ 900,283	04/07/89	81.5
89-099	Small Point Water Company	03/22/89	\$ 15,009	\$ 15,009	\$ 5,000	06/01/89	50.0
89-116	New Sharon Water District	04/04/89	\$ 22,736	\$ 22,736	\$ 10,026	** 05/01/89 10/01/89	78.9
89-326	Greenville Water Company	08/25/89	\$ 174,563	\$ 171,677	\$ 17,054	10/03/89	11.03
89-327	Skowhegan Water Company	08/25/89	\$ 607,518	\$ 607,518	\$ 42,143	10/03/89	7.45

* Revenues were adjusted to reflect the District's projected 1.1% annual growth in operating revenues for each year of the phase in. Therefore, this percentage increase assumes a 1.1% annual growth in operating revenues. This increase is also to be phased in over three years.

* This utility was authorized a two-stage increase. One effective on May 1 and one effective on October 1, 1989.

CUSTOMER-OWNED ELECTRIC UTILITIES
RATE CASES PURSUANT TO § 3502
EFFECTIVE IN 1989

<u>Docket No.</u>	<u>Utility</u>	<u>Proposed Revenue</u>	<u>Increase Over Prior Year</u>	<u>% Increase</u>
89-131	Matinicus Plantation Electric Company	\$ 66,833	\$ 5,907	9.7
89-423	Van Buren Light and Power Company	\$1,253,932	\$45,181	3.7

ELECTRIC UTILITY GENERAL RATE CASES
FILED PURSUANT TO §§ 307, 310
EFFECTIVE IN 1989

<u>Docket No.</u>	<u>Utility</u>	<u>Amount Requested</u>	<u>Amount Allowed</u>	<u>% Increase Allowed</u>
89-068	Central Maine Power Co.	*\$42,441,000	\$20,000,000	3.2
		**\$19,135,000	\$19,135,000	2.9
	TOTAL	<u>\$61,576,000</u>	<u>\$39,135,000</u>	<u>6.2</u>

* (Phase I)

** (Phase II)

EXHIBIT K

Days of Hearings Held in 1989

Maine Yankee Decommissioning Financing Plan (82-179)	5
Central Maine Power Company Rate Case (89-68)	<u>28</u>
	33
Other than major cases	<u>33</u>
TOTAL	<u>66</u>

3. Consumer Assistance Division

The Consumer Assistance Division (CAD) received 4,185 contacts from utility customers in 1989, an increase of 16% compared to last year: 1,346 complaints (32%), 2,432 requests for information (58%), and 407 referrals to other agencies or organizations (10%). Including the requests for permission to disconnect under the Winter Rule received in 1988-89 (72), the CAD handled 4,257 cases and contacts in 1989. This is a 6.5% decrease since 1988. While requests for information continue to increase, actual complaints continue to drop overall. In addition, the 1988-89 requests to disconnect showed a dramatic decrease.

Exhibit L shows total contacts, including requests to disconnect since 1980.

EXHIBIT L

CONSUMER ASSISTANCE DIVISION
COMPLAINTS/CONTACTS 1980-1989

<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
1988	4,551
1989	4,257

CUSTOMER CHARGES ADJUSTED/WAIVED 1981-1989

<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
1988	\$ 288,479.63
1989	\$ 142,431.80

Adjustments

A total of \$142,431.80 was adjusted or reimbursed to utility customers as a result of CAD investigation or mediation of 156 cases.

Most of the large amounts adjusted for the 25 water utility customers involved decisions on appropriate charges for water main extensions.

Exhibit M shows the breakdown of adjustments by type of utility.

Appeals

The PUC received 21 appeals of CAD decisions in 1989. Of the 21 appeals, 15 were from customers and 6 were from utilities. The Commission declined to begin an investigation in 13 cases, thus upholding the CAD decisions. The CAD decision was changed or reversed in 2 cases. In 1 case, the parties reached agreement. At the end of 1989, 5 appeals were pending.



EXHIBIT M

CUSTOMER CHARGES ADJUSTED/WAIVED 1989

<u>TELEPHONE:</u>	(77 Customers)	\$16,566.75
<u>ELECTRIC:</u>	(53 Customers)	\$25,366.17
<u>WATER:</u>	(25 Customers)	\$100,478.88
<u>GAS:</u>	(0 Customers)	0
<u>OTHER:</u>	(<u>1 Customers</u>)	<u>\$ 20.00</u>
TOTAL:	(156 Customers)	\$142,431.80

Violations

The CAD issued 51 decision letters, finding one or more violations of the Commission's Rules in 1989. The number of violations of the Winter Rule stayed about the same, increasing by just 1 from last years total to 10. A decrease in violations of other rules was documented, particularly Chapter 81, Residential Utility Service Standards for Credit and Collection Programs. For example, CAD documented 52 violations (other than the Winter Disconnect Rule) of electric utilities in 1988 compared with 25 in 1989, a 56% decrease. A decrease from twenty to eleven violations of telephone utilities was also documented, a 45% decrease. However, both the water and gas utilities showed increases in the number of violations. Water utilities went up only slightly by 1 from 5 to 6 violations. Of those water utilities cited for violations only Portland Water District was cited last year as well for a violation. Northern Utilities, the one gas utility in the State had a substantial increase in violations due to 4 violations of the Winter Rule this past year.

Exhibit N shows the number and type of violations by utility.

Exemptions

The CAD received 3 requests from utilities to grant an exemption from Chapter 81 for a particular customer in 1989: none were granted, 2 were denied and 1 was withdrawn.

Violations

<u>Electric Utilities (25)</u>	<u>Types of Violations</u>	<u>Total Violations</u>
Bangor Hydro-Electric	3 Disconnection Notices 1 Payment Arrangement 1 Billing Dispute 1 Deposit 2 Winter Disconnection Rule	8
Central Maine Power	1 Disconnections 2 Disconnection Notices 4 Deposits 2 Payment Arrangements 4 Billing Disputes 1 High Usage	14
Maine Public Service	1 Disconnection 1 Disconnection Notice 1 Billing Dispute	3
<u>Telephone Utilities (11)</u>		
New England Telephone	1 Disconnection Notices 1 Disconnections 1 Billing Dispute	3
Standish Telephone	1 Disconnection Notice 1 Disconnection	2
Hampden Telephone	1 Disconnection	1
Contel	3 Disconnections	3
Hartland/St. Albans Telephone	1 Disconnection	1
Oxford County Telephone	1 Disconnection	1
<u>Water Utilities (6)</u>		
Bath Water District	1 Disconnection Notice	1
Camden & Rockland Water District	1 Billing Dispute	1
Milbridge Water Company	1 Disconnection Notice	1
New Portland Water District	1 Disconnection	1
Port Clyde Water District	1 Outage	1
Portland Water District	1 Billing Dispute	1
<u>Gas Utility (7)</u>		
Northern Utilities	1 Disconnection Notice 1 Disconnection 1 Billing Dispute 4 Winter Disconnection Rule	7
<u>Other (2)</u>		
Lionel Plante Associates	1 Payment Arrangement 1 Failure to Adhere to Tariffs	2

Winter Disconnection
Rule

The CAD received 72 requests to disconnect residential customers from electric and gas utilities during the period November 15, 1988 through April 15, 1989, a 92.5% decrease compared to 1987-88. Of these 72 requests, 10 or 14% were granted, 62 or 86% were denied.

The most significant reductions in requests to disconnect were with Eastern Maine Electric Cooperative and Central Maine Power Company.

Eastern Maine Electric conducted premise visits this year even though as a small utility they are not required to do so. Eastern Maine Electric reported that they had great success with the institution of premise visits which resulted in the lower number of requests to disconnect.

Central Maine Power Company experimented with a new collection procedure last year. This program was intended to encourage customers to contact the utility and negotiate terms for payment arrangements without the threat of disconnection. CMP also did not solicit eligibility for special payment arrangements this past year. CMP offered levelized special payment arrangements to all customers regardless of eligibility. CMP decided not to seek permission to disconnect during the winter.

Exhibit 0 lists the disposition of the requests to disconnect by utility. In general, the smaller utilities seek to disconnect a higher percentage of their residential customers than larger utilities.

CONSUMER ASSISTANCE DIVISION
UTILITY WINTER REQUESTS TO DISCONNECT

1988-1989

	<u>*Disconnect/ Ratio</u>	<u>Requests Granted</u>	<u>Requests Denied</u>	<u>Violations</u>
Central Maine Power	1/0.00	0	1	0
Bangor Hydro-Electric	32/0.41	6	26	2
Eastern Maine Electric	1/0.11	0	1	0
Madison Electric Dept.	16/8.46	2	14	4
Northern Utilities	11/0.92	0	11	4
Van Buren Light & Power	3/2.60	0	3	0
Houlton Water Co. (Elec. Div.)	1/0.28	0	1	0
Maine Public Service	<u>7/0.26</u>	<u>2</u>	<u>5</u>	<u>0</u>
TOTALS	72	10	62	10

* Per 1000 residential customers.

** Requests remain open.

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 Tests
 - S9 High Usage
 - S10 Municipal Calling
 - S11 Damage Claims

- 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
 - M5 "AOS" Alternative Operator Services

- VI. Rate Design
 - R1 Rate Design
 - R2 Seasonal Service Charge
 - R3 Phone Subsidy & Lifeline

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

Complaints

The CAD received 1,346 complaints in 1989, and had 179 complaints pending from 1988. In 1989, 1,175 complaints were closed, leaving 263 pending complaints. Most complaints (1,047 or 89%) were from residential customers.

Exhibit Q shows the total of all complaints closed by type of utility and type of complaint. Exhibit P explains CAD complaint codes. Exhibits R through V describe closed complaints for each utility in more detail.

Utilities are listed in order of the highest complaint ratio to the lowest. The complaint ratio was calculated by dividing the number of complaints by the number of customers (residential and commercial) and multiplying by 1000.

A "complaint" does not mean that a utility has done anything wrong. It does mean a utility was unable to resolve a dispute with a customer. In addition, the number of complaints is not the only determinative of an adequate credit and collection program. If one complaint results in a discovery of a system-wide violation, for example, the complaint ratio itself is not as important. Therefore, complaint ratios as well as the violation data are reviewed carefully to determine staff priorities.

A high complaint ratio could mean either that a utility does not resolve disputes fairly (*i.e.*, correctly) or that the employees dealing with customers are not properly trained in dispute resolution procedures. In either case, a snapshot is not as helpful in determining whether a significant problem exists as a trend over time.

A comparison of 1989 complaint trends with 1988 shows a 15% reduction in the number of complaints overall. This is not as high as the 35% reduction seen last year but still shows a continuing trend. Most of the reduction occurred in the number of complaints filed against electric utilities, which decreased by 221 or 27.5% from 1988. Complaints against telephone utilities went up by 26 or 7%. Water utilities complaints declined by 20 or 14%. Maine's only gas utility had the largest increase in complaints 16 or 89%.

Looking at the total number of complaints closed in 1989, the service category showed the largest decrease in complaints dropping from 37.81% to 31.66%. The disconnection category showed the largest increase of complaints going from 29.58% to 41.53%. This was primarily due to an increase in the number of disconnection complaints from New England Telephone customers.

EXHIBIT Q
(Page 1 of 2)

COMPLAINTS CLOSED BY THE
CONSUMER ASSISTANCE DIVISION
1989

TYPE OF UTILITY	ELECTRIC	TELEPHONE	WATER	GAS	WATER CARRIERS	UNREGULATED	1988 TOTAL	1989 TOTAL
SERVICE								
S1	30	35	5	6	0	1	106	77
S2	20	45	34	0	0	0	123	99
S3	6	18	11	1	1	2	29	39
S4	29	12	23	2	0	0	142	66
S5	0	12	0	0	0	0	22	12
S6	0	9	0	0	0	0	15	9
S7	12	1	2	0	0	0	19	15
S8	1	0	0	0	0	0	4	1
S9	29	0	5	0	0	0	41	34
S10	0	2	0	0	0	0	3	2
S11	14	3	0	1	0	0	20	18
TOTAL#	141	137	80	10	1	3	524	372
TOTAL%	24.14%	34.25%	64.00%	29.41%	25.00%	11.11%	37.81%	31.66%
DISCONNECT								
D1	225	127	14	7	0	0	266	373
D2	68	34	5	8	0	0	144	115
TOTAL#	293	161	19	15	0	0	410	488
TOTAL%	50.17%	40.25%	15.20%	44.12%	0.00%	0.00%	29.58%	41.53%
DEPOSITS								
P1	14	2	0	0	0	0	31	16
P2	0	1	0	0	0	0	2	1
TOTAL#	14	3	0	0	0	0	33	17
TOTAL%	2.40%	0.75%	0.00%	0.00%	0.00%	0.00%	2.38%	1.45%
BILLINGS								
B1	58	28	1	4	0	0	108	91
B2	38	41	14	3	0	17	161	113
B3	0	0	0	0	0	0	1	0
B4	4	0	4	2	0	0	3	10
TOTAL#	100	69	19	9	0	17	273	214
TOTAL%	17.12%	17.25%	15.20%	26.47%	0.00%	59.26%	19.70%	18.21%

EXHIBIT Q
(Page 2 of 2)

COMPLAINTS CLOSED BY THE
CONSUMER ASSISTANCE DIVISION
1989

TYPE OF UTILITY	ELECTRIC	TELEPHONE	WATER	GAS	WATER CARRIERS	UNREGULATED	1988 TOTAL	1989 TOTAL
RATE DESIGN								
R1	26	4	1	0	0	0	69	31
R2	0	0	0	0	0	0	4	0
R3	0	2	0	0	0	0	0	2
TOTAL#	26	6	1	0	0	0	73	33
TOTAL%	4.45%	1.50%	3.03%	0.00%	0.00%	0.00%	5.27%	2.81%
MISCELLANEOUS								
M1	6	21	6	0	3	4	64	40
M2	0	1	0	0	0	0	1	1
M3	0	0	0	0	0	3	2	3
M4	4	0	0	0	0	0	1	4
M5	0	2	0	0	0	1	5	3
TOTAL#	10	24	6	0	3	8	73	51
TOTAL%	1.71%	6.00%	4.80%	0.00%	75.00%	28.57%	5.27%	4.34
1989 COMPLAINT TOTAL	584	400	125	34	4	28	1386	1175

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

Electric Utility Complaints

The CAD closed 584 electric utility complaints in 1989, 50% relating to disconnections, 24% involved service quality or requests for new service and 17% concerned billing disputes. There was a substantial reduction in the number of complaints received against electric utilities compared to 1988, 221 or 28%. The area with the largest reduction in complaints was the service area which declined by 99 complaints. The number of disconnection complaints went up slightly. Of the 12 electric utilities, 6 had decreases in complaints, 5 had increases and one remained the same compared to last year. Of the three major electric utilities, Maine Public Service was the only company to show an increase in complaints as their complaints went up by 7 over last year. Bangor Hydro-Electric had a decrease of 43 complaints or 28%. Central Maine Power Company's complaints decreased by 164 or 30%.

Eastern Maine Electric Cooperative's complaints declined by 18 or 69%. Eastern Maine Electric moved from the company having the third highest number of complaints per 1000 customers last year to the eleventh position. Houlton Water Company (Electric Dept.) also had a substantial decrease in their number of complaints with a 67% decrease which made Houlton the electric company with the lowest number of complaints per 1000 customers. Van Buren Light & Power District had the highest number of complaints per 1000 customers as it did last year, but the number of complaints did decline by 25%. Madison Electric Works remained the company with the second highest complaint ratio but did show a slight decrease in the number of complaints compared to last year.

EXHIBIT R

1989 ELECTRIC UTILITY COMPLAINTS

COMPANY	SERVICES # / %	DISCONNECTS # / %	DEPOSITS # / %	BILLING # / %	RATE DESIGN # / %	MISC. # / %	# OF COMPLAINTS, COMPLAINTS PER 1000 CUSTOMERS	
							1988 TOTAL	1989 TOTAL
VAN BUREN LIGHT & POWER DISTRICT	3 33.33%	4 44.45%	0 0.00%	2 22.22%	0 0.00%	0 0.00%	12 11.73	9 8.80
MADISON ELECTRIC WORKS DEPARTMENT	0 0.00%	7 77.78%	0 0.00%	2 22.22%	0 0.00%	0 0.00%	10 4.76	9 4.28
SWANS ISLAND ELECTRIC COOPERATIVE INC.	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00	1 2.39
LUBEC WATER & ELECTRIC DISTRICT	2 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	1 0.8	2 1.60
MAINE PUBLIC SERVICE CO.	5 10.00%	36 72.00%	0 0.00%	8 16.00%	0 0.00%	1 2.00%	43 1.35	50 1.57
KENNEBUNK LIGHT & POWER DISTRICT	0 0.00%	4 60.00%	0 0.00%	1 20.00%	1 20.00%	0 0.00%	2 0.512	6 1.54
FOX ISLANDS ELECTRIC COOPERATIVE, INC.	1 50.00%	1 50.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	1 0.761	2 1.52
UNION RIVER ELECTRIC COOPERATIVE, INC.	0 0.00%	0 0.00%	0 0.00%	1 50.00%	0 0.00%	1 50.00%	2 1.16	2 1.16
BANGOR HYDRO-ELECTRIC CO.	33 30.00%	57 51.82%	1 .90%	16 14.55%	1 .90%	2 1.82%	153 1.477	110 1.06
CENTRAL MAINE POWER CO.	94 24.61%	179 46.86%	11 2.88%	69 18.06%	23 6.02%	6 1.57%	546 1.215	382 0.85
EASTERN MAINE ELECTRIC COOPERATIVE, INC.	2 25.00%	2 25.00%	2 25.00%	1 12.50%	1 12.50%	0 0.00%	26 2.37	8 0.73
HOULTON WATER CO. ELECTRIC DEPT.	0 0.00%	3 75.00	0 0.00%	0 0.00%	0 0.00%	0 0.00%	9 1.825	3 0.63
1989 TOTAL ALL COMPANIES	141 24.14%	293 50.17%	14 2.40%	100 17.12%	26 4.45%	10 1.71%	805	584

NOTE: COMPANIES ARRANGED IN ORDER OF HIGHEST # OF COMPLAINTS PER 1000 CUSTOMERS.

Telephone Utility
Complaints

Of the 400 complaints received concerning telephone utilities regulated by the Commission, 34% concerned service quality or requests for new service, 17% related to billing disputes and 40% concerned disconnection. The number of complaints involving service quality dropped by 16% when compared to last year.

From August 6, 1989 to December 31, 1989 the CAD received 278 contacts involving New England Telephone Company concerning strike related service installation and repair delays. Because of the strike situation these contacts were logged as information and not complaints.

The number of billing disputes received against telephone utilities fell slightly. However, there was a substantial increase in disconnection complaints from 20% of the total complaints received last year to 40% this year. New England Telephone's complaints in this area increased by 72 going from 57 last year to 129 this year.

Several telephone companies improved their performance compared to 1988: Standish, Warren, Hartland & St. Albans, and Lincolnville. In addition, Oxford, Hampden, Continental and Unity Telephone Companies showed significant reductions in their complaint ratio.

Four telephone companies, China, NET, Saco River and Community Services, had higher complaint ratios. China Telephone Company had the highest complaint ratio this year moving from seventh place last year. Hampden which had the highest complaint ratio last year moved down to second highest this year as the number of complaints against Hampden dropped by

over 50% from last year. Community Services which had the fourteenth highest ratio last year moved up to sixth this year.

1989 TELEPHONE UTILITY COMPLAINTS

COMPANY	SERVICES # / %	DISCONNECTS # / %	DEPOSITS # / %	BILLING # / %	DESIGN # / %	MISC. # / %	# OF COMPLAINTS, COMPLAINTS PER 1000 CUSTOMERS	
							1988 TOTAL	1989 TOTAL
CHINA TELEPHONE CO.	6 67.00%	1 11.00%	0 0.00%	2 22.00%	0 0.00%	0 0.00%	4 1.75	9 3.93
HAMPDEN TELEPHONE CO.	1 10.00%	2 40.00%	1 10.00%	2 40.00%	0 0.00%	0 0.00%	13 6.39	6 2.948
OXFORD COUNTY TEL. & TEL. CO.	7 70.00%	3 30.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	16 4.34	10 2.72
*BRYANT POND TELEPHONE CO.	0 0.00%	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	1 2.15	1 2.15
WARREN TELEPHONE CO.	2 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	3 2.76	2 1.84
COMMUNITY SERVICE TEL. CO.	3 21.43%	6 42.86%	0 0.00%	2 14.29%	0 0.00%	3 21.43%	6 0.776	14 1.81
HARTLAND & ST. ALBANS TELEPHONE CO.	3 75.00%	1 25.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	6 2.414	4 1.609
*UNION RIVER TELEPHONE CO.	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	1 1.395	1 1.395
SACO RIVER TEL. & TEL. CO.	2 28.60%	3 42.86%	0 0.00%	2 28.60%	0 0.00%	0 0.00%	5 0.907	7 1.27
STANDISH TELEPHONE CO.	2 33.00%	4 67.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	7 1.39	6 1.193
CONTINENTAL TEL. OF MAINE	20 54.10%	7 18.90%	0 0.00%	4 10.80%	1 2.70%	5 13.50%	54 1.412	37 .97
SOMERSET TELEPHONE CO.	3 37.50%	2 25.00%	1 12.50%	2 25.00%	0 0.00%	0 0.00%	7 0.843	8 .964
LINCOLNVILLE TELEPHONE CO.	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	2 1.57	1 .786
NEW ENGLAND TEL. & TEL. CO.	85 29.41%	129 44.64%	1 0.35%	53 18.34%	5 1.73%	16 5.54%	237 0.48	289 .59
PINE TREE TEL. & TEL. CO.	0 0.00%	2 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	2 0.468	2 .468
UNITY TELEPHONE CO.	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	6 2.13	1 .355
CELLULAR ONE	0 0.00%	0 0.00%	0 0.00%	2 100.00%	0 0.00%	0 0.00%	0 0.00%	2 ----
1989 TOTAL ALL COMPANIES	137 34.25%	161 40.25%	3 0.75%	69 17.25%	6 1.50%	24 6.00%	374	400

NOTE: COMPANIES ARRANGED IN ORDER OF HIGHEST # OF COMPLAINTS PER 1000 CUSTOMERS.

Gas Utility

Northern Utilities, Inc. had a total of 34 complaints for a complaint ratio of 2.21. This was a significant increase compared to a complaint ratio of 1.16 in 1988. There was an increase of 16 complaints or 89%. There were significant increases in the number of complaints in the areas of service, disconnection and billing. However, it should be noted that the number of complaints is still well below the 52 complaints received in 1987.

Water Carrier
Utilities

The Commmission regulates transportation in Casco Bay. There were 4 complaints in 1989 involving two companies providing transportation in Casco Bay. Lionel Plante Associates was cited for a violation due to its failure to adhere to its filed tariffs by failing to provide year round service. Lionel Plante Associates has since revised its tariffs so that it no longer has to provide water taxi service during the winter months.

1989 GAS UTILITY COMPLAINTS

COMPANY	SERVICES	DISCONNECTS	DEPOSITS	BILLING	RATE DESIGN	MISC.	# OF COMPLAINTS	
	# / %	# / %	# / %	# / %	# / %	# / %	COMPLAINTS PER 1000 CUSTOMERS 1988 TOTAL	1989 TOTAL
NORTHERN UTILITIES, INC.	10 29.4%	15 44.1%	0 0%	9 26.5%	0 0%	0 0%	18 1.16	34 2.21

1989 WATER CARRIER COMPLAINTS

COMPANY	SERVICE	DISCONNECTS	DEPOSITS	BILLING	RATE DESIGN	MISC.	TOTAL # COMPLAINT	
	# / %	# / %	# / %	# / %	# / %	# / %	1988	1989
LIONEL PLANTE ASSOC.	0 0.00%	0 0.00%	0 0.00%	1 25.00%	0 0.00%	3 75.00%	1 ---	4 ---
CASCO BAY LINES	1 100.0%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 ---	1 ---
1989 TOTAL ALL COMPANIES	1 20.00%	0 0.00%	0 0.00%	1 20.00%	0 0.00%	3 60.00%	1 ---	5 ---

Water Utility Complaints

The PUC regulates 150 water utilities. 125 complaints were registered against 45 water utilities and only these utilities are listed in Exhibit V. When compared to 1988, complaints against water utilities showed a decline of 14%. The distribution of complaints by issue was similar to 1988: 60% concerned service quality or requests for service, 19% concerned billing disputes and 19% related to disconnection. One of the service categories with the largest number of complaints (34) related to service repairs. The service category with the second largest number of complaints (23) was water main extensions.

The small number of complaints and small customer base makes the complaint ratio for most water utilities less significant. CAD does not consider the report of one complaint per year against a small water utility as significant. However, consistently high complaint ratios do result in staff investigations in order to determine the causes for the high number of complaints.

Among the larger water districts, Portland Water District has decreased its complaint ratio since 1988 from 1.0 to .74 (primarily due to a reduction in billing and disconnection disputes), and Bangor Water District from .66 to .33. Augusta Water District's complaint ratio increased from .18 to .55. Houlton stayed the same as last year with .52, and Auburn stayed the same as last year with .17.

The company with the highest complaint ratio was Canton Water District with 22.27. Milbridge Water Company had the second highest complaint ratio with 20.31, an increase from 5.1 last year. Quantabacook Water Company's complaint ratio dropped this year. However, they are still in the top four of all water utilities in complaint ratios.

1989 WATER UTILITY COMPLAINTS

COMPANY	SERVICE # / %	DISCONNECTS # / %	DEPOSITS # / %	BILLING # / %	RATE		# OF COMPLAINTS, COMPLAINTS PER 1000 CUSTOMERS	
					DESIGN # / %	MISC. # / %	1988 TOTAL	1989 TOTAL
*Canton Water District	0 0.00%	0 0.00%	0 0.00%	1 33.33%	0 0.00%	2 66.67%	0 0.00	3 27.27
*Milbridge Water Company	2 50.00%	1 25.00%	0 0.00%	1 25.00%	0 0.00%	0 0.00%	1 5.1	4 20.31
*Passamaquoddy Water District	9 69.23%	2 15.39%	0 0.00%	2 15.39%	0 0.00%	0 0.00%	6 7.74	13 18.36
*Quantabacook Water Company	1 50.00%	1 50.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	6 40.82	2 13.61
*Danforth Water District	1 50.00%	0 0.00%	0 0.00%	1 50.00%	0 0.00%	0 0.00%	5 32.47	2 12.99
*Port Clyde Water District	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00	1 8.85
*Lubec Water & Electric District	2 66.67%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	1 33.33%	0 0.00	3 4.60
*Northport Village Corporation	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00	1 4.10
*Harrison Water District	0 0.00%	0 0.00%	0 0.00%	0 0.00%	1 100.00%	0 0.00%	1 3.64	1 3.89
*Wilton Water Department	0 0.00%	0 0.00%	0 0.00%	3 100.00%	0 0.00%	0 0.00%	0 0.00	3 3.49
*Waldoboro Water Company	0 0.00%	0 0.00%	0 0.00%	1 100.00%	0 0.00%	0 0.00%	1 2.76	1 2.76
*Dexter Utility District	1 50.00%	0 0.00%	0 0.00%	1 50.00%	0 0.00%	0 0.00%	0 0.00	2 2.29
Farmington Village Corporation	3 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	1 0.731	3 2.17
South Berwick Water District	1 50.00%	1 50.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	1 1	2 1.99
*Richmond Utilities District	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00	1 1.96
Gardiner Water District	3 50.00%	2 33.33%	0 0.00%	1 16.67%	0 0.00%	0 0.00%	3 1	6 1.94

1989 WATER UTILITY COMPLAINTS

COMPANY	SERVICE # / %	DISCONNECTS # / %	DEPOSITS # / %	BILLING # / %	RATE		# OF COMPLAINTS, COMPLAINTS PER 1000 CUSTOMERS	
					DESIGN # / %	MISC. # / %	1988 TOTAL	1989 TOTAL
*Dixfield Water Department	0 0.00%	0 0.00%	0 0.00%	1 100.00%	0 0.00%	0 0.00%	0 0.00	1 1.91
*Mars Hill Utility District	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00	1 1.84
*Guilford-Sangerville Water District	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	1 1.67	1 1.67
*Bridgton Water District	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	2 3.073	1 1.51
*Milo Water District	0 0.00%	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00	1 1.38
Skowhegan Water Company	2 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00	2 1.02
Paris Utility District	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00	1 0.95
Madawaska Water District	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	1 0.9	1 0.90
Presque Isle Water District	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00	1 0.86
Calais Water Company	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00	1 0.86
Portland Water District	22 70.97%	3 9.68%	0 0.00%	4 12.90%	0 0.00%	2 6.45%	42 1	31 0.74
Hampden Water District	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	1 0.744	1 0.74
York Water District	3 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	4 0.94	3 0.70
Brunswick & Topsham Water District	2 50.00%	1 25.00%	0 0.00%	1 25.00%	0 0.00%	0 0.00%	2 0.365	4 0.68
Belfast Water District	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	3 2.025	1 0.68
Kennebec Water District	5 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	6 0.75	5 0.63
Bath Water District	0 0.00%	2 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	2 0.603	2 0.60

1989 WATER UTILITY COMPLAINTS

COMPANY	SERVICE # / %	DISCONNECTS # / %	DEPOSITS # / %	BILLING # / %	RATE		# OF COMPLAINTS, COMPLAINTS PER 1000 CUSTOMERS	
					DESIGN # / %	MISC. # / %	1988 TOTAL	1989 TOTAL
Caribou Water Works Corporation	0 0.00%	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00	1 0.59
Augusta Water District	3 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	1 0.183	3 0.55
Houlton Water Company	0 0.00%	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	1 0.524	1 0.52
Lisbon Water District	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	1 0.51	1 0.51
Boothbay Harbor Water District	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00	1 0.48
Lewiston Public Works Water Division	3 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00	3 0.34
Bangor Water District	0 0.00%	2 66.67%	0 0.00%	0 0.00%	0 0.00%	1 33.33%	6 0.657	3 0.33
Camden & Rockland Water Company	1 50.00%	0 0.00%	0 0.00%	1 50.00%	0 0.00%	0 0.00%	3 0.459	2 0.31
Auburn Water District	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	1 0.169	1 0.17
K'bunk, K'bunkport, & Wells Water District	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	6 0.66	1 0.11
Biddeford & Saco Water Company	0 0.00%	0 0.00%	0 0.00%	1 100.00%	0 0.00%	0 0.00%	2 0.165	1 0.08
**New Portland Water District	0 0.00%	1 100.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00	1 ----
1989 Total All Companies	80 64.00%	19 15.20%	0 0.00%	19 15.20%	1 0.80%	6 4.80%	145	125

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.

Unregulated/
Partially
Regulated
Utilities

The CAD received 28 complaints concerning unregulated/partially regulated utilities. All of these complaints were related to telecommunications issues:

NTS	1
AT&T	14
MCI	3
Sprint	5
ITI	3
New Com	2

There was a decrease of 15 complaints in this category compared to last year. The reduction was due to a reduction in the number of complaints received against the Alternative Operator Service (AOS) companies such as ITI, NTS and New Com. Complaints against AT&T also went down by 5 from last year. However, this number does not include any of the customer complaints received where payment arrangements were negotiated with NET regarding AT&T billings for long distance calls.

Fourteen of the 28 complaints received in this category involved billing disputes.

AT&T has entered into an agreement with the CAD to refer Maine customers with disputes concerning their interstate toll charges to both the Maine PUC and the Federal Communications Commission. The CAD mediates and resolves these disputes with the cooperation of AT&T. This agreement is designed to prevent the disconnection of local telephone service while a dispute concerning interstate toll charges is pending.

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. In 1987 and 1988, the Commission adopted a new rule (Chapter 670) governing contingency funds and a new system of accounts, which determine what level of reserves a district may hold. Funds (that are not excessive) accumulating in the districts' contingency reserve are generally invested into the districts' assets. During 1989, it was determined that 26 districts had "excessive" amounts in their contingency reserves. The new rule requires these districts to set new rates based upon a revenue requirement without a contingency allowance (reduce rates) or file for a waiver. Twenty-one districts were granted waivers, three were ordered to reduce rates and two are pending.

The Commission granted waivers under the following circumstances: 1) when a district submitted a revenue requirement which supported current rates without increasing the contingency reserve; and, 2) when a district had a construction program in progress that would require a rate increase within the next year.

5. Conservation

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

In recent years, Commission rules and practice have given utilities an increasingly free hand in the planning and design of utility-sponsored energy

efficiency investments on the customer's side of the meter (see this section of recent annual reports). When an energy conservation or load management program costs less than equivalent power generation or purchases, utilities may undertake such a program without prior Commission approval, provided it does not have a significant adverse rate impact. With the principles of least-cost planning now well-established, the Commission in 1989 began to explore ways to encourage each utility to develop and pursue its least-cost plan with vigor and effectiveness. To this end, two policy initiatives have emerged.

First, in a policy statement accompanying the adoption of new filing requirements, the Commission told the electric utilities that the cost of proposed additions to utility power supply should be compared with the cost of alternative, non-utility sources, as revealed by the solicitation of competing bids, and that it would expect the results of such a bidding process to be included in any application for approval of major new projects.

Second, the Commission adopted a new rule, Chapter 382, designed to solicit proposals for regulatory changes that would reconcile least-cost planning with profitability, such that an electric utility's least-cost plan would become its most profitable plan for meeting its responsibilities as well. Current rules and practice tend to work against this result, since even the most successful and cost-effective utility efforts to avoid supply costs through efficiency investments are likely to reduce utility earnings. Under Chapter 382, the utilities and other interested persons submitted a wide variety of comments and proposals which at year's end were under active review and analysis at the Commission.

As part of the stipulation approved by the Commission in settlement of Central Maine Power Company's general rate case, the parties agreed to use their best efforts to explore this area of regulatory reform and submit proposals to the Commission before September. The same stipulation awarded CMP a performance bonus for its innovative work in contracting for cost-effective residential, commercial and industrial energy management through competitive, all-source bidding.

Although several new and promising energy management programs were begun during 1989, the year was marked more by consolidation and evaluation of past work than by innovation and growth in utility energy efficiency efforts. While the Commission's rules encourage careful measurement and evaluation as an essential element of successful program planning and management, the policy initiatives discussed above should provide the basis during 1990 for the utilities to build on past energy management successes and improve performance in serving customer needs at lowest overall cost.

V. YEAR IN REVIEW

Hydro-Quebec

On January 9, 1989, a majority of the Commission voted to deny Central Maine Power Company's Petition for a Certificate of Public Convenience and Necessity for the purchase of generating capacity and energy from Hydro-Quebec. A final Order was issued on January 23, 1989. On February 6, 1989, the Public Advocate filed a petition requesting that the Commission reconsider its decision. On April 13, 1989, a majority of the Commission denied the Public Advocate's petition. No further appeals were made and the case was removed from the Commission's docket. The prudence of Central Maine Power Company's costs associated with the Hydro-Quebec proposal were not addressed in the recently concluded rate case. This issue will be addressed in Central Maine Power Company's next general rate case.

CMP Rate Case

On May 19, 1989, Central Maine Power Company (CMP) filed proposed rates designed to produce an increase of approximately \$61.5 million (10.5%) in base rates. On November 15, 1989, the Commission's Staff, CMP, the Public Advocate and several other parties filed a stipulation. The Commission approved the Stipulation on December 15, 1989 and issued an Order on December 29, 1989. The Stipulation provided for a \$20 million increase in rates to be effective January 1, 1990. The Stipulation recognized the Company's national leadership in contracting for cost-effective residential, commercial and industrial energy management through competitive, all-source bidding by including in the \$20 million increase a performance bonus.

In addition to the \$20 million increase effective January 1, 1990, the Stipulation provided for an increase of approximately \$19 million, effective September 1, 1990. The purpose of this so-called "Phase II" increase is to have the increase coincide with the anticipated date of commercial operation of the Monty Hydro Station and the Hydro-Quebec Phase II projects.

In addition, the Stipulation provided that CMP submit for consideration of the parties and the Commission one or more rate designs that target low income, high usage residential customers. The proposals will include, but not be limited to, consideration of mandatory energy management programs in conjunction with a lifeline rate.

Finally, the Stipulation addressed the treatment of energy management expenditures, the Millstone III decommissioning, line clearance, and other matters. The rate design portion of this case is on a schedule that contemplates a decision in September of 1990.

In approving the Stipulation, the Commission stated that while it was not satisfied with every aspect of CMP's performance, it does believe the Company has moved in a direction that justifies the increase even though that increase is at the "upper end" of the range of reasonableness. The Commission noted that CMP deserves credit for the emphasis it has placed on developing its internal capabilities for the design and implementation of demand-side resources, CMP's practice of circulating people between its Edison Drive office and district offices, in negotiation of the Hydro-Quebec contract, improved communications between the Company, the Commission and other public policy makers, and for searching out and

adopting financial programs which have been beneficial to it and its ratepayers.

The Commission addressed its concern with the automatic implementation of the Phase II increase relating to the Monty project and Hydro-Quebec Phase II, the use of a reconciliation mechanism if certain investments differ from their projected levels, and the deferral of current expenses for future recovery. Finally, the Commission noted several areas requiring further management attention. These areas included communication between the Company and the Commission, senior management's interaction with the Board of Directors, implementation of an appropriate internal incentive for least-cost planning and the evaluation and marketing of demand-side management programs.

Incentive Ratemaking
(Electric)

The stipulated agreement in the Central Maine Power Company rate case discussed above also included a provision whereby the Company, the Staff and other parties agreed to examine an innovative regulatory framework which would provide improved ratemaking incentives for least-cost planning performance and efficient operations, including balanced rewards and penalties related to performance and efficiency. This examination of innovative regulatory mechanisms will include, but not be restricted to, methods by which earnings can be decoupled from sales, methods to relate earnings more closely to least-cost planning performance, and multi-year approaches to ratemaking which include forecasts of earnings and costs.

NET Rate Investigation

On June 6, 1989, the Commission accepted a stipulation of the parties which settled the NET rate investigation. The Commission initiated the investigation because it had reason to believe NET was exceeding its authorized rate of return. The investigation resulted in a reduction in NET's rates of about \$8.5 million, including reduced rates for short-haul toll calls, an increase in the Lifeline Assistance Program, improved marketing efforts by NET, and a commitment by NET to deploy new technologies in Maine.

Pursuant to the stipulation, the Commission has commenced an inquiry into alternative forms of regulation. It is expected during the pendency of this proceeding, which may take up to two years, NET's rates will not be changed unless extraordinary circumstances arise.

Incentive Ratemaking
(Telephone)

Pursuant to the Stipulation adopted by the Commission in the New England Telephone rate case discussed above, the Commission on November 28, 1989 initiated a proceeding to inquire into the concept of alternative forms of regulation of telephone utilities, including incentive regulation. The parties to the Stipulation agreed the form of price regulation to be explored would include an analysis of total factor productivity and would take into account effects which include inflation, NET/Maine - specific technological productivity, gains in NET efficiencies resulting from the price regulation method, i.e., a "consumer dividend," and other matters. In its notice of initiation of inquiry, the Commission invited interested parties to submit written comments on the efficacy of continued rate base regulation and on various forms of alternative or incentive regulation for the

Commission's consideration. The Commission also asked commentors to address the question of the Commission's statutory authority to implement any alternative to rate of return regulation.

The initial round of comments will be due by June 1, 1990. The Commission expects it will hold a series of meetings with interested parties to review these comments.

Competition
(Telecommunications)

On October 4, 1989, the Commission authorized the first competitive provider applying under the Competition Rule. AT&T received Commission approval to provide Federal Telecommunications System 2000 (FTS 2000) service to the United States General Services Administration (GSA) on an incidental basis within the State of Maine. When it provides this service, AT&T will pay access charges to local telephone companies as provided in the Competition Rule. Similar authority was authorized for U.S. Sprint on January 16, 1990.

In addition, AT&T has made application to expand its authority to offer FTS 2000 to include its software Defined Network Service. This will be available to all Maine users and not just the federal government.

MCI Telecommunications has advised the staff that it will apply shortly for authority to operate in Maine providing general long distance service within the State.

In late December, the FCC conducted a lottery which began a process whereby cellular telephone service will become available in all areas of the State. The Commission anticipates that it will shortly receive applications from these service providers.

Relay Services for
the Deaf, Hearing
Impaired and Speech
Impaired

In May 1989, the State Legislature enacted legislation directing the Public Utilities Commission to study the implementation of continuous relay services for the deaf, hearing impaired or speech impaired community. The Commission filed its report on January 5, 1990.

During the course of completing this study, the Commission and its consultants held open meetings with interested persons and organizations. A wide range of issues were discussed including the telecommunication relay needs of Maine's deaf community, funding options, new technological developments, survey results from other states, cost data, and the impact of national developments. The Commission's report is based on public input from these meetings, discussions with an advisory committee comprised of members of the affected community, and an analysis by the Commission staff. The report contains the following recommendations for consideration by the Utilities Committee and the entire Legislature:

- (1) The Commission recommends that the mandate of the Department of Human Services under 22 M.R.S.A. Section 3601 to provide statewide relay services be reemphasized and enforced.
- (2) The Commission recommends that the affected community be involved on a continuing basis in the provision of relay services in Maine through an advisory board to the Department of Human Services.
- (3) The Commission recommends that the Public Utilities Commission support the advisory board through the appointment of technical advisors.

- (4) The Commission recommends that Maine explore a link up with the New York Relay Service, under contract with the New York Telephone Association, for a two-year period. The Commission recommends that six months prior to the expiration of the two-year contract DHS and its advisory board reexamine long-term alternatives and report the results of their review to the Legislature.
- (5) The Legislature should commit to a regular annual appropriation of \$475,000 to fund relay services in Maine. As an alternative, the Commission suggests an increase of .17% in the sales tax on telephone services. Funding needed from the general fund or the sales tax should be reduced by the imposition of a user fee which would apply to relay service calls above a monthly usage block. This user fee should be waived for low-income residential customers.
- (6) Since much of Maine's affected community is now receiving relay services from Ingraham Volunteers, the Commission recommends that, at a minimum, those services be maintained at existing levels until a continuous statewide relay service is implemented.

Pole Attachment Rates

On March 1, 1989, New England Telephone Company (NET), invoking the Commission's jurisdiction under 35-A M.R.S.A. Sections 711, 1302 and 8302 and Chapter 880 of the Commission's Rules, filed a complaint against certain cable antenna television companies for failing to agree with NET on reasonable compensation for their use of NET poles in Maine.

The cable operators answered the complaint, and raised affirmative defenses, including a claim that this Commission lacked jurisdiction to hear the complaint. By Order on June 7, 1989, the Commission concluded that it had jurisdiction over this matter and denied the cable operators request that the Commission dismiss the complaint. On November 29, 1989, NET and the cable operators filed a Notice of Dismissal with prejudice stating that they had resolved their dispute.

Citing prior cases, the Commission concluded that an agreement between the pole owner and the pole attacher does not divest the Commission of jurisdiction once the initial failure to agree has provided the Commission's initial jurisdiction under Section 711. However, citing several reasons, the Commission decided to dismiss the complaint and indicated its intent to initiate a rulemaking to resolve, among other things, outstanding issues regarding the allocations of costs for pole attachments.

Consumer Assistance

When the Commission adopted substantial revisions to Chapter 81, Credit and Collection Rules for Residential Utility Service, in 1988, Section 14(C) was added to stimulate innovative credit and collection programs. In July, 1989 Saco River Telephone and Telegraph Co. was the first utility to obtain approval under this provision. Saco River's pilot program substitutes a series of restrictions on toll calling instead of total disconnection of service when a customer cannot pay their bill on time. A report on this alternative program is due in 1990. Other telephone companies are also exploring alternatives to disconnection. The Commission encourages these explorations in order to experiment with less costly

collection procedures and to continue progress toward the goal of universal telephone service.

In 1989, the Commission adopted an amendment to Chapter 870 of the Commission's rules that allows all utilities to increase late payment fees from 1% per month to 1.5% or 18% per year. This increase was allowed to bring the late payment fees charged by utilities more in line with those charged by other creditors. In addition, consumer protections were added to make sure all bills disclosed the due date and the late fee. The state's larger utilities sought and obtained permission to charge the late fee: Central Maine Power Co., Bangor Hydro Electric Co. and New England Telephone.

New England Telephone sought a delay in compliance with certain provisions of Chapter 81 adopted in 1983. In December, 1989 the Commission accepted a Stipulation negotiated by the staff and NET which allowed certain time extensions but insured that Maine ratepayers will not pay for some expenses incurred by the Company. For example, the Stipulation provided that the costs of separating out the basic and non-basic services (*i.e.*, services not regulated by the Commission such as inside wire maintenance and directory advertising) will be borne by the non-basic programs and not basic local service rates. In addition, NET will not charge ratepayers for preparing and implementing a plain language disconnection notice required by Chapter 81 because the Company delayed too long in complying.

The Commission published two new brochures to help utility customers in 1989: "Do You Have a Utility Complaint?" and "At Your Service: A

Guide to the Rights and Responsibilities of Residential Utility Customers" Both brochures were widely distributed during National Consumer Week and are available free to the public in limited quantities.

Compliance investigations with the Commission's credit and collection rules are an important function of the Consumer Assistance Division. The staff completed an important investigation of Central Maine Power Company's compliance with the Winter Disconnection Rule and a stipulation negotiated with the Company to resolve the violations found during that investigation was accepted by the Commission in 1989. The Stipulation contained provisions in which the Company admitted that management deficiencies contributed to the violations and several important new management oversight programs were initiated, such as more frequent internal auditing, better documentation of customer complaints and heightened internal accountability standards. In addition, CMP agreed to pay \$10,000 to Pine Tree Legal Assistance to strengthen its work in assisting low income clients with energy related cases.

Federal Safe Drinking
Water Act

In 1989, the Commission saw the ongoing effects of the 1986 Amendments to the Federal Safe Drinking Water Act (SDWA). The 1986 Amendments to the SDWA include new standards for 83 contaminants, the deregulation of the best available technology for each regulated contaminant, and the addition after 1989 of 25 new contaminants every three years. It appears that the SDWA will result in the filtration of nearly all of Maine's surface water supplies and the disinfection of many of Maine's currently untreated ground water sources. SDWA compliance costs in Maine may run in the hundreds of millions of dollars. As a result, the water

utilities and the Commission are considering a variety of options for minimizing compliance costs and putting these costs into rates.

The experience of the York Water District provides a good illustration of SDWA compliance costs. In April 1989, the Commission approved a rate increase of approximately \$900,000 or 81.5% to be phased in over a three-year period. The increase was largely driven by a new treatment and filtration plant required by the SDWA. The cost of the treatment facility will be approximately \$4,246,000.

The Commission anticipates SDWA related rate increases of similar magnitudes to be filed in 1990.

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.



