



State of Maine

Public Utilities Commission

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

February 1, 1999

During 1998, the Commission was involved in a continuing effort to lay the essential groundwork necessary to allow Maine consumers "choice" in who will provide the electricity they use. This work is being accomplished pursuant to a restructuring of the electric utility industry mandated by the Maine State Legislature in 1997. While much has been accomplished, the Commission will continue to build the regulatory framework necessary for the implementation of a retail market for electricity, throughout 1999.

Commissioners

Thomas L. Welch
Chairman

William M. Nugent
Commissioner

Stephen L. Diamond
Commissioner

While restructuring the electric utility industry was a major focus, the Commission was also busy with the ongoing and difficult tasks associated with the implementing dramatic changes in our telecommunication utilities and the development of two new gas transmission systems in the state. The gas industry is also moving toward restructuring.

The move toward competitive markets in utility services brings challenges. In Maine, as throughout the country, consumer complaints about deceptive and fraudulent marketing of services have increased in the telecommunications industry. Practices such as "slamming" and "cramming" point to an ongoing need for regulators to ensure that consumers have both the knowledge to participate effectively in the market place, and the regulatory protections they need.

Division Directors

Faith Huntington
(Acting)
Technical Analysis

Rich Kania
(Acting)
Finance

Dennis Keschl
Administration

Joanne Steneck
Legal

Matt Thayer
Consumer Assistance

"Consumer choice" for electricity begins in Maine on March 1, 2000. The long-term promise it offers for lower electricity prices depends on well educated and knowledgeable consumers participating in the market. We initiated at the direction of the Legislature, a comprehensive consumer education program to this year. The goals are to 1) increase consumer awareness of retail electric access and related issues; 2) facilitate informed consumer decision-making; and 3) provide an objective and credible source of information for consumers.

As we move towards the year 2000 and beyond, the Commission's role in educating an informing the consumer about the utility markets in which they will be participating will increase dramatically. The Commission will be a primary source of objective and credible information. We and our staff are looking forward to daunting tasks ahead.

Thomas Welch
Chairman

Bill Nugent
Commissioner

Steve Diamond
Commissioner

Contact List

Abbott, Jean - *TA Secretary*.....7-1364
Austin, Tom - *Financial Analyst*.....7-3831
Ballou, Peter - *Dep General Counsel*.....7-1388
Bergeron, Denis - *Sr. Utility Analyst*7-1366
Bero, Betty - *Sr. CAD Specialist*.....7-3831
Berube, Cheryl - *Clerk III*.....7-1352
Bragdon, Trina - *Staff Attorney*7-1392
Brewer, Gilbert - *Staff Attorney*.....7-1398
Broad, Mary - *Clerk of the Commission*.....7-1396
Buckley, James - *Special Counsel*.....7-1387
Campbell, Mary - *Adm. Secretary*.....7-1360
Carver, David - *Utility Analyst*.....7-1380
Cohen, Chuck - *Staff Attorney*.....7-1394
Cook, Ann - *Computer System Mgr*.....7-8519
Cowie, Doug - *Sr. Utility Analyst*7-1369
Cyr, Paula - *Clerk III*.....7-6074
Davidson, Derek - *Assist. Director CAD*.....7-1596
Diamond, Stephen - *Commissioner*.....7-3831
Doyle, Jim - *Utility Analyst*.....7- 1383
Dunn, Steve - *Complaint Supervisor*.....7-3831
Farmer, Gary - *Gas Pipeline Specialist*.....7-1385
Fink, Lisa - *Staff Attorney*.....7-1389
French, Tammy - *Sr. Legal Secretary*.....7-6075
Fullerton, Judy - *Finance Div. Secretary*.....7-1376
Hammond, Ray - *Utility Analyst*7-1368
Hanson, Belinda - *Comp. Tech. Support*.....7-1356
Huntington, Faith - *Acting Director TA*.....7-1373
Kaler, Maralee - *Hearings Reporter*..... 7-1355
Kania, Rich - *Acting Director Finance*.....7-1379
Kennedy, Linda - *CAD Specialist*.....7-3831
Keschl, Dennis - *Administrative Director*..... 7-1365
Kivela, Richard - *Utility Analyst*..... 7-1562
Leonard, Norman - *Utility Analyst*.....7-1371
Library.....7-1560
Lindley, Phil - *Public Info Contact*.....7-1598
MacLennan, Carol - *Staff Attorney*.....7-1393
Monroe, Angela - *Utility Analyst*.....7-1397
Nason, Sarah - *Sr. Legal Secretary*.....7-1384
Niles, Mary - *CAD Specialist*.....7-3831
Nugent, William - *Commissioner*..... 7-3831
Peaslee, Laurel - *Sr. Legal Secretary*..... 7-1386
Pepper, Jenn - *Librarian*.....7-1560
Poetzsch, Kathy - *CAD Secretary*7-8328
Robichaud, Ray - *Admin Assist*.....7-1357
Robinson, Sue Ann - *Sr. Legal Secretary*.....7-1566
Shifman, Joel - *Sr Utility Analyst*.....7 -1381
Siwinski, Grant - *Sr Utility Analyst*.....7-1382
Soldano, Rick - *CAD Specialist*.....7-3831

Steneck, Joanne - *General Counsel*7-1390
Stratton, Mary - *CAD Specialist*.....7-3831
Sukaskas, Joe - *Utility Analyst*7-1375
Sutton, Robert - *Accountant II*.....7-1358
Tannenbaum, Mitch - *Sr Staff Attorney*.....7-1391

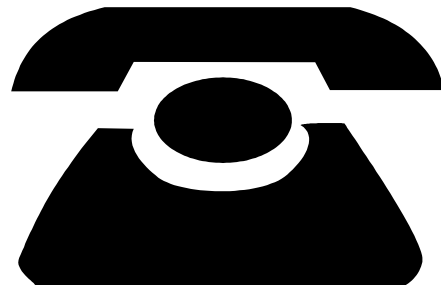
Thayer, Matt - *Consumer Ed Coord.*7-1594
Thibodeau, Carmen - *Hearings Reporter*.....7-6078
Thornton, Sandra - *CAD Specialist*.....7-3831
Welch, Thomas - *Chairman*.....7-3831

CAD Hotline.....1-800-452-4699
INTAKE.....7-1597
FAX.....7-1039
RELAY FOR DEAF.....1-800-457-1220

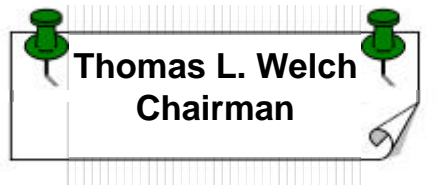
For all staff phones "Prefix 7" = 287
The area code for Maine is (207)

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

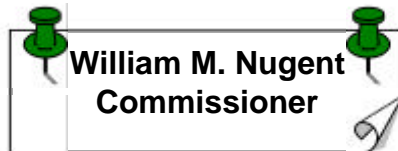
Website: <http://www.state.me.us/mpuc/homepage.htm>



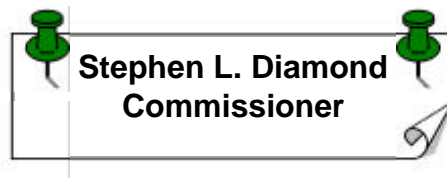
Commissioner's Biography's



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 Envirologic 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.



Stephen L. Diamond began his service as a Commissioner on the Maine Public Utilities Commission in October, 1998. He previously served as Legislative Director and Legislative Counsel for United States Senator Susan Collins, Administrator of the Maine Securities Division, an Assistant United States Attorney, and a Deputy Attorney General in the Maine Department of the Attorney General. Mr. Diamond is a graduate of Stanford University and the University of Chicago Law School.

State of Maine Public Utilities Commissioners

1915 - 1998

* Benjamin F. Cleaves	1915-1919	* David M. Marshall	1958-1969
William B. Skelton	1915-1919	* Earle M. Hillman	1962-1968
Charles W. Mullen	1915-1916	* John G. Feehan	1968-1997
John E. Bunker	1917-1917	Leslie H. Stanley	1970-1976
Herbert W. Trafton	1918-1936	* Peter Bradford	1971-1977
* Charles E. Gurney	1921-1927		1982-1987
Albert Greenlaw	1924-1933	Lincoln Smith	1975-1982
* Albert J. Stearns	1928-1934	* Ralph H. Gelder	1977-1983
Edward Chase	1934-1940	Diantha A. Carrigan	1977-1982
* Frank E. Southard	1935-1953	Cheryl Harrington	1982-1991
C. Carroll Blaisdell	1937-1941	David Moskowitz	1984-1989
James L. Boyle	1941-1947	* Kenneth Gordon	1988-1993
George E. Hill	1942-1953	Elizabeth Paine	1989-1995
Edgar F. Corliss	1948-1954	Heather F. Hunt	1995-1998
* 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	Stephen L. Diamond	1998-Present
* Thomas E. Delahanty	1955-1958		

* Chairman

Regulatory Process

The Maine Legislature created the Public Utilities Commission in 1913, and the Commission began operation 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 Commission 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 Commission 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 Commission also initiates investigations and rulemakings, resolves procedural matters, investigates allegations of illegal utility activity and responds to legislative requirements.

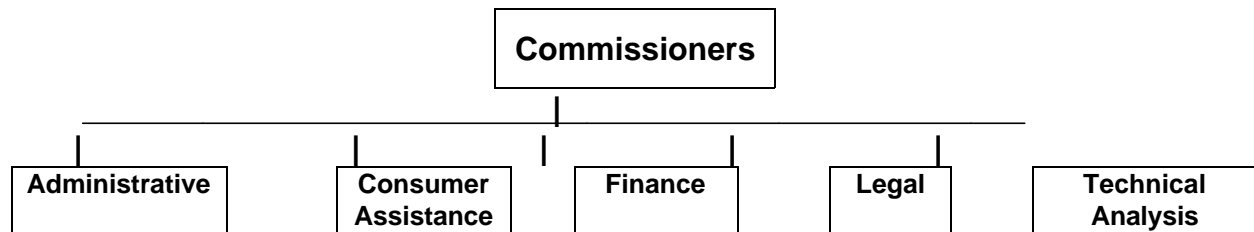
The Commission continues its efforts to streamline the regulatory process and encourage competition in the utility industries it regulates. During the past year the transition to a competitive market for electricity began in earnest, with divestiture proceedings in all three of our major electric utilities. The Commission also initiated sixteen informal inquiries to develop new rules to aid in the development of a competitive market in electricity, increase competition in natural gas industry (with the construction of two major natural gas transmission pipelines and a significant amount of new distribution systems), and to implement the Telecommunications Act of 1996 with its promise of increased competition in the local telecommunications market.

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

Cases Opened in 1998	
Reporting Categories	Disposition Date 1/1/98 to 12/31/98
CAD Appeals	19
Communications	705
Electric	132
Gas	13
Multi-Utility	2
Rulemakings	16
Water	104
Water Common Carrier	4
Totals	995

Cases Closed in 1998	
Reporting Categories	Disposition Date 1/1/98 to 12/31/98
CAD Appeals	21
CAD Remands	1
Communications	701
Electric	122
Gas	13
Rulemakings	11
Water	109
Water Common Carrier	4
Totals	982

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 Chairman by the Governor. The Commissioners make all final Commission 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 advises the Commission on issues such as rate base, revenues, expenses, depreciation, and cost-of-capital issues.

The Legal Division is responsible for providing hearing officers in cases before the Commission and assists in preparing and presenting Commission views on legislative proposals. 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.

Public Access to the Commission and the PUC Website

Almost 40,000 visitors have accessed the Commission's website since its creation in 1996, 19,800 in 1998 alone. During the last three months the average number of visits was almost 85 per day. The website is continually enhanced with more information and features. The website continues to provide current information on Commission activities -- often posted the same day as they occur -- to users of the Internet *world wide* and, more importantly, to the growing numbers of Maine Internet users. The site is especially important to Mainers, who now have access through their public libraries and schools, courtesy of the Maine School and Library Network.

The Commission's website contains up-to-the-minute information on deliberative session agendas, current docketed cases, recent decisions and orders, press releases and other time-important information. The site also contains lists of regulated utilities, staff contact information, Commission Rules and State Statutes.

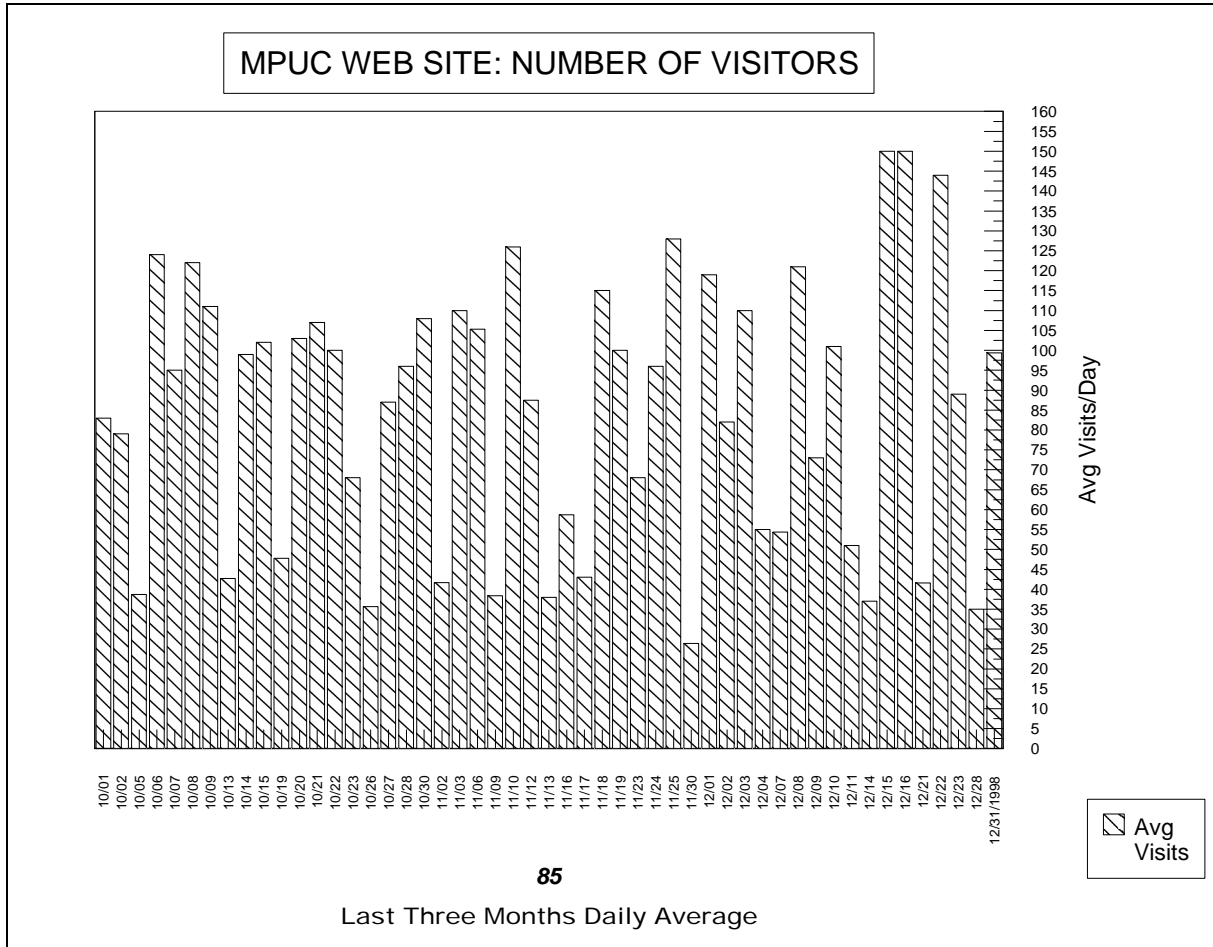
The ongoing electric restructuring process accounts for much of the increased activity on the website and shows the importance of keeping information current. There is world wide interest in what Maine is doing and many users of the website have commented (through e-mail) that accessing the Internet to get information on Maine restructuring issues has been the easiest and most comprehensive of all the available sites. The site also features an electronic application for competitive energy providers, lists of those providers and links to their websites.

The website includes individual sections for different facets of the Commission's activities. The Consumer Assistance Division section contains consumer bulletins, consumer tips, contact information and a fill-in-the-blanks electronic complaint form. There are separate pages for telecommunications, energy, electric industry restructuring, and legislative issues. All Commission Orders back to 1993 are accessible, with those from 1997-on converted to Adobe™ "PDF" format for ease of use. Recent improvements include the ability to electronically file case specific comments with the Commission, access to utility tariffs, and live audio from the Commission's deliberative sessions.

The new live audio (using RealAudio™) feature is particularly useful for public access. Anyone (anywhere!) with a computer and a modem is able to listen to Commission decisions being made. All of the Commission's deliberative sessions, as well as most other hearings conducted in the hearing room, will be broadcast over the Internet and will be archived for access after the session is completed.

The website also has links to the Maine Office of Geographic Information Systems mapping functions. Those links lead to service territory maps for the different utilities in Maine. Maps for telecommunications companies and electric companies are up-to-date and can be 'zoomed' in to view fine detail.

**Public Access to the Commission
and the PUC Website**



Ice Storm '98

A severe ice storm during January 1998 affected electric, water, and telephone utility services provided to about 700,000 homes, businesses, and governments throughout southern, central, and eastern Maine. Some services, principally to seasonal homes, were not restored for 40 days. The Commission conducted an inquiry to the response by Maine's public utilities to the storm. In the inquiry, the Commission reviewed utilities' own assessments and reports, responses to inquiries, and comments from public officials and the general public. The Commission also responded to recommendations of other agencies at federal, regional, and state levels about utility response during the storm. The Commission distributed proposed recommendations for comment in September, and received comments from Bangor Hydro-Electric Company, Central Maine Power Company, the Maine Department of Defense, Veterans & Emergency Management, and the Maine Rural Water Association.

The Commission did not find a basis for further formal investigation by the Commission, but did make a number of recommendations for follow-up activity by utilities, the Commission, and other government agencies. The Commission found no evidence of inadequate spending by utilities on tree trimming and line maintenance, but recommended an examination of alternative tree trimming practices. In response to suggestions of placing utility facilities underground to mitigate future ice storm effects, the Commission found that while "placement of underground facilities in urban areas or new developments may be desirable in some circumstances," possible advantages from relocating utility facilities would likely not offset disadvantages and costs.

The Commission noted that utilities reported examples of innovative and creative responses by utility personnel to difficult situations during the storm. The Commission recommended a further examination of utility communications with customers, government, and the media during major storms in the future, however, and made a number of related recommendations to improve those communications.

Utilities reported they incurred additional costs of \$70 million due to the ice storm, with about 60% of that total spent for outside labor, including both contractors within the state and outside utility and line clearance crews. In March, Bangor Hydro-Electric Company requested a rate adjustment to recover \$4.5 million in ice storm costs, but subsequently the utility asked that its request be deferred until 1999. Federal funding that may offset a portion of investor-owned utilities' ice storm costs is pending.

The Commission issued an order incorporating its recommendations on December 29, and forwarded final recommendations to utilities and other agencies.

Year 2000 - Y2K

The Year 2000 problem, frequently termed “Y2K” or the “millennium bug” problem, may impair some utility services if timely mitigating actions are not taken by utilities. On June 1, 1998, the Commission asked most Maine public utilities to certify to the Commission “that the utility will be ‘Year 2000’ compliant and that there will be no service interruptions as a result of noncompliance after December 31, 1999.” The Commission received responses from more than 100 utilities, showing that not all utilities reported the same degree of readiness. Although the responses did not reassure the Commission that all Maine utilities had taken all prudent assessment and testing measures, Maine's largest utilities have reported substantial progress toward Y2K compliance.

To ensure that public utilities in Maine are as prepared as possible for Year 2000 issues, on September 1, 1998, the Commission opened an Inquiry into utilities’ readiness for these issues. Because of the large number of computer applications and embedded systems in use by some utilities, even well-prepared utilities may experience minor failures in some elements of their systems. The Commission wishes to ensure that all utilities develop prudent contingency plans for interrupted or impaired utility services, especially where utilities depend upon other utilities to provide critical services.

At the Commission's invitation, senior representatives of Maine's largest public utilities and other related organizations described the state of their readiness and related contingency plans at a October 21, 1998 conference. Based on discussions at that conference, the Commission requested utilities to complete their Y2K compliance activities and related contingency plans by June 30, 1999. The Commission will post a list of utilities reporting Y2K activities on its website and will periodically issue news releases summarizing the status of those reports. The Commission is planning to have major utilities provide a further briefing in mid-1999 to assess utility compliance efforts. As requested, the Commission will support Y2K activities of the Department of Defense, Veterans & Emergency Management, the Maine Drinking Water Program, and the New England Conference of Public Utility Commissioners.

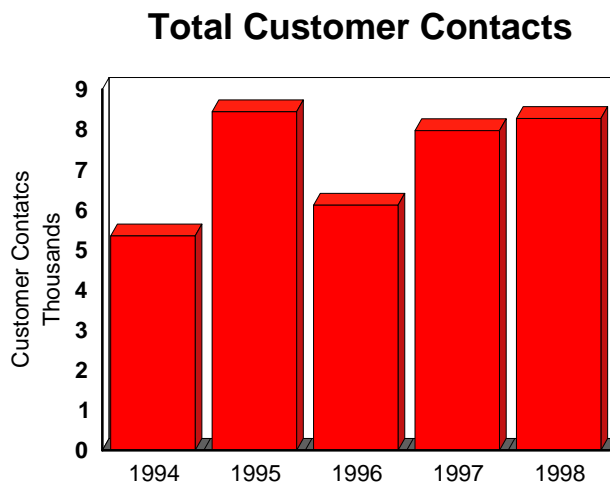
CAD Section

THE CONSUMER ASSISTANCE DIVISION

The Consumer Assistance Division (CAD) is the Commission's primary link with utility customers and is charged with ensuring that consumers and utilities 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.

Customers Assisted

The CAD assisted a total of 8,280 (this figure does not include winter requests to disconnect) customers in 1998, the second largest number in CAD history. This is a 4% increase over the 8,010 customers assisted in 1997 and 26% increase over the 6,119 customers assisted in 1996. The increase in customer contacts is part of a general trend that has been evident for several years, as seen in Figure I. This trend is attributable consumer uncertainty associated with increasing competition among the telecommunications utilities serving Maine ratepayers, and is expected to continue to increase with competition coming in March of 2000 in the electric industry.



Consumer Complaints

To address the increasing number of customer calls and to provide better customer service, the CAD redesigned its entire operation in 1997. The CAD formally had one person taking calls, with the excess being forwarded to an answering machine. Under the new process, all the CAD specialists answer calls live. This revised process allowed the CAD to answer a total of 7,405 calls live in 1998. This represents 94.68%

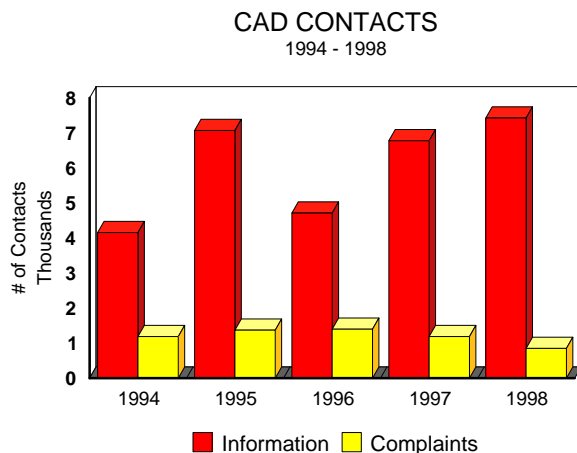
CAD Section

of the total number of calls received by the CAD. This also enabled the CAD to reduce its average complaint resolution time from a matter months in 1997 to a matter of days in 1998. This new process will better enable the CAD to address the growing number of customer calls.

Customer contacts are recorded as either information contacts or complaints. Information contacts are calls or letters where the CAD provides information to a customer or resolves a customer problem over the phone, without the need for taking a complaint. Complaints are calls or letters where a customer has a dispute with a utility that the customer has been unable to resolve. Information contacts accounted for 89% of the total number of customer contacts received in 1998, and complaints accounted for 11%. As seen in Figure II below, the number of complaints received in 1998 was slightly lower than the number received in 1997 and the number of informational contacts received were higher in 1998 than in 1997. The reason for the reduction in the number of complaints was that many were quickly resolved over the phone and categorized as an information contact. Under the CAD's former dispute resolution system, many of these contacts would have been classified as complaints. Under the new system, many disputes were resolved over the phone and were not formally logged as complaints.

CAD Investigations

Consumer complaints filed against Pine Tree Telephone and Telegraph Company and China Telephone Company led to a Commission investigation into the fees that local exchange carriers charge customers to change their presubscribed toll carrier. The investigation revealed that Pine Tree, China, Union River Telephone Company, CommTel, Maine Telephone Company, and Standish Telephone Company were charging customers fees in excess of the National Exchange Carriers Association (NECA) tariff rate of \$5.00 for each such change. The carriers ceased assessing fees in excess of the \$5.00 NECA fee and refunded over \$107,000.00 to customers as a result of the Commission investigation.



HIGHLIGHTS

- ♣♣ The Commission takes major steps to implement Maine's comprehensive electric industry restructuring law
- ♣♣ The Commission develops programs to educate consumers about retail electric competition
- ♣♣ Maine's three investor-owned electric utilities conduct auction processes and select buyers for their generating plants.
- ♣♣ The Commission authorizes a 9.86% rate increase for Bangor Hydro-Electric Company. Under the multi-year rate plans that continue for Central Maine Power Company and Maine Public Service Company, CMP's rates increase by 1.33% and MPS's by 3.9%.
- ♣♣ CMP forms a holding company, and all three Maine investor-owned utilities form affiliate companies to engage in businesses such as gas distribution and energy marketing.

ELECTRIC RESTRUCTURING IN MAINE TERMS AND DEFINITIONS

As we move to the opening of a retail market in electricity, consumers must have the knowledge to become successful participants in that market. The list below provides some basic terms and definitions that will be helpful in understanding the move toward and development of a retail market in electricity.

- **Bill Unbundling (Itemized Billing):** The separation of Electricity Supply charges from Delivery Service charges on Maine consumers' electric bills beginning in January 1999.
- **Competitive Electricity Provider:** A marketer, broker, aggregator or any other entity selling electricity to the public at retail.
- **Delivery Service:** The transmission and distribution of electricity to Maine consumers by a PUC-regulated Distribution Company.
- **Distribution Company:** A PUC-regulated utility that, after March 2000, will provide only Delivery Service, but that until then, is an Electric Utility providing both Electricity Supply and Delivery Service.

Electric

- **Electric Restructuring:** The redesign of the state's electric utility industry giving Maine consumers the right to choose their Electricity Supplier. The result of a law passed by the Maine Legislature in 1997.
- **Electricity Supplier:** A PUC-licensed seller or re-seller of Electricity Supply.
- **Electric Supply:** Electricity that is sold or resold by a PUC-licensed Electricity Supplier.
- **Electricity Utility:** Current monopoly utility that , until March 2000, provides both Electricity Supply and Delivery Service. In March 2000, Electric Utilities will become Distribution Companies.
- **Retail Electric Competition:** A system under which more than one competitive electric provider can sell to retail customers and retail customers are allowed to buy from more than one provider.
- **Standard Service Offer:** Electric generation service provided to any electricity consumer who does not obtain electric generation service from a competitive electricity provider or who has terminated service from a competitive electricity provider.

Preparing for Competition in Electricity Supply

In 1998, the Commission continued to implement Maine's electric industry restructuring law. The law enacted in 1997 separates electricity service into two products, supply and delivery, and allows Maine consumers to choose from whom they will purchase supply beginning in March of 2000. The Commission adopted several new rules, and has proceedings ongoing for several more, to implement various aspects of the law. Among the completed rules are those that govern standard offer service for customers that do not affirmatively choose a competitive provider; consumer education (including illustrative unbundling of utility bills beginning January 1, 1999); and benefits for utility employees who may lose their jobs as a result of restructuring. The rules under development will address such matters as licensing requirements for competitive providers; consumer protection; renewable resources; energy efficiency; metering, billing and collection; protocols for information transfer among market participants; and the conduct of utilities that participate in the competitive market.

The Commission also initiated adjudicatory cases to set the revenue level, including stranded costs, and rate design for each electric utility in Maine when retail competition begins. The Commission is scheduled to decide CMP's case in January of 1999, with updates considered later in the year. The Commission will also decide the remaining revenue level and rate design cases in 1999.

A Successful Market for Electricity Depends on Informed Consumers

Consumers must be informed about restructuring to make wise purchasing decisions and informed consumers are important for the development of an efficient market and the success of restructuring.

In 1998, the Commission initiated a consumer education program about electric restructuring. The program satisfies both a Legislative mandate that the Commission provide consumer education about retail choice, and the Commission's own desire to ensure that consumers are informed about upcoming changes in the electric industry before they make electricity supply purchasing decisions.

Consistent with the recommendations made by a broad-based public advisory board that studied the issue in 1997, and of the Commission, the Legislature authorized program funding of \$1.6 million. In 1998, the Commission developed a rule that establishes program parameters.

Program goals are to 1) increase consumer awareness of retail electric access and related issues; 2) facilitate informed consumer decision-making; and 3) provide an objective and credible source of information for consumers. The target audiences for the program are residential consumers, including low-income consumers, small commercial consumers, and municipal consumers.

In 1998, the Commission created a broad-based Consumer Education Advisory Panel to advise the Commission on program design and implementation. The Panel has representation from electric utilities, residential, small commercial, and municipal consumer groups, low-income consumers, the Legislature, and the Office of the Public Advocate. The Commission also selected a consumer education contractor, NL Partners, of Portland, through a competitive bidding process to assist the Commission with program development and implementation.

The Commission will conduct the education program in two phases, the first phase surrounding the introduction of itemized billing in January 1999, and the second phase leading up to and after initiation of choice in March 2000. The program will reach consumers through a variety of integrated techniques, including public service announcements and advertisements, outreach by community groups, a toll-free call answer center, and a homepage on the World Wide Web.

During 1998, the Commission held several consumer focus groups and conducted surveys to identify current levels of consumer understanding about restructuring and to determine what consumers want from an education program. The

Electric

results of the residential, commercial, and municipal research will help the Commission design the program.

The survey confirmed the Commission's belief that consumer education is critical and that current levels of consumer awareness are insufficient. The Commission found that, when asked whether the way consumers buy electricity will change in the future, 53% of residential consumers were either unaware of upcoming changes or said there would be no changes. Among municipal consumers, 22% were unaware of upcoming changes, and among commercial consumers, 7% were unaware of the changes or said there would be no changes. When asked how well informed they felt about the upcoming changes, 84% of residential consumers reported they were either not well informed or not at all informed. Among business consumers, 29% reported being inadequately informed, and among municipal consumers, 60% felt inadequately informed. These results have reinforced the importance of educating Maine consumers about electric restructuring.

More information is available by calling the Consumer Education Program at 1-877-PUC-FACT or visiting our website at www.pucfact.com.

Sales of Generating Plants

All three of Maine's investor-owned utilities completed auction processes this year to sell their generation assets. These sales are required by Maine's restructuring law to sever the link between competitive generation companies and transmission-owning utilities. Such a link, if it existed, could hamper the development of a competitive market and, ultimately hurt consumers by giving certain generation companies an unfair advantage over others.

CMP selected FPL Energy Maine, Inc. to purchase its hydro-electric, fossil and biomass plants and related assets for \$847.5 million. BHE selected PP&L Global, Inc. to purchase its assets, including certain transmission and development rights, for \$89 million. MPS chose WPS Power Development, Inc. as the purchaser of its assets for \$37.4 million. The Commission must review these proposed sales, and grant approval before a sale can become final. The Commission approved CMP's proposed sale to FPL in November of this year, and will decide the others in the first half of 1999.

Multi-year Rate Plans

Multi-year rate plans continued in effect for CMP and MPS. Under CMP's plan, the Commission approved a stipulation that allowed CMP to increase its price caps by 1.33% on July 1, 1998. The Commission also approved a stipulation that allowed MPS's price caps to increase by 3.9% on February 1, 1998, and by 3.% on February 1,

Electric

1999. The CMP and MPS stipulations also resolved certain issues surrounding Maine Yankee related costs during 1997 and 1998.

In March, the Commission also authorized a 9.86% rate increase for BHE. Simultaneously, the Commission adopted a multi-year plan for BHE that would set price caps and future changes based on an index that reflects inflation and expected efficiency improvements by BHE.

Corporate Restructuring Begins

In May 1998, the Commission approved CMP's reorganization into a holding company structure. CMP Groups, Inc. is the holding company with various regulated and unregulated subsidiaries, including Central Maine Power Company. Also approved as part of the reorganization was the establishment of a competitive energy marketing affiliate of CMP, MainePower, and a natural gas subsidiary, CMP Natural Gas, L.L.C.

On September 2, 1998, the Commission granted approval for Maine Public Service to establish a competitive marketing affiliate, Atlantic Energy. Atlantic Energy will likely market to customers within MPS's service territory, as well as in other parts of Maine and New England.

HIGHLIGHTS

- ♣♣ Area Code Relief? The Commission strives to keep Maine wholly within the (207) area code.
- ♣♣ Access rates lowered again on the way to \$0.05 per minute.
- ♣♣ The Commission takes action against slammers and crammers.
- ♣♣ Rewriting consumer protection rules for the competitive market.
- ♣♣ The Commission continues its efforts to ensure universal service.
- ♣♣ Long distance choice comes to rural Maine.
- ♣♣ A 1999 Preview - Bell Atlantic and the Competitive Checklist

TELECOMMUNICATIONS IN MAINE TERMS AND DEFINITIONS

The competitive telecommunications market continues to develop in Maine. The list below provides some of the terms that help in understanding the evolving telecommunications marketplace.

- **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 rates.
- **Cramming:** The practice of adding fees or charges to a consumers telephone bill for services that were either never provided or for services that the customer did not register for (see also Slamming).
- **Lifeline & Link-Up:** These programs assist low-income consumers in obtaining and affording telecommunications services.
- **Independent Telephone Company:** This term is often used to refer to all incumbent local exchange carriers companies other than Bell Atlantic. There are 23 of these companies, although some are owned by the same parent holding company.
- **LEC:** An acronym for Local Exchange Carrier. These companies provide basic local service. Subsets of LECs include incumbent local exchange carriers (ILECs) and competitive local exchange carriers (CLECs). The incumbents are the existing

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monopoly providers and competitive carriers are the new entrants in those markets. An ILEC can be a CLEC in a region outside of its existing monopoly service area.

- **NPA / NXX:** NPA is an acronym that essentially stands for area code. In Maine's case, the entire state falls within the 207 NPA. NXX is the abbreviation for the three digit sequence following the area code. For instance, if a person's telephone number was (207) 555-1234, the NPA would be 207 and the NXX would be 555. If Maine runs out of NXX codes, then a new NPA may be needed.
- **"The Act":** The Federal Telecommunications Act of 1996. The Act is contributing to much of the changes occurring throughout the telecommunications industry by way of ordering the elimination of many market barriers.
- **Section 271:** The section of Federal Telecommunications Act of 1996 that addresses the conditions for Regional Bell Operating Company entry into the interstate market. Section 271 is also sometimes known as the "competitive checklist."
- **RBOC:** An acronym for Regional Bell Operating Company. In Maine's case, the incumbent RBOC is Bell Atlantic.
- **Slamming:** The illegal practice of switching a consumers telephone carrier without obtaining proper consent (see also Cramming).

Number Exhaust: Maine Faces the Possibility of a New Area Code

Forestalling Exhaustion - The (207) area code, or NPA, is scheduled to "exhaust" in the year 2000. As recently as 1996, it was believed that (207) would be efficient for Maine until the year 2012, but changes in the marketplace and inefficient use of numbering resources have brought that date forward to 2000. The Commission began an investigation into various aspects of the code exhaust in 1998, and expects to continue to pursue the issue throughout 1999. The FCC has limited the Commission's authority in this realm. The Commission, therefore, has concentrated resources on encouraging the FCC to provide the Commission with the authority to order both prudent and efficient steps to ensure that the (207) code can be sustained until new technology can be employed to ensure that Maine will continue to need only one area code well into the future.

Contingency Planning - If the Commission is unable to either gain the authority to forestall code exhaust, or if other circumstances combine to lead to unavoidable code changes, the Commission must consider what type of contingency plan we should employ for a new area code. The two options are known as overlays or splits. An overlay maintains the existing (207) throughout the state, but all new NXX prefixes are drawn from a new area code. Thus, your neighbor could have a different area code even though they live next door. It is likely that all calls would require ten digit dialing,

Telecommunications

even within the same neighborhood. The other alternative is called a geographic split. This method partitions the state along a certain line with one section keeping the old (207) code and the other section changing entirely to the new area code. The Commission will consider both of these options should a new area code be required.

Maine's Access Rates Reduced Again

Access rates are a key component of long distance rates. In order to carry a long distance call, a long distance carrier must pay the local company on each end for access to the telephone line. In 1997, the Legislature passed 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 a docket to achieve this goal. Following several months of negotiations, a group of the parties brought a negotiated solution forward that was agreed to by, among others, Commission staff, the Public Advocate and Bell Atlantic. Following a series of hearings both in Augusta and across Maine, the Commission approved the agreement.

Bell Atlantic's instate access rates have been cut by approximately 50% from the level of June 30, 1997. The current average rate is less than \$0.15 per minute, and that rate will be lowered to approximately \$0.05 per minute on May 30, 1998. This reduction should ensure that calling from Portland to Bangor will cost the same or less than calling from Portland to New York. By reducing the rate to \$0.05 for all times of day, the Commission will have reduced daytime access rates by up to 90%. These daytime reductions directly influence the ability of Maine businesses to compete fairly with out of state competitors.

Bell Atlantic relied on access charges and subsequent instate toll charges for a significant portion of its revenue. With both access and toll rates projected to decrease dramatically, Bell Atlantic faces the potential for revenues to decrease. The Commission must allow a utility the opportunity to earn a fair rate of return on prudent investments. The stipulating parties agreed that Bell Atlantic be allowed to raise its basic local rates by an amount not to exceed \$3.50 concurrent with the access rate cuts, and the Commission approved these increases. At the time of the May 30, 1998 access rate cut, Maine's basic rates increased to a level \$1.50 higher than they were preceding the stipulation. In May 1999, the rates will increase by up to \$2.00. These increases will still leave Maine with the lowest average rates in the northeast, and the concurrent access and toll reductions should result in lower bills for most customers.

Access rates for the independent access rates are required to decrease as well. The Commission will be working to implement these decreases in 1999. It is possible that these access rate changes may have an impact on other telephone rates.

Consumer Protection: Slamming and Cramming

Telecommunications

The Commission has continued its emphasis on educating consumers on both the benefits and potential pitfalls of the competitive telecommunications market. Markets only are effective when consumers participate in an educated and logical manner, and the Commission continues to reach out to consumers in order to help them make the right decisions in the marketplace.

Two pitfalls that even the most informed and careful consumer can fall victim to are slamming and cramming. The Commission has sought to make these practices too risky and expensive for unscrupulous companies to pursue in Maine.

Slamming - The legislature approved P.L. 1997, Ch 702, establishing both the standards for switching telecommunications carriers and fines for failure to heed those standards. The Commission has proposed formal rules to clarify these standards and to ensure that our practices are parallel with the FCC's.

Cramming - The Commission plans to seek legislative approval for this oversight and fining authority for Company's that "cram" customer bills with either false or inflated charges in the 1999 legislative session.

Continuing the Quest of Achieving Universal Service

Maine leads the nation in telephone service with almost 98% hooked up. The FCC's most recent subscribership report shows Maine leading the nation in the percentage of households with telephone service. An estimated 97.7% of Maine households have telephone service, well above the national average of 94.1%

This high level of subscribership is the result of Maine's efforts in achieving a goal known as Universal Service. Fifteen years ago, Maine was well below the national average in subscribership. Since that time, the PUC has worked with Maine's local exchange companies, social service agencies and community programs to enhance subscription through the Lifeline and LinkUp programs. The programs help low-income households afford basic local telephone service.

Continuing the Quest of Achieving Universal Service

State Universal Service Fund - The Legislature has authorized the creation of a state universal service fund, PL 1997, Ch 692. The Commission may use this fund to achieve certain statutory goals, chief among them to ensure that telecommunications services remain affordable in Maine. The Commission opened an Inquiry in Docket No. 98-807 to help to define and clarify issues that the Commission will need to resolve.

Telecommunications

Federal High Cost Support - The Commission has continued its effort to educate other states and the FCC on the cost of providing telecommunications service in Maine. The Act contains provisions which require competitive equity among all regions of the nation, and absent additional federal universal service support, this may be an unattainable goal for Maine.

Lifeline - Lifeline/Link Up Low income support - The Commission is in the process of writing administrative rules for the Lifeline and Link Up program (Describe). These programs will help to ensure that all of Maine's citizens have access to the PSTN (Public Switched Telephone Network) and meets the Commission's statutory charge to see that our penetration rate remains among the highest in the nation.

Schools and Libraries - The Commission approved a "Circuit Rider" program to help ensure that the existing Maine School and Library Network was being used to its full and effective capacity. The program allows for trained technicians to make on-site evaluations of the facilities of the individual sites, and seeks to maximize the efficiency of the network.

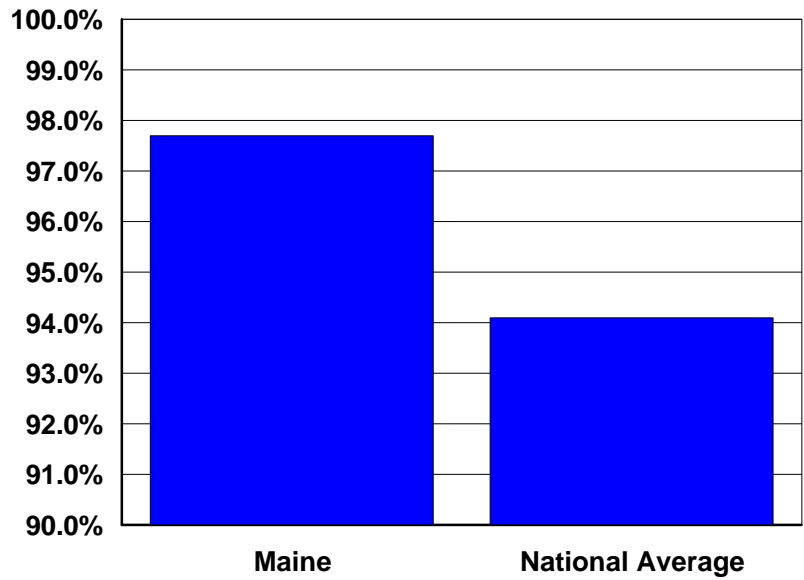
"One Plus" Dialing Now Available Throughout Maine

As of September 1998, all Maine telephone users have the option of selecting an in-state toll carrier. Bell Atlantic customers have had this option for some time, and now Maine's independent telephone company customers have this ability as well. For a list of providers in your area, see the Commission's web page at www.state.me.us/mpuc

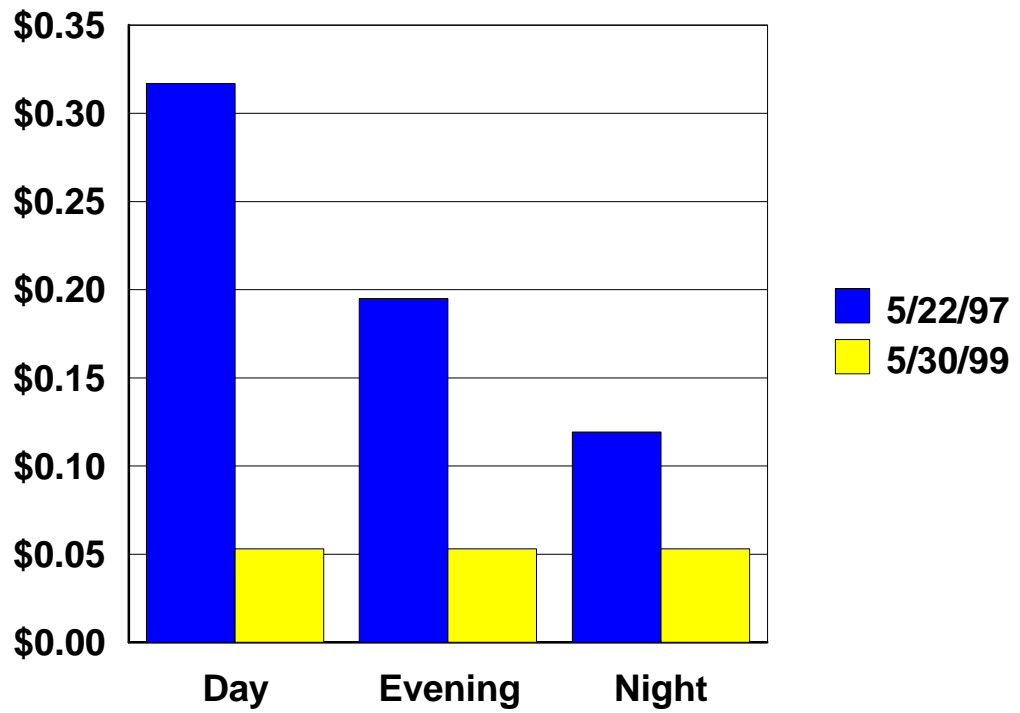
A 1999 Preview: Bell Atlantic and the Competitive Checklist

Bell Atlantic needs to obtain FCC approval under Section 271 of the Act in order to enter the interstate telecommunications market in Maine. Included in meeting the standards of Section 271 are 14 items, known as the 14 point competitive checklist. These fourteen points establish that a competitive market exists in a particular state where the RBOC is seeking approval. Bell Atlantic is expected to file for Section 271 approval in New York state in early 1999. If Bell Atlantic's filing is approved by the FCC, we expect that Bell Atlantic will eventually file a similar petition for Maine. The Commission continues to monitor developments in New York state in order to better understand Bell Atlantic's future filing in Maine.

1998 Telephone Penetration Rate



Bell Atlantic End to End Access Rates



HIGHLIGHTS

- ♣♣ Development of two major natural gas pipelines in Maine spurring dramatic changes in Maine's energy industries
- ♣♣ Commission authorizes multiple natural gas utilities to serve a single area
- ♣♣ Northern Utilities, Inc. prepares for competition

Natural Gas Pipelines Spur Dramatic Change in Maine's Energy Industries

The development of two major interstate natural gas pipelines is spurring dramatic change in the State of Maine's energy industries. The Portland Natural Gas Transmission System (PNGTS) pipeline will begin transporting natural gas through western Maine in 1998, and in 1999 the Maritimes & Northeast Pipeline, L.L.C. (MNE) will begin moving gas from the New Brunswick border in eastern Maine to join up with the PNGTS line in Westbrook. The advent of the interstate pipelines has stimulated a vigorous interest in establishing new local distribution companies in many new areas of the State. The utilities that deliver gas from the interstate pipelines to consumers are called Local Distribution Companies (LDCs), and are regulated by the Commission. The Commission is required to certify which LDCs are fit to serve consumers, review and approve their rate structures, and assure that the systems are constructed according to code and operated safely.

Energy Choice Increases for a Number of Maine Towns

In 1998, the Commission was faced with the question of how many, or which, local distribution companies to authorize to serve various areas of the State. The Commission received two applications from entities seeking authority to provide gas service in many municipalities throughout the State. Northern Utilities, Inc. is currently authorized to serve many of those same communities, and is the only natural gas utility that is presently providing local distribution service within Maine. Traditionally, only one public utility would be authorized to serve in each municipality. The Commission took an unprecedented approach and chose instead to authorize multiple LDCs with overlapping service areas, so long as they meet the Commission's financial, safety, and engineering standards.

In March, the Commission conditionally authorized Central Maine Power Company, through its proposed affiliate and in a joint venture with New York State Gas & Electric, to serve in 66 municipalities where no gas service currently exists throughout Maine. In June, the Commission fully authorized Bangor Gas Company, a joint venture between Bangor Hydro Electric Company and Pacific Energy, to serve 5 municipalities in the Bangor region (Bangor, Brewer, Old Town, Orono, and Veazie). In August, the Commission also authorized Central Maine Power Company's affiliate,

Gas

CMP Natural Gas, to serve in 35 municipalities subject to revisions to its proposed rate and service plan. Further review of CMP Natural Gas's revised proposal is expected to be complete before year's end. Bangor Gas Company's proposal to serve seven additional communities surrounding Bangor was approved in October (Hampden, Hermon, Milford, Bradley, Eddington, Orrington, and Bucksport).

Competition to Speed Introduction of Natural Gas and Lower Prices

As a result of the Commission's decision, in areas where more than one natural gas distribution company is authorized to serve, consumers may see competition among those utilities to persuade customers to take natural gas service. The Commission believes that competition resulting from authorizing multiple utilities to serve an area will speed the introduction of gas service, lower prices, and otherwise benefit consumers. Moreover, the Commission determined that because there are alternatives to natural gas such as oil, propane and electricity, less regulatory oversight of the price and terms of service is warranted.

Accordingly, the Commission has approved innovative pricing proposals that rely on competitive considerations rather than on the cost of service considerations used in traditional ratemaking practice. In addition, the Commission ruled that the risk of natural gas utility startup ventures in this more competitive, less restrictive regulatory framework will fall on shareholders, rather than ratepayers. This means that there may be rate freezes on distribution services for a period of time (probably 5-10 years) and utilities may not be allowed to recover costs for failed, "uneconomic" expansions in future rates. Although the price of the delivery service is capped, the price of the gas fluctuates with the market, so consumers can expect their total bills to fluctuate depending on the utility's terms of service.

To obtain information regarding planned system expansions, the Commission has implemented a reporting requirement for all authorized utilities, starting in October 1998, and the Commission will monitor the utilities' activities. The Commission will resolve problems if they arise for utilities or municipalities in the course of competitive expansions.

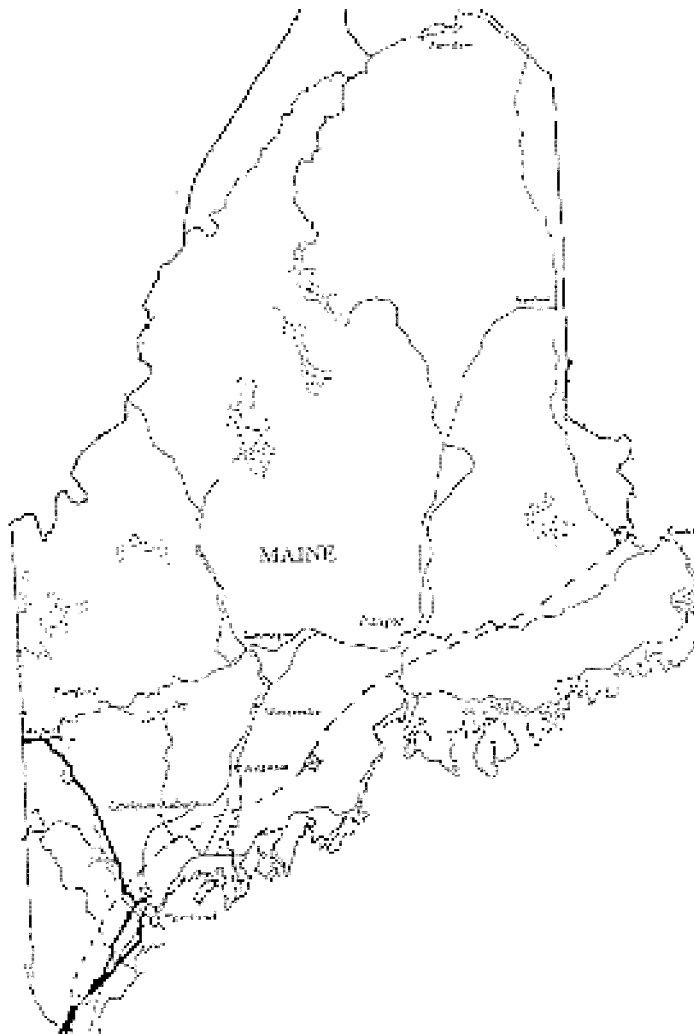
Northern Utilities, Inc. Prepares for Competition

Another significant case presented to the Commission in 1998 is a rate design and partial unbundling proposal by Northern Utilities, Inc. (Northern). Northern currently serves 22,000 customers in southern and southwestern areas of Maine including the Portland region, the Lewiston-Auburn area, and various communities located between Portland and the New Hampshire border. Northern is proposing to revise its rates and rate classes to more closely reflect the costs to serve each category of customer. In addition, Northern proposes to separate its gas supply and transportation service rates and allow customers to purchase gas supply from the competitive market. The utility hopes to grow as a distribution company by

Gas

encouraging the development of a competitive gas supply market in Maine. Northern's proposal will allow all commercial and industrial customers to take transportation-only service. In the near future, Northern expects to propose transportation-only service for residential customers as well.

For the upcoming year, the Commission anticipates continuing to explore issues related to the increasing competition in the provision of natural gas services and to determine what consumer protections and regulatory oversight will continue to be warranted for natural gas.



Proposed Maritimes & Northeast Pipeline -----
Portland Natural Gas Transmission Pipeline _____

HIGHLIGHTS

- ◆ Commission allowed rate changes for four investor-owned water utilities, five municipal water departments, and eighteen water districts.
- ◆ Commission continues to monitor and minimize regulatory duplication in order to reduce the regulatory burden on the utilities and customers.

During 1998, the Commission continued staff-assisted rate cases for small water utilities lacking the expertise or funds to prepare a rate case. Six water utilities were provided with assistance. The Staff worked with representatives of the Sandy Point Water Company and the Hebron Water Company to develop their revenue requirements and prepare the necessary exhibits and rate sheets to be filed for Commission review. The Staff guided an employee of the Maine Rural Water Association (reviewing and assisting when necessary) who prepared rate cases for Starks Water District and Strong Water District. Staff also guided and assisted the accountants for the Addison Point Water District and The Dover-Foxcroft Water District in the preparation of rate cases. Commission Staff also provides assistance to utilities, representatives of municipal governments, customers, and the general public in response to telephone inquiries.

1998 was a busy year in terms of water utility filings. The Commission acted on approximately 135 water utility cases. Cases of interest were: Docket No. 95-389 Andover Water District, Petition for Commission Investigation of the 117% Rate Increase for a New Water System; and Docket No. 98-309 Mary-Ann MacMaster, et. al. v. Gardiner Water District Complaint Request Investigation of the Sale of the New Mills Dam.

The Andover case was actually closed in 1997 but it was not until January 1998 that the final signature was obtained in on the District consent decree with the U.S. Environmental Protection Agency and the U.S. Department of Justice. The Commission interceded on behalf of the ratepayers in the Department of Justice proceeding against the District. We supported the District's request for a reduced fine and a compliance schedule that could actually be met by an entirely new Board of Trustees that was working diligently and in good faith towards full compliance. The proposed fine was reduced from \$25,000 to \$5,000 and the District was given until December 31, 1998 to complete construction. The District's new source of supply, pumping station and storage reservoir were all complete, in service, and in compliance by that date.

The Gardiner Water District has accepted an individual offer to purchase the New Mills Dam for \$1. The complaintants raised a number of issues regarding the District procedures, compliance with various state laws and compliance with Commission regulations. The Commission ruled that the District's acceptance of the individual's offer to purchase the New Mills Dam is subject to the rights of first refusal held by the City of Richmond and West Gardiner; and that any transfer of the New Mills Dam is subject to the procedural and substantive requirements of 35-A M.R.S.A. § 6109 and Chapter 691 of the

WATER

Commission's Rules. The Commission's decision has been appealed to the State Supreme court by the individual making the initial offer.

In recent years, the Staff has been called on more frequently to help resolve disputes between water utilities and the municipalities in which they serve. In 1998, for example, the Staff helped the Town of Bowdoin and the Bowdoinham Water District resolve a dispute over public fire protection service and charges to the Town. A written agreement was reached and filed with the Commission for approval.

While little regulatory duplication between state agencies with regulatory authority over water utilities exists at this time, the Safe Drinking Water Act (SDWA) requires a "capacity development" determination by the Department of Human Services (DHS) for new facilities. This could create some unnecessary duplication of effort between the Commission and DHS. However, the Commission Staff have ongoing discussions with representatives of the DHS and the Department of Environmental Protection (DEP) to ensure that duplication is eliminated whenever possible. Staff has participated in the Wellhead Protection/Source Water Protection Workgroup and will be participating in a DHS workgroup to develop a Capacity Development Strategy/Rule required for public water supplies by the SDWA.

The Commission is continuing discussions with water utilities throughout Maine, through the Maine Water Utilities Association, about reducing the regulatory burden/oversight of consumer-owned water utilities. The primary issue under consideration is whether or not the economic regulation of these utilities is best managed by the state or under local control. Any deregulatory effort would involve the passage of legislation removing the responsibility to regulate water utilities imposed by the Statute on the Commission.

Water Common Carrier

In February, Olde Port Mariner Fleet, Inc., a private tour and charter operator in Casco Bay, filed a complaint regarding Casco Bay Island Transit District's acquisition of a new vessel. Olde Port alleged that CBITD did not need the new vessel for regular route service and instead would use the new vessel to unfairly compete in the unregulated tour and charter market. CBITD disputed Olde Port's allegations by claiming that the vessel was needed for regular route service and that it was proper for CBITD to use any excess capacity in its fleet to provide tour and charter services.

The Commission held two days of hearings in October and issued a final Order in December. The Commission found that CBITD had properly sized its fleet for regular route service and that it did not have an undue advantage in the competitive tour and charter market. The Commission also instituted new record keeping requirements for CBITD and a new process for notifying the Commission of CBITD's intention to acquire a new vessel. Finally, the Commission defined the term "incidental tour and charter" (as it appears in CBITD's enabling legislation) to include the use of any excess capacity in a properly sized fleet for tour and charter service.

**Municipal & Quasi-Municipal Water Utilities
Rates Cases Pursuant to Section 6104 Completed in 1998**

Docket No.	Utility Name	Utility Proposed Revenue	Increase Over Prior Year	% Increase Over Prior Year	Effective
97-898	Houlton Water Company	\$902,000	\$64,759	7.37%	2/10/98
97-937	Brewer Water District	\$1,844,342	\$126,562	7.37%	3/1/98
98-032	Belfast Water District	\$765,911	\$119,633	18.51%	4/1/98
98-059	Southport Water District	\$173,859	\$72,430	71.41%	4-4-98
98-122	Northeast Harbor Division Mt Desert Water District	\$301,366	\$78,281	35.10%	5/1/98
98-123	Bingham Water District	\$164,609	\$58,984	55.84%	5/1/98
98-197	Auburn Water District	\$1,919,736	\$235,676	13.99%	7/1/98
98-314	Harrison Water District	\$151,020	\$38,982	34.79%	7/15/98
98-315	Mechanic Falls Water Dist	\$294,564	\$55,397	23.76%	7/1/98
98-317	Guilford/Sangerville Water	\$315,461	\$63,229	25.07%	9/30/98
98-326	Limerick Water District	\$85,078	\$42,616	100.36%	7/12/98
98-369	Northport Village Corp	\$88,800	\$35,616	66.97%	1/1/99
98-372	Sanford Water District	\$1,850,265	\$465,112	33.58%	1/1/99
98-383	Bath Water District	\$200,700	\$266,230	15.29%	9/1/98
98-512	Strong Water District	\$72,519	\$16,553	29.58%	10/01/98
98-550	Newport Water District	\$355,400	\$38,704	12.22%	10/01/98
98-748	Dover-Foxcroft Water Dist	\$489,990	\$37,377	8.25%	01/01/99
98-757	Addison Point Water Dist	\$16,284	\$2,612	19.10%	01/01/99
98-695	Southwest Harbor Water	\$417,900	\$136,498	45.51%	11/15/98

**Municipal & Quasi-Municipal Water Utilities
Rate Cases Filed Pursuant to §6104 That Were Investigated As A Result of Customer Petitions or Procedural Errors
Filed or Completed in 1998 November 12, 1998**

Docket No.	Utility Name	Date Filed	Utility Proposed Revenue	Commission Allowed Revenues	Allowed Increase	% Increase Allowed	Effective Date
97-793	Searsport Water District*	10/17/97	\$536,999	\$536,999	\$0	0.00%	8/01/98
98-328	Starks Water District***	06/25/98	\$7,794	\$7,794	\$4,131	112.78%	8/01/98
98-368	Gardiner Water District*	06/22/98	\$1,379,500	\$1,331,000	\$365,211	38.00%	7/23/98
98-817	Brownville Water Depart***	12-09-98	\$200,253	\$200,253	\$120,971	152.58%	01/10/98
<p>***Failed Due to Procedural Errors by District * Failed Due to Customer Petition</p>							

**Investor Owned Water Utilities and Water Districts
Rate Cases Pursuant to Section 307
Completed in 1998 November 12, 1998**

Docket No	Utility Name	Date Filed	Utility Proposed Revenue	Commission Allowed Revenue	Allowed Increase	% Increase Allowed	Effective Date	Test Year Return*	Utility Requested Return	Commission Allowed Return
97-969	Small Point Water Company	12/23/97	\$30,651	\$30,651	\$7,808	34.20%	5/1/98	7.56%	10.50%	10.500%
97-957	Phillips Water Company Step ¹	12/17/98	\$59,900	\$59,900	\$10,473	31.90%	4/1/98	7.46%	11.40%	11.400%
98-473	Machias Water Company	06/19/98	\$210,029	\$202,374	\$39,892	24.60%	10/01/98	5.93%	6.76%	6.330%
<p>¹Calculated by dividing utility test year after-tax income by test year rate base</p>										

Activities Outside of Maine

Electricity

The Commission is participating in major litigation at the FERC (Federal Energy Regulatory Commission) regarding the premature shutdown of Maine Yankee. With the shutdown, the decommissioning (i.e., dismantling) began in 1998 rather than after 2008 as originally planned. 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 over \$500 million, with the bulk of the increase associated with the early shutdown. The Commission intervened and is participating at the FERC to ensure the reasonableness of Maine Yankee's decommissioning plan and expenses.

We have also filed a complaint at FERC, as did the Office of Public Advocate, alleging that Maine Yankee Atomic Power Company imprudently managed the company's nuclear generating unit which led to the premature shutdown of the plant. The questions of prudent operation 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. During the Spring of 1998, FERC set the OPA's complaint for hearing.

On December 22, 1998, the Commission voted to join an offer of settlement in the two FERC proceedings. The Commission also voted to join with the OPA, Maine Yankee and the Maine owners (Central Maine Power, Bangor Hydro Electric, and Maine Public Service) in a "further settlement" of prudence issues. By the two agreements, Maine Yankee reduces its requested decommissioning rates for \$36.4 million annually (half of which comes from Maine ratepayers) to \$33.4 million (\$26 million plus \$6.8 million for spent fuel storage costs) and reduces its allowed return on equity to 6.5% (from 10.65%). The Maine owners agree to adjust stranded costs if, through 2004, the cost of replacement power is higher than the owners assumed in Maine Yankee's shutdown analysis. Maine Yankee will seek to recover the spent fuel storage costs from the Department of Energy as damages for failure to remove the spent fuel. Lastly, as an incentive measure, Maine Yankee will share in any over-budget decommissioning expenses and under-budget savings. FERC is expected to decide whether to approve the settlement in the first half of 1999.

Gas

The Commission continues to monitor several proceedings before the FERC regarding the two interstate pipelines, under construction, Maritimes and Northeast and Portland Natural Gas Transmission System, and a liquefied natural gas facility proposed for location in Maine.

Telephone

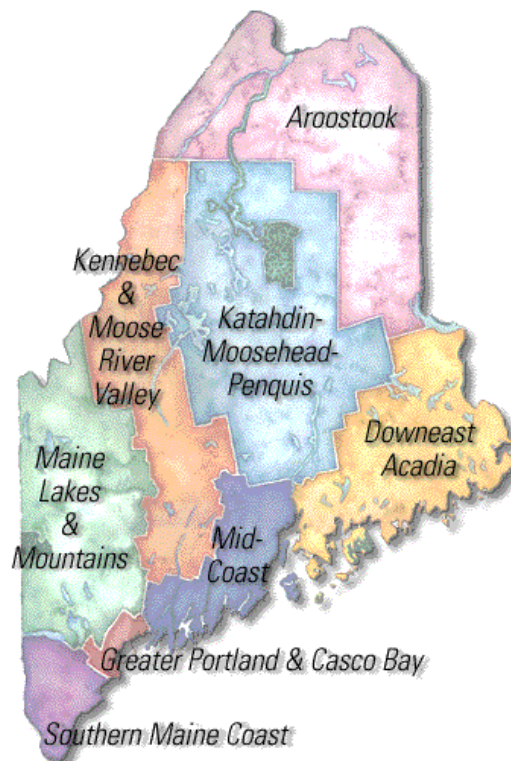
Maine has a Commissioner and one staff person involved with the Federal Communications Commission (FCC) as part of the Federal-State Joint Board on

Activities Outside of Maine

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.

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.

The Maine Commission filed a petition for reconsideration with the Federal Communications Commission regarding a recent FCC order denying Pennsylvania the ability to control the assignment of central office codes within the state. The MPUC supports Pennsylvania's position (as do a number of other states) because Maine is currently conducting an investigation into the need for an additional area code. Control over the assignment of central office codes ("prefixes") would delay the need for a new area code, possibly to the point where the code would not be needed.



New Laws

SUMMARIES OF RELEVANT NEW LAWS ENACTED IN THE 2ND REGULAR AND 2ND SPECIAL SESSIONS OF THE 118TH LEGISLATURE

The following is a brief summary of the bills signed into law in 1998 which have affected Commission operation or regulation.

I. ELECTRIC

Ch. 576 (LD 1906) Clarifies work that utility workers can do without being licensed as electricians.

Ch. 710 (LD 1935) Limits definition of "electric utility" within Title 35-A and clarifies an electric utility's ability to transfer title to property held under private and special laws but required to be divested for electric restructuring purposes.

Ch. 593 (LD 1987) Clarifies the standard under which the Commission evaluates a petition under the Electric Rate Stabilization Act and expands the time period within which the Commission must rule on any petition from 60 to 120 days.

P&SL Ch. 67 (LD 1989) Permits the Houlton Water Company to provide telecommunication and natural gas service within its existing electric service territory.

Ch. 638 (LD 2018) Permits a consumer-owned electric utility to select its own standard offer service provider subject to the same rules applicable to the Commission's selection (except for the requirement to seek three or more providers).

P&SL Ch. 68 (LD 2029) Permits the Van Buren Light & Power District to provide telecommunications service within its existing electric service territory.

P&SL Ch. 72 (LD 2134) Permits the Kennebunk Light & Power District to provide electric service to the Kennebunk, Kennebunkport and Wells Water District facility located in the Town of Kennebunk. The Water District must pay CMP's stranded costs as determined by the Commission.

Ch. 781 (LD 2204) Extends the effectiveness of the Electric Rate Stabilization Act to July 31, 1998.

Res. 99 (LD 2209) Authorizes, with minor changes, the final adoption of the Commission's major substantive rule regarding establishment of an electric restructuring consumer education program.

Res. 100 (LD 2220) Approves, with a minor clarification, the Commission's major substantive rule regarding standard offer service.

New Laws

P&SL Ch. 71 (LD 2267) Amends the charter of the Great Northern Paper Company to permit the company to provide electric service to a purchaser of its Millinocket paper mill without becoming an “electric utility.”

Ch. 691 (LD 2285) Omnibus restructuring law “correction” bill; it does the following:

- (1) grandfathers (for licensing purposes) certain electric utility boiler/burner employees;
- (2) establishes procedural rules applicable to Commission “hot bench” proceedings;
- (3) provides explicit standards to govern the disclosure of confidential information under protective orders;
- (4) extends the deadline for selection of standard offer providers;
- (5) authorizes T&D utilities to provide standard offer service if a provider defaults;
- (6) clarifies that State Purchasing Office rules do not govern the Commission’s selection of standard offer providers; and
- (7) authorizes Commission assessments to fund the consumer education program.

II. TELECOMMUNICATIONS

Ch. 664 (LD 1725) Authorizes public schools to enter into interlocal agreements to obtain advanced telecommunications services for educational purposes.

Ch. 751 (LD 2266) Expands a Dept. of Labor program under which disabled persons can obtain financial assistance to purchase special telecommunications equipment. The program is to be funded by a new assessment against telecommunications providers to be determined and assessed by the Commission.

Ch. 569 (LD 1926) Extends the time period within which the Commission may adopt major substantive rules to establish an exemption from the requirement that telecommunication carriers receive Commission approval before providing service in the State.

Ch. 702 (LD 2093) Prohibits slamming, authorizes administrative fines for violations and requires the Commission to adopt rules further implementing the prohibition.

Ch. 692 (LD 2288) Authorizes the creation of a state universal service fund.

Res. 121 (LD 2298) Creates a task force to study the taxation of telecommunications services and report back to the Legislature in January 1999.

III. NATURAL GAS

New Laws

Ch. 707 (LD 2094)

- (1) Clarifies that gas utilities may be formed under any form of business organization (e.g. partnership, limited liability company);
- (2) permits class-specific cost of gas adjustments;
- (3) authorizes the creation of alternative rate plans for gas utilities (requires submission of an annual report); and
- (4) limits the stranded cost recovery of gas utilities to costs incurred before March 1, 1998.

IV. WATER

P&SL Ch. 92 (LD 2224) Puts out to referendum a bond issue that includes funds to improve state drinking water systems.

Ch. 587 (LD 1991) Removes the State Planning Office from the list of agencies with which DHS must consult before authorizing the transport of water for commercial purposes.

Ch. 705 (LD 2005) Makes numerous changes to the State's drinking water laws to conform to the 1996 amendments to the federal Safe Drinking Water Act.

Ch. 666 (LD 2103) Authorizes an outside audit of the State's Public Drinking Water Control Program.

P&SL Ch. 61 (LD 1912) Amends the charter of the Guilford-Sangerville Water District.

P&SL Ch. 60 (LD 1937) Amends the charter of the Waldoboro Utility District.

P&SL Ch. 64 (LD 1985) Amends the charter of the Bath Water District.

P&SL Ch. 63 (LD 1990) Amends the charter of the Bingham Water District.

P&SL Ch. 75 (LD 2175) Amends the charter of the Limerick Water District.

P&SL Ch. 69 (LD 2214) Repeals the charters of the former Jackman Water District and Jackman Sewer District (both districts were combined into a new unified utility district last year).

New Laws

V. GENERAL UTILITY-RELATED

Ch. 631 (LD 2025) Clarifies the definition of “excavation” for the Dig-Safe law and permits the use of long-term, generalized excavation permits for large-scale, relatively permanent excavations (e.g. quarries, forestry work, etc.).

Res. 113 (LD 2237) Authorizes final adoption of the Commission’s major substantive rule regarding affiliated interests (the Cochrane rule) with certain changes, including

- (1) limiting the recovery of good will to a 6-year period with a mid-term review;
- (2) removing the prohibition against investment in an affiliate by a utility with a non-investment grade bond rating; and
- (3) specifying that the rule applies prospectively and only to affiliates created on or after September 19, 1997.

VI. ADMINISTRATIVE

Ch. 586 (LD 1925) Eliminates 4 positions (currently vacant) from the Commission and reallocates funds and increases the Commission assessment to make available an additional \$1,254,000 for fiscal years 97-98 and 98-99.

Ch. 719 (LD 2277) Provides over \$450,000 in additional funding to the Office of the Public Advocate for fiscal years 97-98 and 98-99.

VII. RADIOACTIVE WASTE/NUCLEAR

Ch. 700 (LD 2119) Expands the duties of the Advisory Commission on Radioactive Waste to include oversight of nuclear plant decommissioning

Ch. 686 (LD 1960) Clarifies that formerly active nuclear plants continue to be responsible for funding State activities (by DHS and DEP) regarding oversight of the decommissioning process

SUMMARY OF COMMISSION RULEMAKINGS FOR 1998

Chapter 301, Bidding Processes and Conditions for Standard Offer Electric Service

The Electric Restructuring Act requires the Commission to ensure the provision of standard offer electric service for consumers who do not select a competitive electricity provider. Chapter 301 establishes the conditions of service for standard offer electric service and describes the bidding process to be used to select standard offer providers. Chapter 301 is a major substantive rule and was finally approved by Resolves 1997, ch. 100.

Chapter 302, Consumer Education Program

The Electric Restructuring Act requires the Commission to establish a program to educate electricity consumers about electric restructuring. Chapter 302 created the consumer education program with a 4-year budget of \$1,600,000. Chapter 302 is a major substantive rule and was finally approved by Resolves 1997, ch. 99.

Chapter 303, Utility Employee Transition Benefits

The Electric Restructuring Act requires utilities to offer certain transition benefits to employees displaced by the move to a restructured electric industry. Chapter 303 establishes the procedures to be followed to determine whether an employee is eligible for transition benefits, the standards by which the Commission reviews a utility's employee benefits transition plan, and the regulatory treatment of the employee transition benefit costs.

Chapter 309, Bill Unbundling and Illustrative Bills

As provided by the Electric Restructuring Act, Chapter 309 requires electric utilities to separate charges for electric generation service from charges for electric transmission and distribution service on consumers' bills after January 1, 1999 until the advent of electric restructuring. This requirement is intended to help prepare consumers for the separation of these services, beginning on March 1, 2000.

Chapter 312, Voluntary Renewable Resource Research and Development Fund

As required by the Electric Restructuring Act, Chapter 312 establishes a program allowing retail electricity consumers to make voluntary contributions to fund renewable resource research and development.

Chapter 313, Customer Net Energy Billing

Net energy billing is the process by which an electricity consumer who also generates electrical energy is billed and credited for his net use of energy. Chapter

SUMMARY OF COMMISSION RULEMAKINGS FOR 1998

313 establishes the requirements for net energy billing after the introduction of retail competition.

Chapter 321, Load Obligation and Settlement Calculations for Competitive Providers of Electricity

Chapter 321 establishes requirements governing the calculation of hourly and monthly loads by transmission and distribution utilities for competitive electricity providers operating in Maine, for purposes of determining their retail load obligations within bulk power systems operating in their region.

Chapter 360, Qualifying Facility Rates, Terms and Conditions in Restructured Electric Industry

Chapter 360 establishes the principles and procedures used by the Commission in setting rates for an electric utility's or transmission and distribution utility's purchases of electricity from small power production facilities and cogenerators.

Chapter 410, Amendment to Uniform System of Accounts for Gas Utilities

Chapter 410 establishes a uniform accounting system for natural gas utilities. The amendment corrects an outdated cross-reference and refers instead to the annual filing required by the Federal Energy Regulatory Commission.

Chapter 640, Amendment to Private Fire Protection Rule

Chapter 640 provides a methodology for water utilities to determine the allocation of costs between public and private fire protection services. The amendment incorporates the so-called "Method A" costing methodology developed by the Private Fire Protection Task Force previously adopted by Commission order. The amendment delineates fire flow demand proxy values that may be used to calculate private fire protection charges.

Chapter 820, Requirements for Non-Core Utility Activities and Transactions between Affiliates

As required by 35-A M.R.S.A. § 715, Chapter 820 prescribes the record-keeping, accounting and structural requirements that Maine utilities must comply with if they engage in non-core business activities. Chapter 820 is a major substantive rule and was finally approved by Resolves 1997, ch. 113.

The following rules have been provisionally adopted and require legislative review and approval before taking effect.

SUMMARY OF COMMISSION RULEMAKINGS FOR 1998

Chapter 301, Amendment to Standard Offer Service

Chapter 301 regulates the provision of standard offer electric service after the initiation of electric restructuring. The amendments reflect two recent statutory changes and (1) delay the Commission's selection of standard offer providers and (2) provide a consumer-owned utility the option of performing its own bid process to select standard offer providers for its own service territory.

Chapter 304, Standards of Conduct for Transmission and Distribution Utilities and Affiliated Competitive Electricity Providers

Chapter 304 establishes standards of conduct governing the relationship between an investor-owned transmission and distribution utility and an affiliated competitive electricity provider; provides a method of tracking the retail sales made by an affiliated competitive provider within the service territory of its affiliated transmission and distribution utility; and requires that consumer-owned transmission and distribution utilities notify the Commission of certain wholesale generation sales.

Chapter 311, Renewable Resource Portfolio Requirement

Chapter 311 establishes requirements and standards for implementing the renewable resource portfolio requirement found at 35-A M.R.S.A. § 3210.

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 FY98, 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 63.5 positions in FY98.

1. A. Fiscal Year 98

In FY 98, the Commission spent approximately \$4.8 million, regulating 178 utilities with gross revenues exceeding \$1.68 billion. Attachment 1 summarizes Regulatory Fund activity and activity in other funds administered by the Commission. Attachment 2 details FY98 expenditures by line item.

B. Regulatory Fund

The authorized Regulatory Fund assessment for FY98 was \$4,283,000. In addition to the assessment, an unencumbered balance of \$1,251,649 and encumbrances of \$44,687 were brought forward from FY97. \$4,824,856 was expended. Expenditure details are presented in Attachment 2. An encumbered balance of \$366,166 and an unencumbered balance of \$388,314 were brought forward to FY99. The encumbered balances generally represent ongoing contracts for consulting services.

C. Filing Fees

In FY 98, 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. \$4,844 was brought forward from FY97. An additional \$14,539 was received during FY98. \$19,254 was expended and an unencumbered balance of \$129 was brought forward to be expended during FY99. In FY98, no fines were collected by the Commission.

Fiscal Information

E. Public Law 1997, Chapter 691 and Chapter 302 of Commission Rules approved by the Legislature in 1998, establishes the Public Utilities Commission Education Fund. This fund authorizes that a total of \$1.6 million dollars be collected from Electric Utilities and used to educate Maine's consumers as to choices they may make in selecting electricity providers beginning March 1, 2000. The fund is allocated as follows: \$200,000 for FY98, \$600,000 for FY99, \$600,000 for FY00 and a final \$200,000 for FY01. Pursuant to State Bureau of Purchases rules, a Request for Proposal process selected N.L. Partners of Portland, Maine, to carry out the Consumer Education Program under the direction of the Commission with assistance and input from the Public Advisory Panel.

2. Fiscal Year 99

Attachment 3 details the Commission's FY99 budget. Encumbered and unencumbered balances brought forward from FY98 are included. The right hand column represents total funds available to the Commission in FY99 by account and line category.

3. The Budget in Perspective

Attachment 2 details the Commission's budget for a 4-year period. The left hand column includes amounts actually expended in FY98. Column 2 contains the FY99 expenditure plan. Columns 4 & 5 contain the FY00 and FY01 Budget request.

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 FY98 no management audits were ordered by the Commission.

Fiscal Information

COMMISSION FUND ACTIVITY BY ACCOUNT FOR FY 1998

Attachment 1

ACCOUNT NAME	AMOUNT
REGULATORY FUND	

UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY 97	1,251,649
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY 97	44,687
FUNDS RECEIVED DURING FY 98	4,283,000
LESS EXPENDED DURING FY 98	4,824,856
ENCUMBERED BALANCE BROUGHT FORWARD TO FY 99	366,166
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 99	388,314
REIMBURSEMENT FUND	

FILING FEES	
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY 97	0
ENCUMBERANCES BROUGHT FORWARD FROM FY 97	0
FUNDS RECEIVED DURING FY 98	0
LESS EXPENDED DURING FY 98	0
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 99	0
MISC. REIMBURSEMENTS	
UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY 97	4,844
FUNDS RECEIVED DURING FY 98	14,539
LESS EXPENDED DURING FY 98	19,254
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY 99	129

Fiscal Information

COMMISSION BUDGET IN PERSPECTIVE

Attachment 2

	FY98 ACTUAL EXPENDITURES	FY99 BUDGET	PROPOSED FY00 BUDGET	PROPOSED FY01 BUDGET
REGULATORY FUND				
POSITIONS	(69)	(64)	(64)	(64)
PERSONAL SERVICES	3,605,538	3,965,608	4,047,418	4,205,668
CONSULTANTS	542,807	1,596,180 #1	92,696	30,909
ALL OTHER	669,199	721,272 #2	759,886	681,423
CAPITAL	7,312	24,420 #3	18,000	0
TOTAL	4,824,856	6,307,480	4,918,000	4,918,000
BUDGET	5,664,488	4,918,000 #4	4,918,000	4,918,000
REIMBURSEMENT FUND				
FILING FEES	0	0	0	0
MISC	19,254	0	0	0
REIMBURSEMENT				
CONSUMER EDUCATION	0	800,000	600,000	200,000
TOTAL	4,844,110	7,107,480	5,518,000	5,118,000

FY99 also #1 Encumbered Balance of \$345,661 and unencumbered balance forward from FY98 of \$388,314 pursuant to PL 1997 Chapter 586 all balance forward is made available to on a one time basis. Also included is \$635,000 in additional assessments on utilities authorized by Chapter 586.

#2 Encumbered Balance of \$6,085 is brought forward from FY98.

#3 Capital equipment encumbrances of \$14,420 are brought forward from FY98.

#4 Total Funds available include \$388,314 bal. fwd., \$366,166 encumbered bal fwd., \$4,918,000 regular assessment and \$635,000 special assessment.

Fiscal Information

FY99 BUDGET & ADJUSTMENTS

Attachment 3

	BUDGET	ADJUSTMENT		ADJUSTED BUDGET
REGULATORY FUND				
POSITIONS	(64)	0		(64)
PERSONAL SERVICES	3,965,608	0		3,965,608
CONSULTING	227,207	1,368,975	*1	1,596,182
ALL OTHER	715,185	6,085	*2	721,270
CAPITAL	10,000	14,420	*3	24,420
TOTAL	4,918,000	1,389,480		6,307,480
CAPITAL	0	0		0
REIMBURSEMENT FUND				
FILING FEES	0	0		0
MISC REIMBURSEMENT	0	0		0
CONSUMER EDUCATION	800,000	0		800,000
GRAND TOTAL	4,918,000	1,389,480		6,307,480

*1 Includes Encumbered Bal. fwd of \$345,661; unencumbered bal. fwd of \$388,314
Includes \$635,000 additional assessment authorized by PL 1997 Chapter 585.

*2 Encumbered balance forward of \$6,085.

*3 Encumbered balance forward of \$14,420.

Fiscal Information

Maine Public Utilities Commission

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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
	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		418,705,468	0.1074%	449,779	450,000
	462,967,673	182,850,133	32,220,884	14,428,444	803,933	693,271,067	0.1875%	1,299,996	1,300,000
FY84	508,838,895	194,922,674	36,803,237	19,309,123	959,425	760,833,354	0.1919%	1,459,983	1,460,000
	546,977,166	210,502,523	40,372,798	21,206,118	984,106	820,042,711	0.1944%	1,593,904	1,594,000
FY86	630,565,108	210,877,202	42,290,155	20,517,627	1,080,600	905,330,692	0.2368%	2,143,913	2,144,000
	670,908,924	238,902,099	43,400,274	19,213,032	1,211,241	973,635,570	0.2392%	2,328,989	2,329,000
FY88	645,757,051	275,047,659	45,215,835	17,911,730	936,922	984,869,197	0.2253%	2,219,000	2,219,000
	721,684,049	286,419,434	48,176,192	17,744,522	1,035,357	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	1,214,007	1,166,121,978	0.2266%	2,642,845	2,696,000
	837,377,145	349,185,418	52,855,076	21,928,319	1,536,596	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	1,537,296	1,372,788,171	0.3103%	4,259,985	4,473,000
	1,052,609,125	343,341,527	64,223,522	24,997,942	1,569,023	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	1,919,595	1,517,464,635	0.2806%	4,257,758	4,918,000
	1,097,614,456	371,037,052	74,793,749	30,505,910	1,284,905	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	1,697,223	1,593,809,552	0.3086%	4,918,000	4,918,000
	1,118,124,742	392,623,445	87,230,402	31,365,288	1,924,520	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	2,098,648	1,667,621,907	0.2568%	4,283,000	4,918,000
	1,153,567,578	415,265,192	91,340,130	42,553,204	2,187,844	1,704,913,948	0.3257%	5,553,000	5,553,000*
1999	1,153,567,578					1,153,567,578	0.0693%	800,000	800,000**

*One time increase by \$635,000 pursuant to PL1997 Chapter 585

**Authorized by PL1997 Title 35-A M.R.S.A. Section 3217 and Chapter 302 of Commission Rules to Fund a Consumer Education Program.

1998 Annual Report

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	Liquified 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/Commission	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

PUC 1998 ANNUAL REPORT EVALUATION FORM

We ask you to give us feedback on the content and format of this annual report, by filling out the following short questionnaire and mailing it (postage already paid) back to us.

1. What is your overall evaluation of this report? (check one)

very informative ___ somewhat informative _____ not informative _____

2. Please rate each of the following report sections according to how they helped you further understand utility issues and events.

(1 = very helpful 2 = somewhat helpful 3 = not helpful)

Telecommunications	_____	Y2K	_____	Public Access	_____
Electric	_____	Acronyms	_____	Appendices	_____
Water	_____	Consumer Assistance	_____	Rulemakings	_____
Gas	_____	Ice Storm	_____		
Telephone List	_____	Legislative	_____		

3. How can we improve this report to better meet your information needs? If appropriate, please specify particular sections.

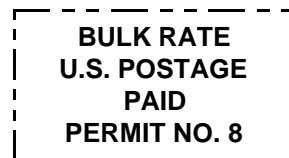
4. What did you like best about this report? (check those items that you liked)

format _____
writing style _____
cover _____
content _____
ease in reading _____
other _____

THANK YOU!

Fold here and mail

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



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

Fold here and mail

Map Location of COMMISSION

DIRECTIONS TO THE MPUC

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

FROM SOUTH: I-95 Exit 30 (Augusta/Winthrop) to Western Avenue toward downtown 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). COMMISSION is on the right (242 State Street, tel. 287-3831), with ample parking and handicap accessible.



Maine Public Utilities Commission

Editors

Paula Cyr
Diane Friese
Dennis Keschl

Contributing Writers

Denis Bergeron
James Buckley
Trina Bragdon
Gil Brewer
Derek Davidson
James Doyle
Ray Hammond
Faith Huntington
Phil Lindley
Carol MacLennan
Raymond Robichaud
Joanne Steneck
Joe Sukaskas

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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