

STATE OF MAINE PUBLIC UTILITIES COMMISSION



2003 Annual Report

Submitted
February 1, 2004

**Maine Public Utilities Commission
242 State Street
18 State House Station
Augusta, Maine 04333-0018
Tel: 207-287-3831
Fax: 207-287-1039
TTY: 1-800-457-1220**

**Electric Restructuring Consumer Education
Information: 1-877-PUC-FACT
(782-3228)**

**Electric Restructuring Education Homepage: <http://www.pucfact.com>
Website: <http://www.maine.gov/mpuc>
Efficiency Maine: <http://www.energymaine.com/>
Consumer Hot Line: 1-800-452-4699
E-Mail: Maine.puc@Maine.gov**

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**State of Maine
Public Utilities Commission
242 State Street - 18 State House Station - Augusta Maine**

February 1, 2004

Commissioners

Thomas L. Welch
Chairman

Stephen L. Diamond
Commissioner

Sharon M. Reishus
Commissioner

During 2003 the Commission assumed responsibility for two additional programs. These are the State Energy Program, which manages the federal energy grants in Maine, and the Emergency Services Communications Bureau that oversees Maine's E-911 network. We also continued our efforts to enhance competition in our electric and local and in-state toll telecommunication markets, launched new energy efficiency programs through "Efficiency Maine," and worked to improve service quality standards for our natural gas sector.

We sought to strengthen the New England wholesale power market by intervening in federal proceedings about the structure of the market, cost responsibility for transmission, and the role of the independent system operator. We continued to secure Standard Offer service and to refine the process of Standard Offer bidding.

Division Directors

Faith Huntington
(Acting)
Technical Analysis

Rich Kania
(Acting)
Finance

Dennis Keschl
Administration

Joanne Steneck
Legal

Derek Davidson
Consumer
Assistance

Denis Bergeron
Energy Program

Albert Gervenack
E-911

Through "Efficiency Maine", we began new electric energy efficiency programs, including residential lighting and small business programs, a commercial and industrial program, and a new school design program. These programs have assisted thousands of Maine consumers and businesses, creating significant energy savings and improving business competitiveness and the environment while assisting in the transformation of the market for electric and lighting products.

One of our major initiatives in the telecommunications sector was the approval of expanded local calling for many communities. This effort ensured that each Maine town has toll-free calling to contiguous exchanges and allows almost all Mainers to call people at their schools and other local communities of interest without incurring toll charges. We also continued to reduce in-state access charges to bring them in line with interstate access charges to help lower in-state long distance bills.

We completed a management audit of the customer service quality record for Northern Utilities, one of our largest natural gas utilities, and we are nearing the completion of a review of its billing practices.

Finally, we completed several studies and reports for the Legislature to assist in the development of policy concerning issues varying from renewable energy to building energy codes.

Thomas L. Welch
Chairman

Stephen L. Diamond
Commissioner

Sharon M. Reishus
Commissioner

COMMISSIONERS' BIOGRAPHIES

Thomas L. Welch was appointed Chairman of the Maine Public Utilities Commission in May of 1993. Chairman Welch was reappointed to a second term in February 1999. Prior to joining the Commission, Tom 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. Tom has also been Assistant Professor of Law at Villanova University School of Law, Adjunct Professor of Law at Dickinson School of Law, and Adjunct Instructor at the University of Maine. Tom graduated from Stanford University in 1972 and Harvard Law School in 1975. Current term expires in 2005.

Stephen L. Diamond began his service as a Commissioner on the Maine Public Utilities Commission in October 1998 and was reappointed to serve a full six-year term in March 2001. 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. Current term expires in 2007.

Sharon M. Reishus was appointed to serve as a Commissioner on the Maine Public Utilities Commission in July 2003. From 1998 until her appointment, Ms. Reishus worked at the Cambridge Energy Research Associates (CERA) as Director, North American Power. She worked as a staff analyst at the Maine Public Utilities Commission from 1991 to 1998. Prior to 1991, Commissioner Reishus worked at Central Maine Power Company and for the CIA in Washington, D.C. Ms. Reishus received an M.B.A. in Strategic Planning from the Wharton School in 1990 and a B.S. in Applied Earth Sciences from Stanford University in 1984.

THE MAINE COMMISSION

Mission Statement:

The Maine Public Utilities Commission regulates utilities to ensure that safe, adequate and reliable utility services are available to Maine customers at rates that are just and reasonable for both customers and public utilities.

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 538 utility companies and districts that generate more than \$1.23 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 by 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 three full-time Commissioners are nominated by the Governor, reviewed by the Legislature's Joint Standing Committee on Utilities and Energy and confirmed by the full Senate, for staggered terms of six years. The Governor designates one Commissioner as Chairman. 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; a newly created Energy Programs Division; and the Emergency Services Communication Bureau.

The Administrative Division is responsible for the day-to-day operational management of the Commission, including fiscal, personnel, contract and docket management, physical plant, computer operations and the Information Resource Center. This division also 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 and assistance to utility customers to help them resolve 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 such matters 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.

The Energy Program is responsible for the development and implementation of a statewide electric energy conservation program and for the management of the federal government's energy conservation efforts in Maine.

The Emergency Services Communication Bureau manages the E-911 program development and implementation and is attached to the Administrative Division.

During the past year the Commission processed the following caseload:

Cases Closed in 2003	
CAD Appeals	16
Communications	613
Conservation	5
Damage Prevention	2
E-9-1-1	1
Electric	186
Gas	12
Multi-Utility	2
Rulemakings	5
Water	89
Water Common Carrier	1
Total	932

Cases Opened in 2003	
CAD Appeals	12
Communications	556
Conservation	1
Electric	146
Gas	9
Rulemakings	2
Water	79
Water Common Carrier	1
Total	806

PUBLIC ACCESS TO THE COMMISSION

The Maine Public Utilities Commission seeks to be open and accessible to the public and remains committed to providing the public with the information it needs to participate in our processes. Competition and the ongoing evolution from a highly regulated approach for providing utility services to a more "free market" approach require an informed and educated public. The Commission's vision – to make the Commission and its processes open and accessible to citizens throughout Maine – requires both a personal commitment by the Commissioners and staff and expanded the use of technology to reach every corner of the state.

Internet Access

According to a recent Omnibus Poll, almost two thirds of Maine households have Internet access through a home computer – up from less than 25% five years ago – and the "Maine School and Library Network" makes the web accessible to anyone in Maine. The Internet is a crucial tool for achieving the Commission's vision of openness and accessibility and the Maine School and Library Network is a key component in ensuring citizen access to the Commission, its documents, and processes and procedures. In addition, interested parties, researchers, and other regulatory bodies from around the world are able to use our website for access to Commission information.

Our website contains information on deliberative session agendas, current docketed or active cases, recent decisions and orders, news releases and other time-sensitive information. The site also contains lists of regulated utilities and their tariffs (using our virtual tariff system), staff contact information, Commission rules, State statutes, and live audio from the Commission's deliberative sessions and hearings.

Live Audio on the Web

The live audio (using RealAudio™) feature is particularly useful for public access, and is very popular. Anyone with a computer, a sound card, and a modem is able to listen to Commission decisions being made. All of the Commission's deliberative sessions, as well as many other hearings conducted in our hearing room, are broadcast over the Internet and archived for access after the session is completed. Written transcripts are also available on the website. We have used the Internet since 1997 for live and archived recordings of deliberative sessions and hearings – the first and only Maine state agency to do so. The feature continues to be well used by both the public and the utility industry.

Electronic Documents via the Web

Continuing interest in our implementation of the legislative requirement to restructure our electric utility industry is addressed by making available an extensive amount of information for competitive electric providers and consumers. Our website features an electronic application for competitive energy providers, lists of those providers, and links to their websites. Requests for bids for the electric "Standard Offer" provider are posted periodically on the website. The complete packages for the most recent bids are available for each service territory at

http://www.state.me.us/mpuc/new%20standard%20offer/standard_offer_home.htm.

There are separate pages on the website for telecommunications, energy, natural gas, water utilities, electric industry restructuring, and legislative issues. All Commission Orders back to 1993 are accessible and, beginning in 1997, orders have been converted to Adobe™ "PDF" format for ease of use. These orders are also available on a compact disc (CD) by request. This is useful for those who need to have many of these documents available quickly without waiting to access each of the documents via the Internet. It provides them with a mini-database of this information that is available "offline."

In the "Virtual Case File" (<http://mpuc.informe.org>), all documents for currently active and recently closed cases are available "on-line." Documents are either provided electronically or are scanned in PDF format. Any document in the case file (excluding those with confidential information), including those that are hand-written or have signatures, is available. As a result, anyone anywhere in Maine (and the world) can follow any case and print case documents from their home or office, at any time.

Supporting the virtual case file is the ability to file documents electronically. Any company, party, or commenter is able to make secure electronic filings of complete utility cases, including pre-filed testimony, appendices, and exhibits. They do not include confidential material. Companies file rate cases, tariff change requests or official documents on a secure FTP site that is password protected. Our Case Management Unit receives automatic electronic notice of new filings, recording the electronic date stamp as the official filing time. These electronic documents are then put directly in the virtual case file without the need for scanning or conversion to PDF format. Commission staff members are able to access relevant parts of any case and print only necessary sections on new high-speed printers. Previously, utilities filed multiple paper copies of documents. While not yet mandatory, all utility companies, interveners, and other interested parties are encouraged to file official documents and comments electronically, saving time and money.

Our "Virtual Tariff System" enables users to search and view tariffs for all of our regulated utilities. In the deregulated market place, the virtual tariff system allows consumers to make informed choices about whom they want to provide their competitive utility service.

Our web presence allows the public, utility companies, interveners, researchers, and other interested persons worldwide to have access to the Commission whenever they want. In this period of increasingly competitive utility services, public information and education are crucial for the successful operation of emerging markets. We believe that a competitive market cannot exist without an informed consumer. The Commission's website has been the primary instrument in providing crucial and timely information, thus helping us achieve the Commission's vision. The Consumer Assistance Division section contains consumer bulletins, consumer tips, contact information, and a "fill-in- the-blanks" electronic utility complaint form.

For 2004, the Commission's website will be completely redesigned to make it simpler and more accessible. While the amount of material on our site increases dramatically every year, we are concerned that finding specific information is becoming less intuitive. The homepage will become a simple "table of contents" for the site with logical links to all areas that should increase ease of access. The individual areas and pages will have a similar "look and feel" to allow users to quickly locate information for any regulated industry. We will also be using new technology to improve the timeliness and reduce the cost of our transcriptions services by making them available "on-line" as soon as the Commission receives them.

Our aggressive use of this new technology has produced savings in time and travel costs, has reduced pollution related to travel to the Commission's offices, and has saved reams of paper, not only for our agency, but for all of those who interact regularly with the Commission.

UTILITY INFRASTRUCTURE SECURITY

Significant sectors of the 'critical infrastructures' identified nationally for special protection fall within the Commission's intrastate jurisdiction: telecommunications, electric power, natural gas, and drinking water. Public utilities that provide those services in this state are required by Maine law to provide safe, reasonable and adequate facilities and service. 35-A M.R.S.A. § 301(1). To satisfy that requirement, utility facilities must be secure. While public utilities have the primary responsibility to secure their own infrastructure, the Commission provides support and encouragement to utilities, and collaborates on security issues with utilities, industry organizations, federal agencies, and other state agencies such as the Maine Emergency Management Agency (MEMA) in the Department of Defense, Veterans & Emergency Management.

The Commission has taken an active support role in utility critical infrastructure security. We have exchanged 24x7 contact information with all major utilities for both operational status and security purposes so we can assist State and utility interests in communicating on issues related to infrastructure security. We have assisted the Adjutant General, State Police, National Guard, and emergency managers in providing alert and advisory information to utilities whose infrastructure may be threatened. We are updating Commission rules and procedures to ensure that we have complete, accurate, and timely information on the status of utility systems on an ongoing basis. We developed and currently maintain a statewide e-mail list of Energy Emergency Information Coordinators to facilitate the dissemination and exchange of timely energy emergency information throughout different agencies of State government.

The Commission has designated staff members to serve on the State's Emergency Response Team (ERT) to advise the Governor and MEMA on utility-related issues, and is developing the capability to use detailed geographic information system (GIS) maps and data about key utility infrastructure to support the ERT during events that involve utility systems. During the past year, the Commission's role on the ERT came into play during our response to the regional electric power blackout in August, when we facilitated a real-time assessment of possible effects on Maine through communications with ISO-NE, the North American Electric Reliability Council, Maine T&D utilities, U.S. Department of Homeland Security (DHS), Federal Bureau of Investigation (FBI), MEMA, and the Governor's Office. When Hurricane Isabel threatened the Northeast the following month, we contacted key Maine utilities to ensure that they were preparing for the possibility that the major storm would impact Maine directly, as some forecasts suggested. In November, we concluded an investigation into the response by major utilities in Maine to winter storm events, and ordered Verizon, CMP, and BHE to take specific measures to improve their preparations for such weather events.

Much of the information provided by utilities about their key infrastructure could pose security concerns if not protected. We are keenly aware of the need to balance public access to utility information in general with the need to secure information that could be used to compromise the integrity of utility systems. Thus, in limited circumstances we have invoked the authority given to the Commission in P.L. 2001, Ch. 135 to secure confidential utility infrastructure information, as provided in 35-A M.R.S.A.

§ 1311-B. A Commission staff member has been cleared for access to classified national security information to facilitate our role in warning and assessment support on utility issues if necessary. We have developed the capability for the Commission to exchange sensitive information with the DHS and FBI on a secure basis so that we can assist with dissemination and collection of sensitive infrastructure threats, particularly those that could affect the state's smaller and more rural utilities. That capability proved useful during October, when electric transmission towers were sabotaged in the Pacific Northwest, and we were able to relay to Maine's utility community sensitive information about the nature of that threat and to suggest protective measures.

The Commission has assisted in the development of the State's Homeland Security Strategic Plan, including active participation by Commission staff members on planning teams developing specific homeland security plans. As part of that effort, the Commission is assisting MEMA and Maine State Police in a review of utility security improvements implemented since September 2001. Commission staff members are also active on a team chartered by the Adjutant General to develop GIS support for the State's homeland security efforts, and are working actively to ensure that sensitive utility infrastructure information to which the Commission has access remains secure.

On a national level, the Commission staff actively participates on a committee chartered by national utility regulators to identify best practices and roles for utility regulatory commissions. That committee works to improve communications between federal and state agencies and utilities on utility-related critical infrastructure issues, and represent the interests of Maine and similarly-situated states in the evolution of homeland security practices by federal agencies. In October, in response to a DHS request, that committee proposed changes to DHS grant standards to allow additional federal grant funds to flow to more rural states like Maine for critical infrastructure protection. Commission staff are members of the Maine Anti-Terrorism Advisory Council (formerly the Anti-Terrorism Task Force) coordinated by the U.S. Attorney's Office, and have collaborated with security and law enforcement agencies in Atlantic Canada related to cross-border security issues facing utilities during emergencies.

The Commission continues to consider other utility infrastructure security issues, including various factors that make utility infrastructure security particularly challenging:

- Utility infrastructure is usually highly visible and thus not a hidden target.
- Utilities increasingly use modern technology, including the Internet, to monitor and control their facilities, and the internet is far from secure and accessible globally.
- High-tech approaches are increasing the interdependence among utility services.
- To minimize inadvertent or unnecessary release of sensitive information about critical infrastructure, some federal agencies and utilities restrict information flow to states, complicating state and local roles as the levels of government that would provide initial response to an incident that affects local infrastructure.

The Commission's goal is to ensure that, even in times of an extreme or unanticipated emergency, utility facilities and services will continue to be safe, reasonable, and adequate to meet Maine's needs.

DIG SAFE

Protection of Underground Facilities

Title 23 MRSA 3360-A (commonly referred to as the “Dig Safe Law”) has been in effect since the late 1970s. This law was intended to protect underground facilities in order to prevent the interruption of services, lost revenues and safety hazards associated with damaging utility facilities. However, the initial version of the law did not assign responsibility for enforcement to a particular state agency and damage continued to occur at rates significantly above national and regional averages. To address this problem, in 2000, the Maine Legislature included penalty provisions in the law and assigned enforcement responsibility to the Commission.

During 2000 and 2001, the Commission implemented rules and proposed changes to the law to make the system more workable and enforceable. In 2002, the MPUC began actively enforcing Chapter 895 of the Commission’s Rules, entitled “Underground Facility Damage Prevention Requirements” and was very active in promoting a public awareness program through work with the media and training over 500 people in Dig Safe education sessions.

In 2003, the MPUC again actively enforced Chapter 895 of the Commission’s Rules and continued to be very active in promoting public awareness by training an additional 460 individuals at 16 Dig Safe education sessions held across the State. This brings the total number of individuals trained by the Commission in Damage Prevention to approximately 1,000. We also initiated two rulemaking proceedings in 2003, Docket Number 2003-671 (a major substantive rulemaking, in response to P.L. 2003, ch. 373) and Docket Number 2003-672, to incorporate legislative and other modifications to Chapter 895.

Enforcement

The following table provides additional details on the Commission’s Dig Safe enforcement activities.

Dig Safe Incidents Processed by MPUC

	Reported Incidents in <u>2001</u>	Reported Incidents in <u>2002</u>	Reported Incidents in <u>2003</u>
Reported Incidents	192	303	429
Type of facilities involved			
<i>Electric</i>	43	57	69
<i>Gas</i>	57	51	95
<i>Telephone</i>	37	128	152
<i>Water/Sewer</i>	39	46	98
<i>Cable TV</i>	0	6	15
<i>Unknown</i>		9	0
<i>Multiple Facilities</i>		6	0
Notices of Probable Violation (NOPVs) Issued	136	218	20*
Monetary Penalties in NOPVs	\$82,500	\$110,000	\$10,000*
<i>Waivable with Training</i>		\$53,500	\$7,000*
<i>Not Waivable with Training</i>		\$54,500	\$3,000*
NOPVs to Excavators	96	155	14*
-			
NOPVs to Facility Operators	40	63	6*

* -- Not final numbers. Initial review of reports still in progress.

CONSUMER ASSISTANCE

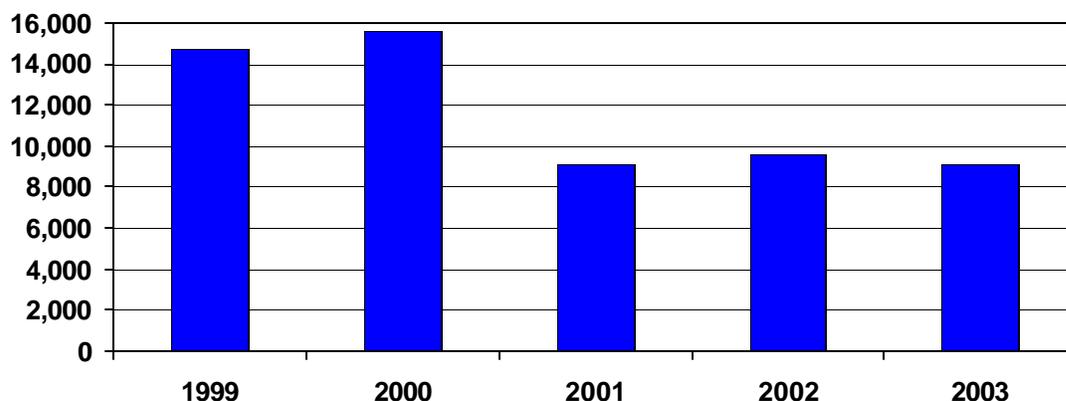
- Slamming and Cramming complaints declined in 2003. Complaints about Telecommunications service comprised 63% of the total complaint activity in CAD.
- CAD increased enforcement activities.
- In 2003, over \$1.1 million was abated by utilities for 4,653 Maine consumers, the highest amount in CAD history.

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

CAD Contacts

The CAD tracks its contacts with both consumers and utilities, whether the contact is to provide information and assistance, investigate a consumer complaint (a complaint is when a consumer has a dispute with a utility that the parties have been unable to resolve), or process a request by an electric or gas utility to disconnect a customer during the winter period (November 15 to April 15). The CAD recorded 9,067 contacts in 2003. As shown in Figure I, the number of contacts received in the past three years has been fairly consistent. The number of contacts received in 1999 and 2000 was much higher due to the large number of consumer questions about electric restructuring.

**Figure I
CAD Contacts 1999-2003**

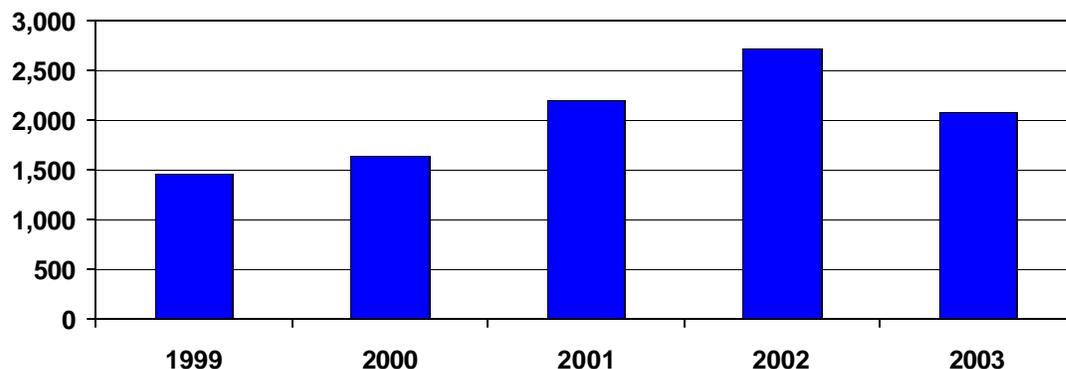


The CAD receives the majority of its consumer inquiries by telephone and strives to answer calls live as opposed to using an integrated voice response system. By answering calls live, the CAD is often able to answer questions and resolve consumer complaints immediately. In 2003, 97% of the calls to the Consumer Assistance Hotline were answered live.

Consumer Complaints

In 2003, the CAD received fewer consumer complaints than in 2002. As shown in Figure II, the CAD received 2,079 complaints in 2003. This is a 24% decrease from the 2,734 complaints received in 2002, and a 6% decrease from the 2,212 complaints received in 2001.

**Figure II
Consumer Complaints 1999-2003**

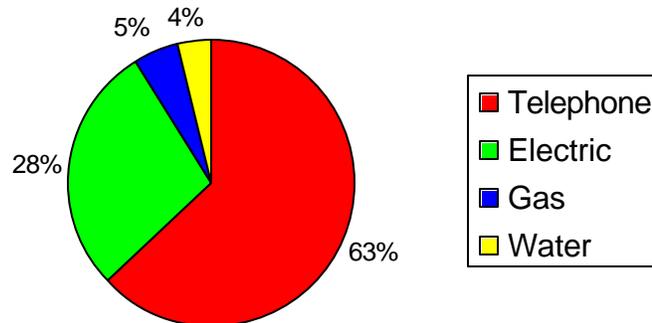


The primary reason for the decrease in complaints received in 2003 was the decline in slamming complaints received against telecommunications carriers (“slamming” is when a customer’s telecommunications provider is changed without the

customer's authorization). Only 239 slamming complaints were received in 2003, compared to 608 complaints received in 2002, and 337 complaints in 2001.

As shown in Figure III, telecommunications complaints accounted for 63% of all complaints received by the CAD in 2003.

**Figure III
Complaints Received in 2003**



The CAD spent a significant amount of time in 2003 investigating the large number of slamming complaints received in 2002, and participating in the Commission's enforcement of its consumer protection rules.

Enforcement Actions

Chapter 296 of the Commission's rules (*Selection of Primary Interexchange and Local Exchange Carriers*) prohibits the changing of a customer's local or long-distance carrier without customer's consent, a practice known as "slamming." After investigating more than 100 consumer complaints against WebNet Communications, Inc. (WebNet), the CAD documented 55 instances of slamming by WebNet. For more information on this investigation, please refer to the Telecommunications section of this report.

Chapter 297 of the Commission's rules prohibits a service provider from billing a customer for a product or service that will appear on the customer's telephone bill without first obtaining the customer's authorization for the service. Chapter 297 also prohibits a billing aggregator from forwarding charges to a local telephone company on behalf of a service provider unless the service provider is registered with the Commission. After investigating a number of consumer complaints about unknown charges, the CAD found that Integretel, a billing aggregator, violated Chapter 297 on 14 occasions when it improperly forwarded charges on behalf of four service providers who were not registered with the Commission. For more information on the administrative penalty imposed on Integretel by the Commission, please refer to the Telecommunications section of this report.

Refunds to Consumers

The CAD frequently obtains credits or refunds for consumers as part of its resolution of consumer disputes with their utilities. In 2003, over \$1.1 million was abated by utilities for 4,653 Maine consumers, the highest amount in CAD history. A large portion of this abatement was due to the CAD directing both Central Maine Power Company (CMP) and Bangor Hydro Electric Company (BHE) to make refunds to consumers who overpaid the Contribution in Aid to Construction (CIAC) tax. The CIAC tax is charged to customers who pay to construct electric line extensions and then convey ownership of the line to the electric company. The tax was reduced as part of the Job Creation and Worker Assistance Act of 2002, which created a special depreciation allowance for certain property acquired after September 10, 2001 and before September 11, 2004.

When a BHE customer contacted the CAD questioning the cost of a line extension, it was discovered that BHE had not lowered its CIAC tax in accordance with the change in the tax law. The CAD then checked with CMP and Maine Public Service Company (MPS) about the rate they were charging and found that CMP had not made refunds to customers who had already paid the tax after September 11, 2001, and that MPS had reduced its CIAC tax rate on September 11, 2001.

Together, CMP and BHE have refunded almost \$650,000 to customers who paid to construct a line extension after September 10, 2001. CMP refunded over \$590,000 to 2,947 customers who paid to build either a single phase or polyphase line extension from September 10, 2001 through June 1, 2002. The refunds vary based on the cost of the line extension, with \$11,290 being the largest individual refund amount. The Commission is continuing to investigate CMP's assessment of CIAC tax charges to ensure that customers who were overcharged receive the appropriate refund and that customers in the future are charged the correct amount.

BHE refunded over \$58,000 to 283 customers. Unlike CMP, which requires its customers to pay the total cost of a line extension including the CIAC tax prior to construction, BHE allows customers to pay the cost of the line extension over a ten-year period. For this reason, BHE had to review each individual contract and calculate a refund or credit that each customer was owed.

ELECTRIC

- Maine’s retail market for medium and large commercial and industrial customers continues to exhibit a reasonable level of competitive activity. There is, however, there is minimal activity for the residential and small business consumers. “Green” products are now available as a result of the actions taken by residential and public sector aggregation groups.
- Standard Offer service continues to provide for 63% of the electric load.
- The Commission acted to mitigate the impact of significantly increased market generation prices exhaust CMP’s and BHE’s Asset Sale Gain Accounts.
- ISO-NE switched to the Standard Market Design (SMD) on March 1, 2003 offer significant benefits to Mainers.

During its 1997 session, the Legislature enacted P.L. 1997 (the Restructuring Act), ch. 306, codified at 35-A M.R.S.A. §3201-3217, which directed comprehensive restructuring of Maine’s electric utility industry. Since then, the Commission has disaggregated the vertically integrated electric utilities into delivery and generation functions, established the rates of transmission and distribution (T&D) utilities, established rules that govern the activities of competitive electricity providers and utilities, purchased standard offer service through competitive bid processes, monitored retail market development, and participated in regional wholesale market activities that affect Maine’s electricity consumers. When compared with the experience in other states, Maine’s retail market has developed smoothly and effectively in most respects.

Retail Market Activity

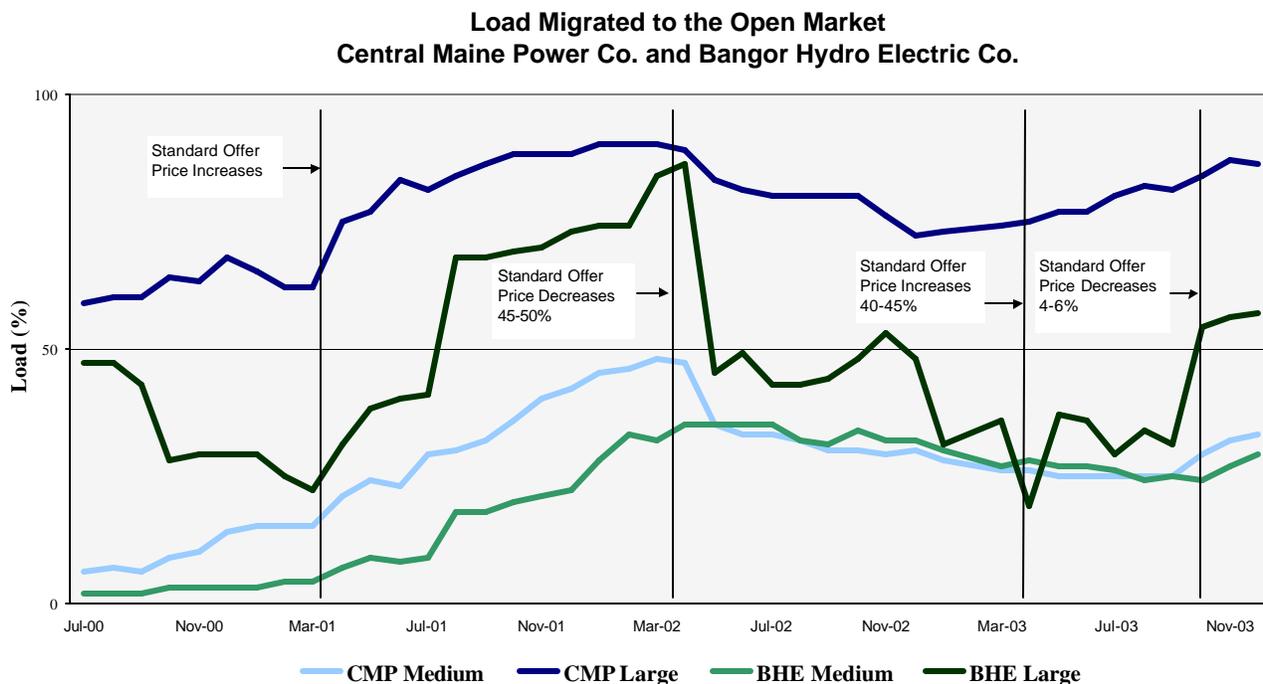
During 2003, the retail market for Maine’s medium and large commercial and industrial (C&I) customers continued to exhibit a reasonable level of competitive activity, and bidding for standard offer service was healthy. The market continued to offer minimal competitive choice for residential and small commercial customers, but a low standard offer price obtained in previous years contributed to relatively low overall electricity prices. In addition, green products emerged that show promise of sustainability.

Migration from Standard Offer – Medium and Large Customers¹

Migration from the standard offer to a competitive market supplier began with large business customers and extended over time to smaller business customers. After two years, the vast majority of large customers and a substantial number of medium customers had migrated from the standard offer. When customers’ supply contracts

¹ The Commission rules establish three standard offer classes: residential and small commercial, medium commercial and industrial (C&I), and large C&I.

expire, they may choose between a return to standard offer service or an open market contract, based on their expectation of future market prices and their desire for price predictability.² Migration to and from the competitive market³ is influenced to some



extent by the relationship between standard offer and non-standard offer prices. The graph above shows migration among CMP and BHE medium and large customers, and reflects an overall trend toward migration to the open market.

The Commission has concluded that medium and large class standard offer prices should track wholesale prices as closely as possible, and, accordingly, has accepted bids for 6-month terms throughout 2003. Because of market fluctuations, in March 2003, standard offer prices for Bangor Hydro Electric Company (BHE) and Central Maine Power Company (CMP) customers increased significantly and in September 2003, they decreased slightly.

By early 2002, almost all of Maine Public Service Company's (MPS) large customers had migrated from standard offer service. This did not change in 2002 and 2003.

² To avoid significant disruption to standard offer service load requirements, Commission rules prohibit customers that take standard offer service after being in the competitive market from discontinuing standard offer service within a year unless they pay an opt-out fee. Customers may petition the Commission for exemption from the fee, and a significant number have done so. The opt-out fee is intended to provide an incentive to remain in the open market.

³ Standard offer service providers are chosen through a competitive bid process, so all customers receive service through the open market. For convenience, we often refer to non-standard-offer providers as competitive providers.

Migration from Standard Offer Service – Residential and Small Commercial

Acquisition and service costs for small customers are significant, and no substantial retail market has developed. However, because Maine’s standard offer providers are chosen through competitive bidding based on price, all residential and small commercial customers are purchasing generation from competitive market suppliers, and vigorous competition among bidders for standard offer service in the CMP and BHE service territories has resulted in attractive standard offer service rates for smaller customers.

The northern Maine market has deviated from this pattern, with as many as 15% of MPS’s smaller customers migrating to the competitive market. During 2003, a competitive provider in northern Maine ceased to offer service to new customers, and customers subsequently began returning to standard offer service. In CMP’s and BHE’s territories, fewer than one-tenth of one percent of customers have migrated from standard offer service. However, as discussed in the next section, migration may increase in the future.

Emergence of a Green Market

During 2003, “green” products began to appear through the actions of residential and public sector aggregation groups. These activities are showing some success at gaining customers and public recognition. In the residential and small commercial sectors, Maine Interfaith Power and Light (MIPL), a non-profit aggregator, began soliciting customers interested in receiving green power during 2002. In February 2003, these customers began receiving electric supply that was generated using 50% in-state hydroelectric and 50% in-state biomass fuel sources. The State of Maine provided public recognition when it contracted to purchase this product for over 700 state government buildings. In addition, through MIPL, customers may purchase “green tags” representing 99% wind and 1% solar generation.⁴ By November 2003, in addition to the State’s purchase, 1,300 customers were purchasing the green power product and over 100 had purchased green tags.

An additional green product emerged for business customers in the education, health care, and non-profit sectors, when Maine Power Options, a non-profit aggregator representing these sectors, arranged for the provision of electricity produced solely from in-state biomass and hydroelectric facilities.

The table to the right shows the number and percentage of residential and small commercial customers in CMP, BHE and MPS service territories who were receiving competitive market electric supply in December 2003. The numbers for CMP and BHE are up markedly from January’s counts of 113 and 148, respectively.

Residential and Small Commercial Customers Migrated from Standard Offer		
	<u>Number</u>	<u>Percentage</u>
CMP	1895	0.4%
BHE	402	0.4%
MPS	2882	8.0%

⁴ A green tag purchases the credits that a supplier receives based on the fuel source of its generation.

Northern Maine Retail Activity

Load and generation in northern Maine are connected to the rest of Maine and New England only by transmission through New Brunswick. Northern Maine's load is supplied by a combination of generating plants located in-region and in New Brunswick.

Although the retail market in the MPS service area appears fairly competitive, with about 52% of the load currently served by non-standard offer suppliers, there have been only two suppliers active in the northern Maine retail market since retail access began – Energy Atlantic (EA) and WPS Energy Services, Inc. During 2003, EA announced that it would serve no new customers in northern Maine. Measures that would make northern Maine part of a larger market (e.g., a transmission line connecting northern Maine to the New England grid or an open market in New Brunswick) appear to be necessary to change this situation significantly. Standard offer service prices in northern Maine continued to remain stable, which mitigates to some degree the concerns resulting from the existence of limited market participation. Nonetheless, the Commission is undertaking a series of activities to see if it is possible, at reasonable cost, to exchange electricity between Canada and Maine.

Standard Offer Service

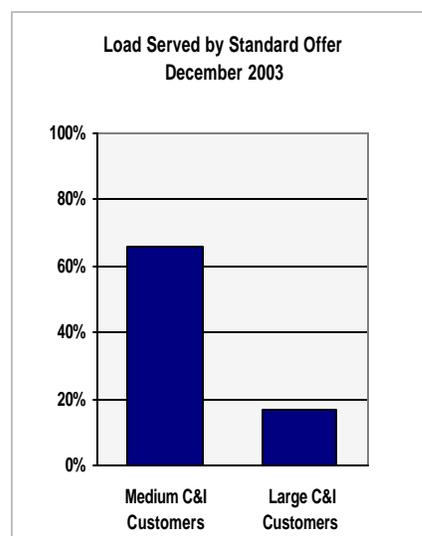
Overview of 2003

About 63% of the electric load in Maine currently receives standard offer service, down slightly from the beginning of 2003, when about 68% of the load in Maine received standard offer service.

By customer class, standard offer service supplies about 66% of the load of medium commercial and industrial (C&I) customers and 17% of the load of large C&I customers in Maine, as shown by the graph on the right. Standard offer service continues to supply virtually all residential and small commercial customers, as has been the case since retail access began. By T&D service area, standard offer service supplies about 61% of the load of CMP customers, 76% of the load of BHE customers and 48% of the load of MPS customers.

The standard offer suppliers during 2003 and corresponding prices are summarized below. The prices shown here are averages; actual prices for the medium class may vary by month and for the large class by month and time of day. For more detailed prices, please see the Commission's web page at:

http://www.state.me.us/mpuc/new%20standard%20offer/standard_offer_rates.htm.



Average Standard Offer Prices in 2003

	Residential/Small Commercial		Medium C&I		Large C&I	
	Price ¢/kWh	Supplier	Price ¢/kWh	Supplier	Price ¢/kWh	Supplier
<u>CMP</u>						
Jan - Feb	4.95	Constellation	4.22	Select	4.24	Select
Mar - Aug	4.95	Constellation	5.91	FPL	6.11	Select
Sept - Dec	4.95	Constellation	5.57	FPL	5.74	Select
<u>BHE</u>						
Jan - Feb	5.0	Constellation	4.17	Select	4.01	Select
Mar - Aug	5.0	Constellation	5.86	FPL	5.75	Select
Sept - Dec	5.0	Constellation	5.62	FPL	5.43	Select
<u>MPS</u>						
Jan - Feb	5.69	WPS	5.73	WPS	6.13	WPS
Mar - Dec	5.80	WPS	5.85	WPS	6.25	WPS

Solicitations

The Commission held several solicitations for standard offer service during 2003, resulting in retail standard offer suppliers and market-based prices for all customer classes. Suppliers continue to become more comfortable with Maine's retail standard offer service model, and the level of participation in our solicitations reflects this comfort.

The first solicitation of the year was for standard offer service for the CMP and BHE medium and large classes for the term beginning March 2003. The Commission issued RFPs in November 2002 and, in response, suppliers submitted indicative bid prices in December 2002. Staff and suppliers negotiated and resolved contract terms and, in January 2003, suppliers submitted final binding bids. After evaluating the final proposals, the Commission designated FPL Energy Power Marketing, Inc. (FPL) as the standard offer provider for the CMP and BHE medium classes and Select Energy, Inc. (Select) as the standard offer provider for the CMP and BHE large classes for the term March 1 through August 31, 2003. The Commission chose 6-month term bids for all four classes so that standard offer prices could more closely follow changes in market prices than would be possible, for instance, in the case of a 1-year term.⁵ Average prices for standard offer service are shown in the previous chart.

The second standard offer solicitation of the year was again for the CMP and BHE medium and large classes, for the term beginning September 2003. The Commission issued an RFP in early June 2003 and, after receiving indicative bids, negotiating contract and other non-price terms, and receiving final bids, again designated FPL and Select to serve the medium and large classes, respectively. The term was again set at six months.

⁵ The Commission first accepted a six-month bid in March 2003. Six-month standard offer terms seem to work well for both non-standard offer suppliers, who have told us that a shorter term helps them attract customers, and standard offer suppliers, who have told us that the shorter term mitigates against load and market risk but is not so short as to discourage their participation.

The third solicitation of 2003 was to acquire standard offer service for MPS customers. This solicitation covered all three standard offer classes for the term beginning March 2004. The Commission sought proposals for term lengths of 1 year and 34 months, the latter term to coincide with the end of MPS's purchased power contract with Wheelabrator-Sherman (W-S). MPS solicited bids to purchase its W-S entitlement in a concurrent RFP process, and standard offer-entitlement cross-contingent bids were explicitly allowed.

The MPS standard offer RFP was issued in September. Suppliers submitted indicative bids in mid-October, and staff and suppliers then negotiated and resolved contract and other non-price terms. Based on the final binding bids that suppliers submitted on November 3, the Commission designated WPS as the standard offer provider for all three MPS standard offer classes for a 34-month term, March 1, 2004 – December 31, 2006. WPS's standard offer bid was contingent on also receiving the W-S entitlement at its bid price of, on average, 3.475¢/kWh for the same 34-month term.

The fourth and final standard offer solicitation of 2003 began with the release of RFPs on November 18. This solicitation was to acquire standard offer service for the CMP and BHE medium and large classes for the term beginning March 2004. On January 21, 2004, the Commission accepted bids for a six-month term. On average, the new prices will be from one-half to three-quarters of a cent/kWh above current standard offer prices, likely a reflection of higher natural gas prices.

During 2003, a 3-year standard offer arrangement with Constellation Power Source Maine, LLC (Constellation) that began in March of 2002 continued to supply CMP and BHE residential and small commercial customers. The standard offer prices, 4.95 cents/kWh for CMP and 5.0 cents/kWh for BHE, will remain in effect through February 2005.

All of Maine's standard offer solicitations and awards are achieved "in-house", and achieved through the efforts of senior staff with minimal outside assistance. Maine has, nevertheless, achieved a record of standard offer pricing and a "user-friendly" process that is comparable or better than any in any similar market.

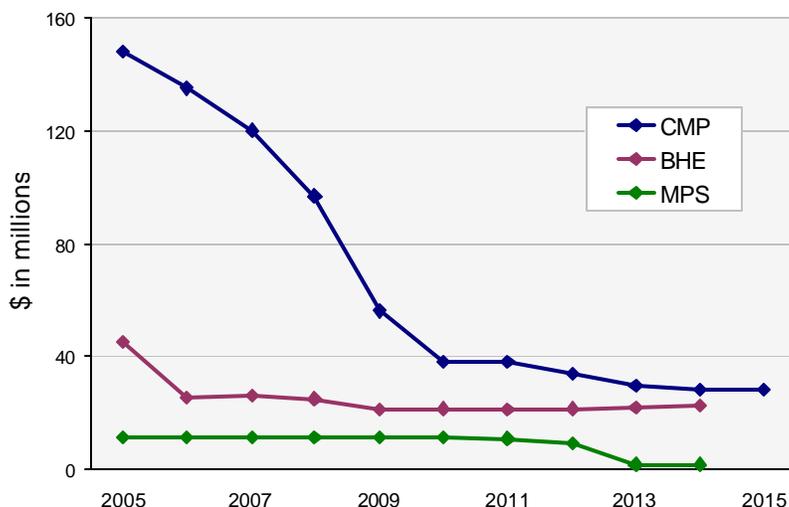
Stranded Costs

The Restructuring Act allows CMP, BHE and MPS to recover stranded costs in the rates they charge for delivery service. Stranded costs reflect the net, above-market costs for generation obligations that utilities incurred prior to industry restructuring. For example, stranded costs include the difference between payments the utilities must make pursuant to pre-existing purchased power contracts (primarily with qualifying facilities (QFs)) and the current market value of that power.

The most significant changes in stranded costs will occur when utilities' QF contracts expire. BHE's stranded costs will decline significantly in 2006, while CMP's will decline during the second half of the decade. Projections of stranded costs are shown in the chart at the right.

The major components of each utility's stranded costs over the year March 2003 – February 2004 are set forth below:

Stranded Cost Projections



MPS

QF contract costs	\$11.5 million
Entitlement sale revenue	<u>-4.1</u>
Net QF stranded costs	7.4
Wheelabrator buydown	1.8
Seabrook	3.1
Maine Yankee	3.3
Deferred fuel	-4.3
Other	<u>0.3</u>
Total stranded costs	11.5

CMP

QF contract costs	\$254.3 million
Entitlement sale revenue	<u>-102.3</u>
Net QF stranded costs	\$152.0
Closed nuclear plants	24.5
QF contract buyout	1.7
HQ tie-line	4.5
<u>VT Yankee</u>	<u>1.4</u>
Total stranded costs	\$184.1 million

BHE

Net QF costs	\$28.3 million
QF contract buyouts	20.3
Seabrook	3.7
<u>Other</u>	<u>-3.7</u>
Total stranded costs	48.6

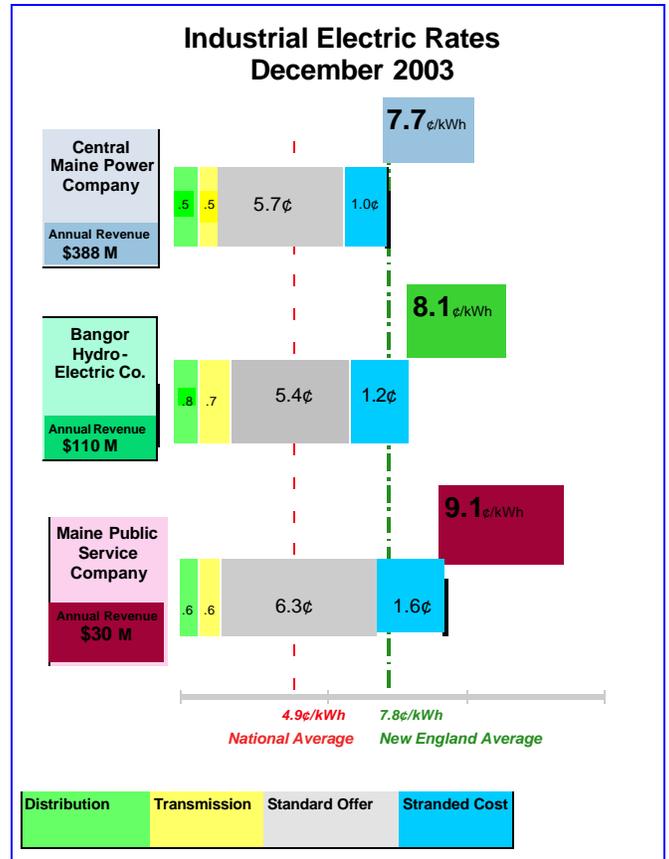
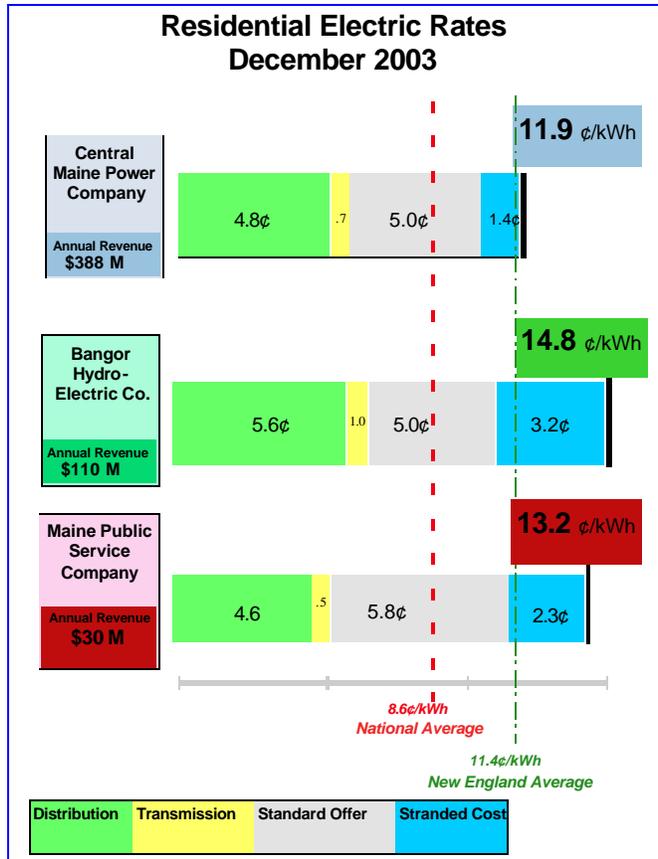
Until 2003, stranded costs also included, as an offset, the proceeds from the utilities' generation asset sales (referred to as the Asset Sale Gain Account or ASGA). Between 2001 and 2003, the Commission approved modest reductions in the stranded cost component of delivery rates for CMP's and BHE's medium and large customers to mitigate the impact of significantly increased market generation prices. These rate mitigation activities exhausted CMP's and BHE's Asset Sale Gain Accounts.

Overall Consumer

T&D delivery rates are composed of three rate components. Distribution rates reflect the utility's costs of delivering power and maintaining customer service.

Transmission rates are determined annually by the Federal Energy Regulatory Commission (FERC), and reflect the cost of maintaining transmission facilities used to transport power throughout the region. Finally, stranded cost rate components reflect the cost of utilities' generation contracts as compared with market conditions. In addition, generation supply prices – both standard offer and open market – fluctuate over time and may vary considerably from supplier to supplier.

The following charts display the current components of residential and large industrial prices in BHE, CMP, and MPS territories.



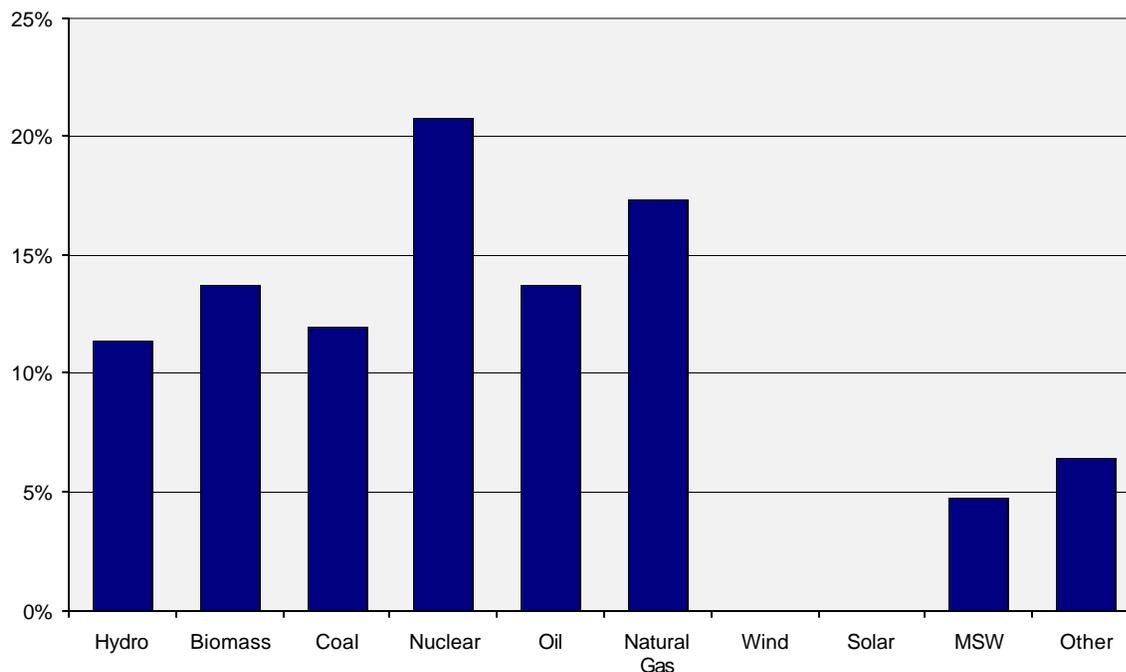
Generation Resources

Resource Mix

The Restructuring Act establishes a “30% Resource Portfolio Standard (RPS),” that requires electricity suppliers (including standard offer suppliers) to supply 30% of their Maine load from “eligible resources.” The Act defines eligible resources to be generating units whose capacity does not exceed 100 megawatts and that produce electricity from tidal, fuel cells, solar, wind, geothermal, hydroelectric, biomass, and municipal solid waste in conjunction with recycling, that qualify as small power producers under Federal regulations, or that are efficient cogeneration units.

During 2002,⁶ eligible resources supplied approximately 38% of Maine’s load. Resources designated as renewable in the Restructuring Act (hydroelectric, biomass, municipal solid waste, wind, and solar) supplied approximately 30%. Overall, suppliers used system power, which is power purchased from the New England or Maritimes control area through daily bids, to supply over 45% of Maine’s load requirements. A portion of the system power was used to comply with Maine’s 30% requirement, while the majority (over 80%) of the RPS was met through dedicated contracts. The following chart displays the resources serving customers in 2002.

Resources Serving Maine's Customers in 2002



During 2002, the New England Power Pool (NEPOOL) implemented a “tradable attribute” certificate system known as the Generation Information System (GIS). The GIS allows for the trading of electricity attributes (e.g., fuel source and emissions levels) separate from the energy commodity. During 2003, the Commission revised its rules to require that suppliers demonstrate compliance with Maine’s 30% RPS through GIS certificates. This change reduces supplier compliance costs and simplifies Commission verification.

A dispute continues between some qualifying facilities and utilities over which entity retains the rights to GIS certificates associated with ongoing power purchase contracts. During 2002, the Commission investigated the issue and tentatively concluded that the utilities retain the rights to the certificates and that the certificates, therefore, should be transferred to the entitlement purchaser. During 2003, FERC issued a decision indicating that rights to renewable attributes were not transferred as part of the power purchase contracts. Rehearing of the FERC decision is pending.

⁶ The Commission will receive information about suppliers’ 2003 resource mix when suppliers file their annual reports in May 2004.

Regional Activity

With the restructuring of the electricity market, Maine has become ever more integrated into the broader regional market for wholesale electricity. The Legislature anticipated this and in 1997, enacted 35-A MRSA §3215, which authorizes the Commission to participate in regional and national activities to protect “the interests of competition, consumers of electricity, or economic development of the state.”

The New England electric market is, and will remain for the foreseeable future, a hybrid of competitive and regulated elements. The fundamental goal is to develop and maintain a workably competitive wholesale generation market that will provide the benefits of strong competition among suppliers while simultaneously producing a reliable electric system and acceptable prices. The market operates under a set of rules approved by the FERC. New England’s Independent System Operator, ISO New England (ISO-NE), is the day-to-day operator of the electric grid and the generation markets. ISO-NE, in turn, operates under contract with NEPOOL, a New England organization comprised of generators, electricity suppliers, T&D utilities, municipal electric systems, and representatives of end-use customers. The Commission participates in NEPOOL discussions and takes positions at FERC on matters affecting the competitiveness of the wholesale electric markets, reliability, and prices paid by Maine electricity consumers.

Notable Changes in the Past Year

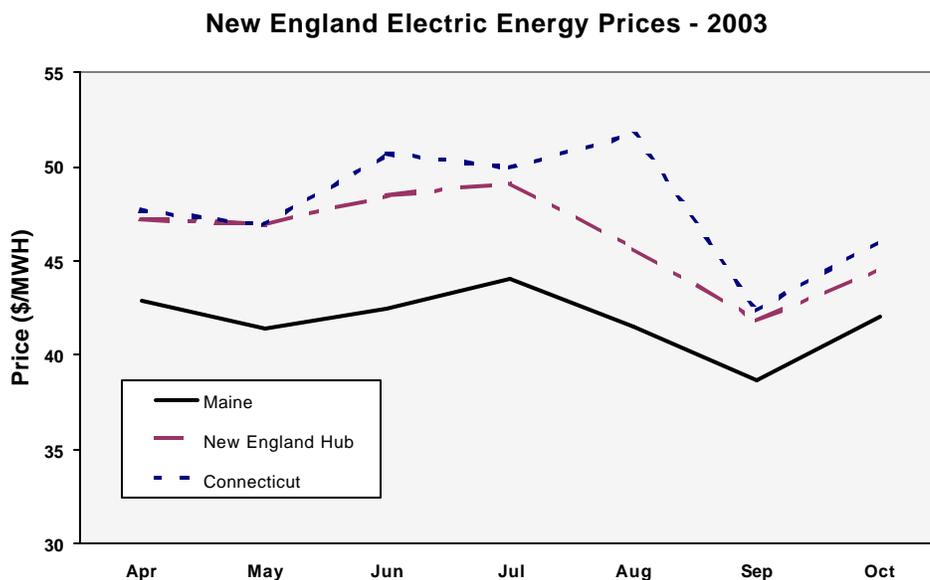
1. Standard Market Design. On March 1, 2003, ISO-NE switched to “Standard Market Design” (SMD) for the electric energy market in New England. (The energy market is the largest and most important market.) There are two major changes under this new approach. First, the energy market now comprises two separate markets - a day ahead market and a real time market. This allows market participants to hedge against unexpected events such as extreme weather or the unexpected loss of supply resources, either of which can drive prices very high very quickly.

The second change has particular importance to Maine consumers. Under SMD, customers in different regions in New England pay different prices. This happens for two reasons. First, SMD recognizes “transmission constraints.” This means that, if there is more low cost generation in a region than can physically be exported, the energy price in that region will decline to reflect the surplus supply, while prices in the transmission import constrained or “congested” area are likely to increase to reflect the limited generation supply. Second, SMD changes the way transmission losses are charged.⁷ Under SMD, marginal line losses are charged to customers. In exporting regions such as Maine, the “losses” can be negative, reflecting the close proximity of the generation and the load for Maine, resulting in a reduction in the price paid for electricity.

⁷ Any time electricity is transported; a portion of the electricity is lost. The loss percentages can range from less than 1% to 10% or more, depending primarily on the amount of current flowing over the line.

The new SMD energy market became operational on March 1, 2003. Between April and October 2003, the average wholesale price of electric generation in Maine was \$41.89 per MWh, while the average New England Hub price (an index of typical New England prices) was \$46.27, roughly \$4.40 higher. Maine's advantage comes from lower losses (which explain about 75% of the difference) and lower congestion costs (accounting for the other 25%). Connecticut, the highest cost state in New England, paid average wholesale prices of \$47.95, or about \$6.00 more than Maine paid.

Savings of this magnitude are significant for Maine. For example, if Maine's prices are, on average, \$4.00 per MWh below those of New England as a whole, Maine saves roughly \$40 million per year. The table below shows the monthly prices for Maine, the New England Hub, and Connecticut during this period. We cannot be certain that this price advantage will continue. However, it appears likely that such differences will remain, at least for the next few years.



2. RSC Formation. The FERC has increasingly articulated the need to have problems such as regional reliability issues addressed by entities closer to the problem. The FERC has thus encouraged the formation of Regional State Committees (RSCs) to address reliability and other matters. In New England, it is likely that an RSC will be proposed to the FERC in early 2004. The RSC is designed at this time primarily to address matters concerning generation adequacy and transmission planning. The Commission, through Chairman Welch, has been active in developing the RSC. In November, Governor Baldacci appointed Kurt Adams as Maine's representative to the new RSC.

3. RTO Formation. ISO-NE decided to restructure into a Regional Transmission Organization (RTO) consistent with direction provided by the FERC. One purpose of RTO formation is to provide ISO longer term stability from continual contract

threats, thus ensuring that it can function independently. Another reason is to codify the ISO's operational authority over the transmission facilities of the transmission owning utilities. A third reason for RTO formation is to solidify the ISO's authority to propose changes to the market rules to FERC rather than sharing this authority with NEPOOL.

On October 31, 2003, the Transmission Owners and ISO-NE jointly filed a petition at FERC to form an RTO. The Maine Commission and the New England Conference of Public Utilities Commissioners, Inc. (NECPUC) have filed comments at FERC, seeking to have FERC condition its approval upon certain changes being made to the RTO proposal. The changes would strengthen the independence of the RTO while ensuring an appropriate level of openness and responsiveness to concerns raised by those affected by the RTO's actions.

4. Transmission Cost Allocation

The Commission led a diverse group of stakeholders in proposing a revision to the regional method for allocating the cost of transmission upgrades. The current system rolls into the regional transmission rate the costs of all transmission upgrades above a certain kV level. Because of excess generating capacity in the State, Maine will not benefit from most of the upgrades in New England. While FERC has recently issued an order that continues NEPOOL's current socialization policy, the Commission continues to advocate for a result that is consistent with locational marginal pricing and with the interests of Maine's ratepayers.

ENERGY PROGRAMS

- Efficiency Maine continues to implement programs to promote the conservation and efficient use of electric energy.
- The Commission assumed the responsibility of the State Energy Program and has merged it into an “Energy Programs Division.”

The Maine Public Utilities Commission has responsibility for the planning and implementation of electric energy efficiency programs funded through assessments on electric utilities. The Commission is also responsible for the management of the State Energy Program funded through the United States Department of Energy (US DOE).

Electric Energy Efficiency Program

When the Maine Legislature enacted “An Act to Strengthen Energy Conservation,” P.L. 2001, ch. 624 (the Act) in 2002, it gave the Commission responsibility for planning and delivering energy efficiency programs. These functions had traditionally been conducted by vertically integrated electric utilities. Industry restructuring largely excluded utilities from the business of providing energy services so the transfer of responsibility for efficiency programs was consistent with the state’s general approach to electric restructuring. The Act directed the Commission to develop and implement cost effective conservation programs consistent with an overall strategy to be developed by the Commission. It also contained other directives for allocating funds among programs, considering public input, contracting with service providers, evaluating programs, distributing services, and developing the overall program funding level. Recognizing it would take the Commission time to address all the requirements., and to avoid “significant delay in the implementation of conservation programs,” the Legislature directed the Commission to implement “interim” energy conservation programs to conclude by December 31, 2003.

During 2002, the Commission approved 12 interim conservation programs and implemented six. The remaining six interim programs required more planning and were implemented during 2003. The twelve programs are:

1. Low Income Appliance Replacement Program
2. Residential Lighting Program
3. Small Business Program
4. Existing Schools Program
5. Agricultural Program
6. High Performance (New) Schools Program
7. Commercial and Industrial Program
8. State Buildings Program
9. Traffic Signal Replacement Program
10. Building Operator Certification Program
11. Energy Education Programs
12. Energy Conservation Loan Program

In addition, the Commission initiated a number of regulatory proceedings necessary to meet the requirements of the Act. In September, we issued "Maine's Energy Efficiency Program Plan," our blueprint for a full scale, ongoing portfolio of efficiency programs meeting all requirements of the Act. Earlier in the year, we adopted the "Efficiency Maine" brand as the common logo for all of our efficiency programs. In 2004, we will continue to take the necessary steps to transition from interim to ongoing programs.

State Energy Program

During the First Session of the 121st Legislature, P.L. 2003 ch. 20 and P.L. 2003 ch. 451 (budget bills) transferred three positions from the Department of Economic and Community Development to the Commission. Section RR-12 of Chapter 20 states that the Commission is the successor in every way to the powers, duties and functions of the former Energy Conservation Division of the Department of Economic and Community Development, Office of Business Development. Included in the transfer are all existing rules, regulations and procedures adopted by the former Energy Conservation Division, and therefore, continues in effect all existing contracts, agreements, and compacts made by the Division.

Programs offered through the State Energy Program (SEP) include free energy audits for businesses, low interest loans for investments in energy efficiency and renewable energy projects, and assistance to other organizations wishing to apply for federal special project grants. The SEP is also collaborating with the Maine Department of Environmental Protection's (DEP) Air Bureau and Pollution Prevention Office by coordinating energy audits with DEP environmental audits. The SEP provides support to the Energy Resources Council through the facilitation of coordinated energy policy, representation of state interests in regional forums, preparation of the council's 2004 work plan, and consultation on potential energy policy matters.

The SEP is a central point of contact for other grantees applying for special project grants from US DOE. This year, it is coordinating the funding for The Greater Portland Clean Cities Coalition, which is using special project funds to develop a sustainable alternative fueled vehicle fleet in the greater Portland area. Through US DOE's Office of Industrial Technology, the SEP provides funding for the Maine Industries of the Future (IOF) Program. IOF provides training opportunities and energy audits to improve energy and process efficiencies while reducing energy costs. In addition, the SEP is coordinating two projects through US DOE's Rebuild America Program grant. The \$100,000 grant is being divided between the University of Maine System and the Maine School Management Association. The University of Maine is participating in the federal High Performance Campus Project, which contracts with an overall System Energy Efficiency Manager to provide a system-wide focus on energy issues and to coordinate system efforts on campus-based sustainability initiatives. The Maine School Management Association is using the other half of the grant to retain an Energy Smart Schools coordinator who will link the people engaged in the process of designing new schools with resources and technical assistance available through Efficiency Maine's High Performance Schools Program.

Natural Gas

- Price volatility in the natural gas market prompted the Commission to seek ways to mitigate the impact on customers.
- The Commission's management audit of Northern Utilities will lead to improved customer services.

Natural Gas Industry

The number of facilities using natural gas utilization continues to grow but at a slower pace than in recent years, most likely due to increased natural gas prices. Two local distribution companies, which have been building and operating pipeline systems for five years, continue to expand in Windham, Gorham, Topsham, Brunswick, Veazie, Bangor, Brewer, Orono and Old Town. The Commission actively monitors the construction of new facilities, as well as company operating performance for compliance with State and Federal safety regulations.

In 1999, two new interstate pipelines, Portland Natural Gas Transmission System (PNGTS) and Maritimes & Northeast Pipeline, began to bring increased natural gas supplies into Maine. As a direct result, gas utilities authorized to serve in Maine have expanded their facilities into several new areas in the state. Municipalities that now have expanded natural gas service include: Windham, Bucksport, Old Town, Veazie, Bangor, Brewer, Sanford, Kittery, Orono, Brunswick, Topsham, Rumford, and Gorham. Gas utilities are increasing customer penetration within these municipalities each year and working to extend facilities outward from established areas.

Maine's gas distribution utilities are contracting with increasing numbers of large commercial and industrial customers that are converting to natural gas from other fuels, such as propane or oil, as it becomes economic or otherwise beneficial for them to do so. These customers include Bath Iron Works' East Brunswick facility, the Maine Correctional Center, Vishay Intertechnologies, Fort James Corporation, Bucksport Energy, Westbrook Energy Center, Brunswick Naval Air Station, Portsmouth Naval Shipyard, Bates College, Fairchild Semiconductor, Lewiston Mill Redevelopment, Cyro Industries, Hannaford Brothers, and the University of Maine at Orono and Gorham, and businesses such as International Brands Corporation, International Paper, Auburn VPS, Phillips Element, Pike Industries, and the Maine Medical Center. Increasingly, government agencies and public and private service entities such as schools, colleges, and health care facilities are considering conversion to natural gas.

Since 1999, commercial and industrial customers have been free to enter into competitive gas supply arrangements, taking transportation-only service from the local distribution utility. Significant numbers of larger commercial and industrial customers now obtain gas commodity from a competitive supplier rather than their distribution utility. In 2003, approximately 82% of all gas volumes delivered in Maine (includes gas used for gas-fired electric generation) were transportation-only service from the distribution utility. We continue to monitor the progress that gas supply competition is making in Maine and the region and the effect that Maine's current regulatory policies

may be having on these markets. Based on information from gas marketers, there is little interest on the part of suppliers in extending choice to residential consumers at this time due to Maine's relatively small population and low density. However, marketers and suppliers are increasingly exploring extending service to smaller commercial entities, such as restaurants.

The new gas supplies also support five recently constructed gas-fired electric generation facilities, located in Westbrook, Bucksport, Veazie, Rumford, and Jay, which consume a substantial portion of the natural gas supplied to Maine and provide 1600 MW of electricity to the northeast region. The increased demand for gas in electric generation in Maine, New England and the nation has contributed greatly to the need for additional gas supplies. Because drilling production in North America is lagging behind expected demand, additional natural gas supplies must be shipped in liquid form. Additional liquefied natural gas (LNG) facilities will be needed to accept the increased gas imports and several are proposed along the East and Gulf Coasts. According to press reports, three locations in Maine may be suggested as sites for such facilities. The Federal Energy Regulatory Commission reviews applications for authority to construct and operate such facilities. While these facilities are likely to be governed solely by federal authorities, the Commission works with other agencies, both state and federal, involved in the construction and regulation of these entities to ensure that we conduct appropriate and adequate, but not onerous, public review of issues that fall within our purview.

Due to substantially increased gas prices experienced nationwide during 1999-2001 and again in February 2003, we now actively monitor regional supply and market conditions, as well as corresponding gas utility programs, with an eye toward mitigating adverse impacts on natural gas consumers where appropriate. In early 2003, it became apparent that consumers were facing increased natural gas prices and market volatility nationwide through the remainder of the year. Thus, we approved Northern Utilities, Inc.'s limited use of financial hedging instruments in a detailed hedging plan to help stabilize its gas commodity rates. In May 2003, we invited all gas utilities to consider proposing pricing options or other mechanisms to assist customers in managing gas bills in time for implementation in the upcoming winter season. Following that, we approved a monthly cost of gas reconciliation mechanism and budget payment plan for Bangor Gas Company. We are currently considering additional pricing option changes proposed by Bangor Gas Company and Maine Natural Gas. Maine Natural Gas has also requested that we authorize a change in its rate structure to allow reconciliation of its gas costs.

We participate in weekly New England Governor's Conference Summer and Winter Fuels Monitoring Calls as well as Maine Emergency Management Agency emergency planning efforts being coordinated throughout the state and region. Our role is to ensure that utilities that are vulnerable to winter fuel shortages, the threat of terrorist attack, or drastic price spikes are adequately prepared to avoid or mitigate, to the extent possible, harm and dislocation to Maine's citizens and businesses.

In recent years, several of Maine's gas and electric utilities have been acquired by or have merged with much larger regional energy corporations. The effect of the new, larger corporate environment on a much smaller utility often requires that we

actively monitor customer service and safety standards to ensure adequate performance. When utilities fail to meet these standards, we develop appropriate incentive mechanisms and other means to effect improvement or maintenance of customer service and safety standards to offset the cost-cutting pressures that the parent entity places on the local utility subsidiary.

Due to ongoing customer complaints regarding call center and billing operations, in 2002 and 2003 the Commission conducted investigations of call center response performance and estimated billing practices. Simultaneously, it initiated a management audit of all of Northern's customer services to determine their adequacy. The audit revealed that substantial post-merger internal restructuring, including loss of or migration of a substantial number of service operations and management to the mid-western locus of the parent corporation, had negatively impacted certain aspects of Northern's operations. The auditors evaluated Northern's current operations and recommended a benchmark and penalty plan to incentivize management to achieve reasonable customer service performance levels. The Commission will use the information gained by the management audit in considering the proposed implementation of a service quality performance incentive plan that will be filed soon. In addition, the Commission will consider a proposed settlement of the estimated billing practices investigation that would credit customers who received prolonged periods of estimated bills for service during 2000-2003.

Gas Safety

The Commission conducted 34 inspections of Maine's three natural gas distribution companies during 2003. They related to new installations, confirmation of proper operating and maintenance procedures and examination of required records.

This year, as a result of recently implemented federal regulations, all company and contractor employees were required to complete a qualification process for each task they perform in conjunction with the operation and maintenance of a gas pipeline. An audit of each system operator's qualification program and the field verification of its implementation were completed. Each employee was trained and tested to determine if the knowledge, skills and abilities were present to perform each assigned task.

Also this year, we instituted a pipe integrity management program to ensure that bare steel pipe will be replaced before it becomes an unacceptable risk to public safety. In addition, we continued to locate and examine jurisdictional liquefied petroleum gas (propane) facilities. More than 450 facilities have been identified and inspected.

TELECOMMUNICATIONS

- The Commission reinstated Verizon AFOR after the Law Court vacated and remanded the Commission's decision to extend and modify the AFOR. The OPA and AARP have appealed.
- The Commission increased Basic Service Calling Areas (BSCAs), and eliminated by Verizon's rate groups.
- Access rates were reduced, and the State Universal Service Fund (USF) was created to prevent extreme basic increases.
- Local competition continues to develop aided by the Commission's "Rapid Response Teams."
- The Commission imposed \$4,565,000 in penalties as a result of its slamming and cramming enforcement activities.

Verizon AFOR

During the past year, the Commission was involved in considerable activity related to the Alternative Form of Regulation (AFOR) for Verizon Maine. On February 28, 2003, the Maine Supreme Judicial Court, sitting as the Law Court, vacated and remanded the Commission's decision to extend and modify the AFOR ordered in Docket No. 99-851. The Law Court found that the Commission had acted within its discretion in allowing Verizon to increase its basic service rates to substantially offset required access rate reductions, but had failed to fully comply with 35-A M.R.S.A. § 9103(1), which requires the Commission to "ensure," over the full period of the AFOR, that local ratepayers will not pay more under an AFOR than under traditional rate-of-return regulation. The Court remanded the case to the Commission for further proceedings. The Court specifically found that the Commission had failed to make the "ensurance" required by the statute. The Court further stated, however, that if the Commission concluded it could not make such a finding with the high degree of certainty indicated by the statutory word "ensure," the Commission could nevertheless further conclude that it is better to proceed with the AFOR without fully complying with the literal language of section 9103(1).

On March 19, 2003, the Commission issued a Notice of Further Proceedings addressing the issues identified by the Law Court remand and dividing the proceeding into two parts. The first part addressed the local rate increase of \$1.78 that the Commission had permitted Verizon to implement simultaneously with the beginning of the extended and modified AFOR. The increase was approved in order to allow Verizon to recover a substantial portion of the revenue loss that occurred when Verizon reduced its intrastate access rates to the interstate level on June 1, 2001, as required by Section 7101-B of Title 35-A. The first part of the proceeding also addressed the form of regulation that would continue to govern Verizon while the Commission resolved the issues raised by the Law Court's Remand Order. The second part of the Notice addressed the broader questions raised by the Law Court decision, specifically those implicated by the findings required in Section 9103(1).

After receiving comments from interested parties, the Commission decided that the \$1.78 local rate increase would remain in effect, because the Law Court indicated the Commission was within its authority to authorize the increase, and because the increase was ordered independently of the AFOR decision and was designed to offset access revenue losses that were the direct result of State law. Regarding the active form of regulation for the interim period, the Commission decided, based in part on general support among the parties for the terms of the AFOR other than price, that all but one of the major elements of the modified and extended AFOR would remain in place pending the Commission's decision on the Remand issues. The one exception was the rate cap on local rates. The Commission decided that it was possible, given the reason for the remand, that it did not have the authority to subject local rates to an interim AFOR-like price cap. Accordingly, during the interim period, the Commission left open the question whether Verizon's local rates would be subject to rate-of-return (ROR) regulation for local rates or some other form of regulation, and would decide that question only if Verizon or other persons sought to initiate a rate proceeding. These decisions were contained in an order issued on July 14, 2003.

The Public Advocate (OPA) and the American Association of Retired Persons (AARP) appealed the July 14 Order to the Law Court. The OPA also sought a stay of the Commission's Order and intervention by the Court to ensure that the Commission complied with the Court's earlier remand. The Chief Justice denied the OPA's motions. On October 14, 2003, the Public Advocate and AARP, in a stipulation signed by all parties, agreed that the Court should dismiss the appeal and reserved the right to appeal the Commission's September 25 decision (discussed below).

After considering comments and arguments from all interested parties, on September 25, 2003, the Commission issued its Order Reinstating AFOR. The Commission decided that it could not make the comparative rate finding required by the literal language of Section 9103(1) with the degree of certainty required by the statute. The Commission further determined that because the benefits identified when it adopted the extended and modified AFOR in June 2001 were still valid, it was in the best interest of ratepayers to reinstate the AFOR in spite of the Commission's inability to make the specific finding called for in the statute.

The Commission decided that predicting rates under ROR regulation with the degree of certainty (an "ensurance") that the Court concluded is required under Section 9103(1) involves judgments about the future that cannot realistically be made. Further, the ROR proceeding advocated by the Public Advocate could not, in the Commission's view, satisfy the requirements of the statute. Rates under five years of ROR regulation would be lower only if both of the following conditions were met: first, initial rates set under ROR after a rate case proceeding were lower than the rates currently in effect; and second, for the remainder of the five year AFOR period, rates under ROR would not increase beyond those that were set under the AFOR. While the first condition might be achieved (although that outcome was far from certain), the second condition would be impossible to fulfill with the required degree of certainty. Finally, rate design considerations could have a substantial effect on the level of local rates, no matter what the overall revenue requirement shows. Therefore, as permitted by the introductory sentence of Section 9103, the Commission reached the conclusion that it is not in the

interest of ratepayers to make the ensurance required by subsection 1 of section 9103(1) because of the impossibility of making the finding prescribed in that subsection but that it also was in the public interest to reinstate the extended and modified AFOR that it adopted in 2001.

On a related issue, the Commission had previously decided not to conduct a “revenue requirements” proceeding for the purpose of resetting the starting point for the modified and expanded AFOR. Apart from doubt over whether such an exercise would reduce rates for the short term and apart from the fact that one reason for adopting the AFOR was to avoid costly regulatory proceedings, the Commission was concerned that resetting the starting point might well undermine the incentive for the utility to be more efficient, which is the central purpose of alternative plans. Were that to occur, the consequence would be higher rates in the longer term. In deciding to reinstate the AFOR even though it could not make the finding under section 9103(1), the Commission decided that the long-term interest of ratepayers should not be sacrificed for the possibility of a short-term gain, especially since a short-term gain was by no means assured. The Commission has indicated, however, that it is prepared to consider suggestions of ways to assess the relationship between current rates and current costs that do not jeopardize the long-term benefits of an AFOR.

On October 14, 2003, the OPA and AARP appealed the Commission’s September 25 decisions on remand. A briefing schedule for the appeal has been established, and the Law Court is expected to hear oral arguments during April of 2004 and render its decision sometime thereafter. While the current appeal is pending, the modified and extended AFOR remains in effect, and Verizon is required to adhere to all pricing and service quality mandates contained in the AFOR Order.

For the twelve-month reporting period that ended on June 30, 2003, Verizon failed to meet six of the 15 service quality metrics contained in the revised AFOR. For this failure, Verizon incurred a penalty of almost \$877,000, which was credited to customers on bills during December 2003.

BSCA Expansion

On December 15, 2003, every local exchange carrier in Maine implemented changes to its basic service calling areas (BSCA) that were mandated by a Commission decision of November 2002. This significant change involved the addition of all contiguous exchanges that were not already included in the exchange’s BSCA to the Premium calling area of the exchange. Adding contiguous exchanges on a statewide basis alleviates most of the major problems identified during the rulemaking. These problems included: pocket areas within some exchanges or split communities of interest; inability to call other households within a school district; lack of parity within certain areas; and single-exchange calling areas. While a very small number of school districts that serve widely dispersed geographic areas may still not have toll-free calling throughout their areas and some island exchanges are still without any expanded local calling ability, the vast majority of Maine citizens can now call their neighbors, their schools and their commercial service center without incurring a toll charge.

The addition of contiguous exchanges to BSCAs on a statewide basis was accomplished on a revenue neutral basis for all local exchange carriers (LECs). The LECs estimated the revenue effects of adding the contiguous exchanges to their BSCAs and were permitted to adjust their basic exchange rates or, in some cases, to receive Universal Service Fund support to recover the net revenue loss. The LECs lost revenue from access service that was previously provided to interexchange carriers on the former toll routes, and Verizon, along with a very small number of independent LECs, lost toll revenue on the routes that became part of the local calling areas. In addition, under the previous mechanism, customers subscribing to the Economy option who placed calls to customers in the Premium calling area were charged a flat rate per call (ranging from \$.25 to \$.60). Those calls will now be priced at \$.05 per minute. Finally, the LECs incurred facility, implementation and administrative costs for establishing the additions to the BSCAs. All companies are required to track the revenue and cost effects of the BSCA expansions, and in early 2005, they must report the results to the Commission. At that time the Commission will determine the need for any reconciliation of the actual and estimated revenues and costs and determine whether further local rate changes or USF support adjustments are necessary.

While the changes that were implemented will significantly reduce many of the local calling area disparities that exist among various areas of the State, the Commission will continue to monitor BSCA issues and will attempt to resolve any new or ongoing problems in a timely and cost-effective manner.

Verizon Rate Group Elimination

Rate Group Elimination by Verizon was another significant change for ratepayers. This occurred simultaneously (on December 15th) with the BSCA changes described above. Previously, Verizon had six rate groups each for residential and business customers. Also, each rate group had a Premium and an Economy rate for exchanges where an option existed. Each Verizon exchange received a rate group designation based on the number of access lines that were in the Premium option for the BSCA of the exchange. Rates for the smallest exchanges previously were the lowest, and conversely, the rate groups with a larger number of access lines had higher rates. This type of rate design had been in existence for many years and reflected a value of service concept, rather than a pricing method based on cost of service. Because of the rural nature of many of the smaller exchanges in Maine, as well as advances in switching technology that resulted in increasing economies of scale and scope, the cost of serving a smaller (as measured by number of customers, not geographic size) exchange is almost always higher on a per customer basis than the cost of serving a larger exchange.

In an effort to correct this cost/price inconsistency, the Commission ordered Verizon to eliminate its rate groups and, instead, devise statewide rates for all business and residential customers. To recognize the choices that customers have in selecting between the Premium and Economy BSCA options, two rates each are now in place for residential and business customers. For residential customers, the Commission decided to retain the spread of \$1.50 between the Premium and Economy options. For business customers, the difference of \$3.11 between the BSCA options is also roughly the same as it was on average before the elimination of rate groups.

While some customers in the smaller Verizon exchanges saw rate increases of over \$3.00 per month (due to the combined effect of BSCA expansion and rate group elimination), many of the new BSCA routes (to contiguous exchanges) involved the smaller exchanges, and thus, these customers received many of the BSCA-related benefits along with the rate increases. The rate group elimination was also done on a revenue neutral basis, meaning that the new rates are designed to provide Verizon with the same amount of total revenue that it received under the prior system of multiple rate groups. The effects of rate group elimination, however, are not subject to tracking and potential future reconciliation. Because the majority of Verizon's customers are located in the two largest rate groups, customers in those exchanges experienced the smallest rate effects, with ratepayers in the largest rate group actually seeing a slight decrease from the effects of rate group elimination, although overall they experienced a slight rate increase.

Access Rate Reductions and the Universal Service Fund

During 2003 the Commission continued the process of bringing the intrastate access rates of all LECs into compliance with 35-A M.R.S.A. § 7101-B, which, prior to an amendment that went into effect during 2003, required that the carriers' intrastate access rates be no higher than the interstate access rates that they charge IXCs for use of the local networks in completing long distance calls. In several orders issued during 2001 and 2002, the Commission modified its interpretation of the term "interstate access rates" (as applied to independent local phone companies) to mean the actual rates contained in the tariff filed with the Federal Communications Commission (FCC) by the National Exchange Carrier Association (NECA) on behalf of all non-RBOC participating carriers throughout the nation. All of Maine's independent LECs concur in the NECA tariff. Previously, the Commission interpreted "interstate access rates" to be equal to the disbursements received by the LECs from the NECA pool. For Maine's rural independent LECs, those disbursements, based on actual cost of service studies or average schedules, were generally greater than the actual revenue generated under the federal tariff rates. Since 1999, the Commission had required Verizon to meet the literal interpretation of the statute by adopting intrastate access rates that were equivalent to its interstate rates, which it files on its own with the FCC.

In order to comply with the Commission's revised interpretation of the statute, many independent phone companies would have been required (as of May 30, 2003, according to the previous statutory mandate) to significantly reduce their intrastate access rates and simultaneously increase their basic local rates or seek USF support. During the 2003 legislative session, an amendment to Section 7101-B was enacted that required the Commission, when deciding whether to require parity in the future between interstate and intrastate access rates, to consider the disadvantages to IXCs of access rates that exceed the federal level and the disadvantages to local ratepayers of increases in local rates that would result from intrastate access rate reductions. Further, the revised statute requires that by May 31, 2005, intrastate access rates must be less than or equal to the interstate rates in effect on January 1, 2003. Also, if any local rate increase that is necessary to offset the access rate decrease would exceed 50%, the Commission is required to phase in the local increases in smooth steps.

With the change in statute, the Commission conducted reviews of each of the LECs to determine the best course of action for complying with the revised statute. The Commission modified some rate plans that had been approved previously for several companies to implement the prior statute, and approved new plans for the companies that required them. The new and revised plans included local rate increases and/or Universal Service Fund (USF) support for many of the independent companies. After enactment of the amended statute, the Commission needed to harmonize the revised access reduction requirements and the addition of contiguous exchanges to the BSCA (as previously described) with local rate increases and/or need for USF support, in accordance with the Commission's USF rule. In addition, one group of companies under common ownership had filed a rate case in order to seek USF support. During 2003, the Commission completed reviews of all the independent companies and approved a plan for each that included: BSCA additions according to the revised rule; access rate reductions that comply with the amended statute; and local rate increases or USF support, as appropriate and that complies with the Commission's rule.

USF support payments began in June 2003 to eight independent phone companies. As of December 15, 2003, ten independent phone companies were receiving support from the Maine USF with an annual total of almost \$7.5 million. It is possible that additional companies will require some support in the future as intrastate access rates are reduced according to the provisions of Section 7101-B. USF support will be provided only to the extent that companies are unable to meet their allowed revenue requirements after raising their basic rates to the Verizon level. The amount of USF support payments and the administrative costs of the program require that all telecommunications providers contribute approximately 1.7% of their intrastate revenues into the Fund. Contribution amounts are assessed on all telephone utilities, all wireless providers and all paging providers.

Network Reliability

The Commission's telephone staff has spent considerable time reviewing the network reliability and planning activities of all telephone utilities, especially in light of the addition of the Emergency Services Communication Bureau to the Commission's area of responsibility. The Commission staff meets on a regular basis with the various telephone companies having facilities in Maine to review their network configurations and expansion plans, especially the manner in which redundancy is engineered into the networks. The Commission wants to ensure that changes in network engineering architecture do not degrade the ability of the telephone system to continue functioning even when some part of the system is out of service because of equipment malfunctions, accidents or even vandalism or sabotage. Companies are expected to plan, build and maintain their networks with a high priority placed on reliability and redundancy so the networks will function in as smooth and dependable a fashion as is reasonably possible.

Voice Over Internet Protocol (VOIP)

One issue that has implications for telephone regulation in Maine and elsewhere is telephone service provided over Internet connections, commonly called voice over Internet protocol, or VOIP. The telephone network may evolve from the current circuit-

switched arrangement, in which a dedicated communications path between two parties is maintained for the duration of a call, to a VOIP system, in which voice conversation is broken up into digitized packets and transmitted over the Internet backbone, just as nearly all data travels over the Internet today. The packets travel over whatever paths are available and are reassembled at their destination to form voice communication. For computer users with the proper equipment and software, this capability has been available for many years. The use of VOIP may expand quickly as technology advances.

The use of VOIP will present many regulatory challenges, with the primary one being the classification of the service itself. If the FCC finds that it is an information service, because it is provided over the Internet, then states will have virtually no ability to regulate its use. If it is found to be a telecommunications service, then states could regulate it like any other in-state service, but there may be good reasons to refrain from doing so. The Commission will monitor developments in the VOIP area closely, but it seems likely that at some point, the Commission will be faced with decisions about how to treat VOIP for regulatory purposes, assuming that federal regulations do not preempt the states.

Development of Local Competition in Maine

The Commission has pending before it a number of cases concerning the wholesale relationship between Verizon and the competitive local exchange carriers (CLECS). Pursuant to the Telecommunications Act of 1996 (TelAct) and recent Federal Communications Commission decisions, Verizon must lease pieces of its network (unbundled network elements or UNEs) to other carriers. Our Wholesale Tariff and Dark Fiber dockets (Nos. 2002-682 and 2002-243) address the specific terms and conditions under which Verizon must make its UNEs available. We expect decisions in both of these proceedings during the first half of 2004. We also expect that the FCC's recent *Triennial Review Order* will impact the contractual relationship between Verizon and CLECs (known as an interconnection agreement) and that the Commission may be called upon to arbitrate the interconnection agreements pursuant to authority granted under the TelAct.

In 2002, the Commission established a Rapid Response Process to address specific operational disputes between Verizon and the CLECs. The Commission delegated to the Rapid Response Team the authority to hear and resolve these disputes without the necessity of a full-blown adjudicatory proceeding. During the past year, seven Rapid Response complaints have been filed and addressed by the Rapid Response Team. We expect, as local competition develops further in Maine, the Rapid Response Process will play a vital role to ensuring fair play and providing a swift resolution to many competitive issues.

Federal Universal Service for Wireless Carriers

This past year the Commission, pursuant to authority under the TelAct, designated RCC, Inc. d/b/a Unicef, as an eligible telecommunications carrier (ETC), thereby qualifying RCC to receive federal universal service support in Maine. RCC pledged, as a condition of its designation, that it would use the funds to improve and

expand its facilities in rural Maine. Similar to wireline ETCs, RCC must offer the nine federally required services as well as advertise the availability of service through the low-income Lifeline program.

Enforcement of Consumer Protection Rules

Slamming

In May 2003, the Commission concluded its first formal investigation into alleged violations of Maine's slamming statute and related Commission consumer protection rules. "Slamming" occurs when a customer's local or long-distance carrier is changed without the customer's consent. The Commission's Consumer Assistance Division (CAD) received more than 100 complaints from consumers who alleged that WebNet Communications, Inc. (WebNet) changed their long distance service without their permission.

WebNet provided the CAD with third party verification recordings in which the company alleged the consumers agreed to change their service to WebNet. According to the consumers, however, WebNet did not inform them it was seeking to change their long distance service provider. Instead, WebNet used a variety of methods to prompt consumers to provide the information needed by WebNet to "verify" their change in long distance providers.

After investigating the complaints, the Commission documented 55 violations by WebNet of Maine law and Commission rules (Chapter 296—*Selection of Primary Interexchange and Local Exchange Carriers*). The Commission found that WebNet used deceptive tactics to defraud Maine consumers, including representing itself as Verizon, promising free calling cards, promising incentive checks, and altering third-party verification tapes.

As a result of these violations, the Commission imposed an administrative penalty of \$4,555,000 on WebNet. This was the highest penalty ever assessed by the Commission, and while the Commission may never collect the penalty because of WebNet's financial condition and other factors, it sends a message about the seriousness with which the Commission views intentional violations of Maine's slamming laws. The Commission also revoked WebNet's authority to operate in Maine, and barred WebNet, any successor entities, and any officers, directors, or other control persons of WebNet from operating a telecommunications company in Maine without an investigation and specific approval from the Commission. We have yet to receive any money from this action and are now considering whether to pursue further action and if so, what action to take.

Cramming

Chapter 297 of the Commission's rules prohibits placing charges for services on a customer's local telephone bill without authorization from the customer (a practice known as "cramming"). The rule also establishes a registration process for billing aggregators and service providers, and provides penalties for violations of the rule.

Billing aggregators provide billing services to other companies (referred to as service providers) that provide a specific service to consumers. Chapter 297 prohibits a billing aggregator from forwarding charges for a service provider to a local telephone company unless the service provider is registered with the Commission.

As a result of its investigation into complaints from 14 consumers about unauthorized charges appearing on their phone bills, the CAD found that a billing aggregator, Integretel, improperly forwarded charges on behalf of four service providers who were not registered with the Commission. The unregistered service providers were Spoonful.Net, Qitel Communications, VoiceNet, Inc., and Switched Access Communications. The charges were for services such as Internet access, voicemail, and email.

Chapter 297 authorizes the Commission to assess a penalty of up to \$1,000 for each violation. A settlement was reached with Integretel that resulted in an administrative penalty of \$10,000 being paid to resolve the pending violations.

WATER

- Commission allowed rate changes for seven investor-owned water utilities, six municipal water departments, and 20 water districts.
- Commission continues to work with regulated water utilities to define the best approach to regulating these utilities.

During 2003, the Commission continued to offer staff-assisted rate cases for small water utilities lacking the expertise or funds to prepare a rate case. Several water utilities were provided with guidance in the preparation of their terms and conditions or rate filings. The Commission staff continued to assist employees of the Maine Rural Water Association working with small water utilities on rate, revenue requirement, main extension and service line issues. They also provided assistance to utilities, representatives of municipal governments, customers, and the general public in response to telephone inquiries.

Commission staff maintains contact with staff of the Department of Defense, Veterans, and Emergency Management to advise the Department of water supply emergencies and water shortages. During 2002, most of the State experienced drought conditions, which were eased by this year's wet spring. We did continue to monitor the water supply status of the few water utilities that experienced below normal water tables until the fall rains recharged the groundwater. The water utilities have been asked to notify their customers of any water supply limitations and to implement conservation measures when necessary and only if they will produce beneficial results.

Finally, the Commission continues to work with the water utility industry in determining the regulatory approach most appropriate for the industry. While many of the larger utilities prefer a "local control" model, some smaller utilities remain concerned about the loss of Commission oversight.

MUNICIPAL & QUASI-MUNICIPAL WATER UTILITIES
 RATE CASES PURSUANT TO SECTION 6104
 COMPLETED IN 2003

06-Jan-04

Docket No.	Utility Name	Utility Proposed Revenue	Increase Over Prior Year	% Increase Over Prior Year	Effective
=	=	=	=	=	=
02-779	LUBEC WATER & ELECTRIC DISTRICT	\$248,547	\$45,624	22.48%	03/01/03
03-005	STRONG WATER DISTRICT	\$88,509	\$19,276	27.84%	03/21/03
03-147	OLON WATER DISTRICT	\$51,138	\$13,945	37.49%	05/14/03
03-251	CORNISH WATER DISTRICT	\$147,441	\$26,446	21.86%	06/14/03
03-287	NORTH HAVEN WATER DEPARTMENT	\$185,213	\$90,073	94.67%	06/30/03
03-288	MOUNT DESERT WATER DISTRICT	\$911,595	\$140,528	18.23%	07/01/03
03-455	SOUTH FREEPORT WATER DISTRICT	\$90,300	\$15,200	20.24%	08/31/03
03-477	YORK WATER DISTRICT	\$2,819,581	\$466,880	19.84%	09/10/03
03-533	MEXICO WATER DISTRICT	\$342,320	\$39,068	12.88%	12/31/03
03-605	MOSCOW WATER DISTRICT	\$59,018	\$13,324	29.16%	01/01/04
03-676	ALFRED WATER DISTRICT	\$197,924	\$45,791	30.10%	12/31/03
03-693	BETHEL WATER DISTRICT	\$304,767	\$73,606	31.84%	12/31/03
03-696	BRIDGTON WATER DISTRICT	\$465,000	\$96,524	26.20%	01/01/04
03-724	NORTH JAY WATER DISTRICT	\$170,385	\$43,605	34.39%	04/01/04
03-759	BAR HARBOR WATER DIVISION	\$971,256	\$133,679	15.96%	01/01/04
03-778	MADISON WATER DISTRICT	\$558,233	\$120,727	27.59%	1/1/04 & 9/1/04

**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 2003**

06-Jan-04

Docket No.	Utility Name	Date Filed	Utility Proposed Revenue	Commission Allowed Revenues	Allowed Increase	% Increase Allowed	Effective Date
=	=	=	=	=	=	=	=
2002-425	DIXFIELD WATER DEPARTMENT *	07/22/02	\$320,988	\$308,245	\$ 55,280	21.85%	03/26/03
2002-577	WINTERPORT WATER DISTRICT *	09/26/02	\$187,678	\$187,678	\$ 69,100	58.27%	04/01/03
2002-628	RANGELEY WATER DISTRICT *	10/18/02	\$290,683	\$258,166	\$ 43,344	20.18%	07/01/03
2003-359	FRANKLIN WATER DEPARTMENT ***	06/30/03	\$67,454	\$67,454	\$ 21,240	45.96%	07/30/03
2003-356	LEWISTON WATER DEPARTMENT ***	06/27/03	\$3,019,225	\$3,019,225	\$ 403,882	15.44%	08/01/03
2003-424	CALAIS WATER DEPARTMENT *	08/01/03	\$515,341	\$505,723	\$ 135,694	36.67%	10/01/03
2003-527	PASSAMAQUODDY WATER DISTRICT *	08/30/03	\$615,958	\$604,654	\$ 56,483	10.30%	10/01/03
2003-698	EAGLE LAKE WATER & SEWER DISTRICT ***	11/19/03	\$163,655	\$163,655	\$ 19,392	13.44%	01/01/04
2003-758	LINCOLN WATER DISTRICT ***	12/01/03	\$537,827	\$537,827	\$ 84,334	18.60%	01/01/04
2003-765	GUILFORD/SANGERVILLE WATER DISTRICT ***	12/03/03	\$339,477	\$339,477	\$ 44,124	14.94%	12/31/03

***FAILED DUE TO PROCEDURAL ERRORS BY DISTRICT
 * FAILED DUE TO CUSTOMER PETITION

EMERGENCY SERVICES COMMUNICATION (E-9-1-1)

- The Emergency Services Communication Bureau (ESCB) moved to the Commission.
- All 48 Public Safety Access Points (PSAPs) are on line and actively receiving 9-1-1 calls.
- 121st Legislature called for a reduction in the total number of PSAPs

All of Maine's 48 PSAPs are on line with Enhanced 9-1-1 and are actively receiving emergency 9-1-1 calls. The system continues to perform well and has proved critical in the rapid response to many life threatening medical and public safety emergencies throughout the state. The February activation of the Hancock County Public Safety Answering Point (PSAP) made wireline E9-1-1 available to 99.6% of the state's population. Both the general public and public safety community have readily adopted the system. As evidenced by the high volume of emergency calls and the number of positive stories about how 9-1-1 has helped to save lives and solve crimes throughout Maine.

The First Regular Session of the 121st Legislature set a goal for the Bureau to attempt to establish a total of between 16 and 24 PSAPs. (25 MRSA §2926, sub-§2-A) Currently, there are 48 PSAPs (Old Town PSAP was eliminated in May by a vote of the Old Town Council). In addition, this same legislation transferred the Emergency Services Communication Bureau (ESCB) from the Department of Public Safety (DPS) to the Commission.

The Bureau and Unicef jointly conducted a Phase I wireless trial and successfully implemented the service at the Lincoln County PSAP. As a result, the Bureau issued Phase I and II implementation requests to U.S. Cellular to trial their technology in Lincoln County.

Maine's decision to continue with addressing technical support proved important to the significant increase in the number of towns that have completed the process. The heart of the system, addressing enables PSAPs to automatically locate the E9-1-1 caller and respond to emergencies more quickly and efficiently. It is one of the most important public safety benefits.

PSAP call taker/dispatcher training courses continue for new hires, supervisors and system administrators. A number of public education efforts were undertaken to help the public (both children and adults) use the system correctly. These efforts have been strongly supported by Maine's 48 PSAPs, which deal with improper use of E9-1-1 on a regular basis.

Information about Enhanced E9-1-1 is available on the Bureau web page (www.maine911.com) updates and newsletters, and through public education programs held throughout the year with our constituencies.

A full report on the ESCB activities for 2003 is available at:

<http://www.maine911.com/statutes/annuarreport04.pdf>

SUMMARY OF LAWS

Summary of Relevant New Laws Enacted in the 1st Session of the 121st Legislature

LD	SUMMARY	AMEND 35-A	CHAPTER NO.	EFFECTIVE DATE
<i>ELECTRIC/ENERGY</i>				
163	Authorizes FAME to issue up to \$100M in moral obligation bonds to benefit northern Maine; expands PUC approval authority for certificates of public convenience and necessity for transmission line		PL 2003, ch. 506	June 26, 2003
231	Requires the PUC's conservation assessments on T&Ds be based on per kWh rather than total T&D revenues	§3211	PL 2003, ch. 217	September 13, 2003
233	Requires Maine to consider 30-year life cycle benefit cost analysis and target energy efficiency of 20% above code for construction or renovation of state buildings and schools. Also requires the PUC to study various building construction guidelines		PL 2003, ch. 497	September 13, 2003
238	Adds the Commissioner of Conservation to the Energy Resource Council		PL 2003, ch. 9	September 13, 2003
352	Requires the PUC to study ways to provide incentives for T&Ds to promote efficiency and security to the grid	§3211	PL 2003, ch. 219	September 13, 2003
371	Requires the PUC to conduct a rate review prior to approving a T&D utility AFOR	§3195, 4706	PL 2003, ch. 45	September 13, 2003
668	Directs the PUC to work with Canada on ways to reduce transaction costs and barriers to free flow of electricity between Maine and Atlantic Canada		Resolve 2003, ch. 5	September 13, 2003
669	Directs the Energy Resource Council (ERC) to seek federal funding. It authorizes the ERC to seek and the PUC to provide up to \$200,000 from the Conservation Fund. It also directs the Council to study energy-related policy and its implementation, focusin	§3211	PL 2003, ch. 487	June 23, 2003

805	Deems that funds collected from electricity consumers be held in trust for purposes of benefiting electricity consumers; if the funds are not spent within 2 years of being collected, the PUC must return the value of those funds by reducing the assessment	§3211	PL 2003, ch. 275	September 13, 2003
845	Requires DEP to develop and implement a plan that targets reduction of greenhouse gas emission to levels related to 1990 levels		PL 2003, ch. 237	September 13, 2003
1030	Provides explicit permission for COUs to enter into wholesale PPAs to provide retail generation within their territory; the COUs must comply with the portfolio and information disclosure requirements applicable to CEPs	§3207, 3212	PL 2003, ch. 141	September 13, 2003
1184	Directs the Energy Resource Council, in consultation with DEP, to study alternate transportation and heating fuels, alternatively fueled vehicles and biofuels and report back on interim findings by 1/31/04 and final recommendations by 1/31/05		Resolve 2003, ch. 50	September 13, 2003
1312	Directs the PUC to examine mechanisms to increase the State's use of renewables including RPS, SBC and others		Resolve 2003, ch. 45	September 13, 2003
1321	Amends Maine law regarding energy efficiency standards and indoor air quality in new construction or substantial renovation in a residential building of more than 2 dwelling units to conform to ASHRAE 90.1 standards		PL 2003, ch. 151	September 13, 2003
1494	Authorizes adoption of Chapter 306, Information Disclosure Rule amendment if fuel cells, geothermal, solar, tidal and wind are separately identified on the label		Resolve 2003, ch. 46	May 23, 2003
1495	Authorizes adoption of Chapter 311, Eligible Resource Portfolio Requirements Rule Amendment		Resolve 2003, ch. 22	May 15, 2003
1595	Requires investor-owned T&Ds to adopt and follow a schedule of reading meters monthly; bi-monthly meter readings must receive prior PUC approval	§3104	PL 2003, ch. 412	September 13, 2003
TELECOMMUNICATIONS/TELEMARKETING/E-911				
265	Requires the PUC to balance access/toll rate policies and deny access rate reductions when the effect of a decrease compels an increase in local rates or USF of more than 10%; there will be a 2-year delay in the reduction in intrastate access rates to the	§7101	PL 2003, ch. 101	May 2, 2003

331	Requires intrastate telemarketers to transmit telephone numbers and the name of the telemarketer to anyone with caller ID; full compliance with federal law not required until 1/29/04		PL 2003, ch. 70	September 13, 2003
771	Provides that landline, cellular and wireless providers share in the costs of implementing E-911 in Maine		PL 2003, ch. 194	September 13, 2003
775	Clarifies that definition of "telephone utility" includes switchless resellers	§102	PL 2003, ch. 153	September 13, 2003
776	Allows the PUC to establish an AFOR for telephone utilities other than Verizon	§9104	PL 2003, ch. 48	April 17, 2003
1423	Moves ESCB to the PUC; keeps the surcharge at 50¢ per line by removing the sunset provision; and directs that ESCB reduce the number of PSAPs to between 16-24	§103	PL 2003, ch. 359	September 13, 2003
1444	Permits ESCB to adopt rules (major substantive), approved by the PUC before submission to the Legislature, to establish requirements to locate emergency calls from multi-line telephone systems		PL 2003, ch. 478	September 13, 2003
WATER				
7	Increases the debt limit of the North Jay Water District		P&SL 2003, ch. 10	May 6, 2003
346	Authorizes the Commissioner of Inland Fisheries to enter into an amendment of the conservation easement in the Rangeley River conservation corridor		Resolve 2003, ch. 44	May 23, 2003
491	Establishes a permit procedure for withdrawals of groundwater or surface water in excess of 50,000 gallons per day		PL 2003, ch. 121	September 13, 2003
655	Amends the charter of the Brunswick Sewer District		P&SL 2003, ch. 19	September 13, 2003
678	Amends the charter of the Lubec Water & Electric District to reflect the sale of the District's electric business on 8/1/90		P&SL 2003, ch. 15	May 13, 2003
804	Amends the standard water district enabling act by allowing an increase to debt limit via referendum, addresses trustee compensation and imposes liens on property for unpaid rates	§6401, 6410, 6413, 6414	PL 2003, ch. 147	September 13, 2003
967	Amends the charter of the Madawaska Water district by authorizing a referendum to allow readiness-to-serve charges		P&SL 2003, ch. 16	May 14, 2003
1004	Exempts installation of stand-alone water meters from municipal plumbing inspection and permitting requirements		PL 2003, ch. 304	September 13, 2003

1212	Creates the Bayside Utilities District; addresses the water quality of Hatcase Pond		P&SL 2003, ch. 9	September 13, 2003
1252	Allows water & sewer districts to perform lease and lease-buyback transactions	§6109	PL 2003, ch. 267	September 13, 2003
1594	Dissolves the Brewer Water District		P&SL 2003, ch. 26	September 13, 2003
1608	Amends the charter of the Baileyville Utilities District		P&SL 2003, ch. 25	June 3, 2003
1620	Amends the charter of the New Portland Water District		P&SL 2003, ch. 28	June 5, 2003
GAS				
126	Adds a member of the labor organization in the building & construction industry to the Board of Propane & Natural Gas		PL 2003, ch. 420	September 13, 2003
MULTIPLE UTILITIES				
64	States that a T&D utility may reduce its security for self-insuring it's worker's compensation obligations by up to \$10M		PL 2003, ch. 38	September 13, 2003
1042	Authorizes the PUC to assess utilities at the same rate authorized for 2004; allows the PUC and the OPA to carry forward unspent funds at the end of FY03 and FY04; directs the PUC to report to U&E by 1/1/04	§116	PL 2003, ch. 272	May 23, 2003
1483	Replaces provisions of law that authorize the PUC to issue penalties for non-compliance of laws, rules and orders not to exceed \$5,000 or .25% (per violation) of the violator's annual gross revenues; the PUC may require disgorgement of profits or revenues	§112, 115-117, 703, 704, 707, 709, 1503-1512, 3203, 3206, 4512, 4515-4516, 4704-4705, 7105-7107	PL 2003, ch. 505	September 13, 2003
1539	Amends law relating to corporate divestiture	§2110, 3204, 4502	PL 2003, ch. 344	May 29, 2003
1567	Changes the term "forfeitures" to "fines" for civil violations; deletes changes to a subsection in public utilities laws that is repealed in another bill	§703, 7701	PL 2003, ch. 452	September 13, 2003

1604	Allows all excavators to begin excavation immediately where facility owners have determined no underground facilities exist; directs the PUC to establish major substantive rule		PL 2003, ch. 373	September 13, 2003
MISCELLANEOUS				
249	Requires law enforcement agencies to adopt written procedures and trained person for freedom of access requests		PL 2003, ch. 185	September 13, 2003
255	Requires unsolicited commercial email to contain a valid return email address so that the recipient may reply that they do not wish to receive further unsolicited email; restrictions do not apply to those with prior relationships or those requesting infor		PL 2003, ch. 327	September 13, 2003
397	Establishes a study group to examine emergency alert notification for the deaf & hard of hearing		Resolve 2003, ch. 78	June 17, 2003
441	Clarifies that the definition of "distillates" for fuel tax purposes include "biodiesel fuel," which is defined as a renewable fuel derived from vegetable oils or animal fats		PL 2003, ch. 266	September 13, 2003
472	Establishes the task force to study regulatory barriers to affordable housing		Resolve 2003, ch. 73	September 13, 2003
483	SUPPLEMENTAL BUDGET BILL FY03 (Part BB - transfers \$408,185 from the PUC Consumer Education Fund and \$600,000 from the PUC Conservation Administration Fund to the General Fund)		PL 2003, ch. 2	February 13, 2003
709	Requires person who files for a permit to remove a dam to attend a preapplication meeting with DEP and to hold a public informational meeting		PL 2003, ch. 134	September 13, 2003
724	Clarifies that information in E-911 databases may be used only for emergency response purposes		PL 2003, ch. 124	September 13, 2003
845	Directs DEP to create greenhouse gas emissions inventory for state-owned facilities and state-funded programs; sets state short, medium and long-term goals to reduce greenhouse gas emissions in Maine; directs DEP to adopt a plan by 7/1/04 and to evaluate		PL 2003, ch. 237	September 13, 2003

1047	Ensures that each state agency establish a policy that makes certain that complaints against state employees are addressed by that agency; prohibits the release of confidential information		PL 2003, ch. 230	September 13, 2003
1079	Establish the committee to study compliance with Maine's freedom of access laws		Resolve 2003, ch. 83	September 13, 2003
1107	Provides that a person who has life insurance as a retiree under MSRS may purchase insurance as an active employee if they become reemployed in a position that qualifies for life insurance coverage		PL 2003, ch. 485	September 13, 2003
1319	BUDGET BILL (FYE 6/04, 6/05) - transfers 3 positions from DECD to the PUC; charges the PUC with enforcing energy building standards and all other DECD functions	§3211	PL 2003, ch. 20	March 27, 2003
1528	Permits required notice of an agency rulemaking process to be given electronically, upon prior agreement; copies of proposed rules may also be distributed in the same manner by agencies, thus conserving paper		PL 2003, ch. 207	May 16, 2003
1574	SUPPLEMENTAL BUDGET BILL - FYE 6/03, 6/04, 6/05		PL 2003, ch. 51	April 18, 2003
1575	Provides for a loan from FAME to pay property taxes for Millinocket & E. Millinocket and to ensure that Brascan will receive BETR payments		P&SL 2003, ch. 8	April 25, 2003
1582	Adds an exception to the definition of "public records" in the Freedom of Access laws; adds a new category of records that is not public records		PL 2003, ch. 392	September 13, 2003
1614	SUPPLEMENTAL BUDGET BILL (FYE 6/03, 6/04 & 6/05 - transfers 3 DECD positions to the PUC		PL 2003, ch. 451	June 12, 2003
1619	Amends certain state labor laws to provide parity with the treatment of state employees and those in the private sector, exempting legislative employees, regarding overtime pay; amends worker's compensation law to allow state employees barred from suing t		PL 2003, ch. 423	September 13, 2003

SUMMARY OF COMMISSION RULEMAKINGS FOR 2003

Chapter 212, Exemption of Competitive Telecommunications Carriers from Certain Filing and Approval Requirements

This rule exempts Competitive Local Exchange Carriers (CLECs) and Competitive Interexchange Carriers (IXCs) from Title 35-A M.R.S.A. §§ 504(2), 901-904, 907, 908, 910, 911, 1101 and 1103, relating to requirements for financial reporting, stock issuances and other financings and mortgages and disposal of property.

Chapter 280, Provision of Competitive Telecommunications Services

This rule was amended to facilitate the implementation of the High Cost Universal Service Fund and ongoing administration of the Maine Telecommunications Education Access Fund.

Chapter 285, Maine Telecommunications Education Access Fund

This rule was amended to conform the rule to provisions of Chapter 288, Maine Universal Service Fund and to provisions of the newly amended Chapter 280.

Chapter 288, Maine Universal Service Fund

This rule provides for “high cost” support for those local exchange telephone companies that are not able to maintain affordable and reasonably comparable local service rates without that support. This support is to ensure that similar telecommunications services are available to consumers throughout the State at affordable rates that are reasonably comparable to those for low cost and average cost areas. The rule assesses the intrastate retail service revenues of all telecommunications providers.

Chapter 306, Uniform Information Disclosure and Informational Filing Requirements

This rule was amended to incorporate electricity attribute certificates as the means for determining and verifying resource mix, and emissions characteristics contained on disclosure labels and to make other changes to simplify the application of the rule.

Chapter 311, Eligible Resource Portfolio Requirement

This rule was amended to incorporate the use of electricity attribute certificates to satisfy the portfolio requirement.

Chapter 37, Energy Conservation Adjustment for Electric Utilities

This rule was repealed because transmission and distribution utilities are no longer administering conservation programs.

Chapter 381, Selection of Conservation Program Service Providers

This rule establishes the procedures governing the selection of service providers for conservation programs. The Commission will contract with service providers to deliver and assist with the delivery of conservation programs to T&D utility customers. Most service providers will be selected by means of a competitive bid process conducted by issuing Requests for Proposals or similar documents. Some service providers will be selected without a competitive bid process, when sole-source contracting is the most efficient means to deliver conservation programs. The rule also establishes the procedure to seek reconsideration of a selection decision.

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 two principal sources of funding in FY2003, a Regulatory Fund of \$5,548,650, as authorized by 35 M.R.S.A. Section 116, and a balance forward of \$1,322,673 pursuant to PL 2001 Chapter 136, which allows any accumulated unencumbered balance from FY 2002 be used during FY2003. Unspent money from FY2004 will be returned to ratepayers in the form of a reduced assessment of utility revenues, or serve to reduce the need for higher assessments in subsequent years.

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

The Commission was authorized 61.5 full-time positions in FY2003.

1. A. Fiscal Year 2003

In FY2003, the Commission spent approximately \$5.27 million, regulating 742 utilities with gross revenues exceeding \$1.23 billion. Attachment 1 summarizes Regulatory Fund activity and activity in other funds administered by the Commission. Attachment 2 details FY2003 expenditures by line item.

B. Regulatory Fund

The authorized Regulatory Fund assessment for FY2003 was \$5,505,000. In addition to the assessment, an unencumbered balance of \$1,322,673 and encumbrances of \$287,304 were brought forward from FY2002. The Commission spent \$5,269,536. Expenditure details are presented in Attachment 2. An encumbered balance of \$194,446 and an unencumbered balance of \$1,694,645 remain available by Financial Order. The encumbered balances generally represent ongoing contracts for consulting services.

C. Filing Fees

In FY2003 the Commission collected \$100 in filing fees. \$20,000 in fines collected during FY 2002 was transferred to the General Fund during FY 2003.

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. \$2,894 was brought forward from FY2002. An additional \$2,651 was received during FY2003. \$4,279 was transferred to the General Fund during FY2003 leaving an unencumbered balance of \$1,266 which was brought forward to be expended during FY2004.

E. Public Law 1997, Chapter 691 and Chapter 302 of Commission Rules approved by the Legislature in 1998, established the Public Utilities Commission Education Fund.

This fund authorizes a total of \$1.6 million dollars to 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 FY1998, \$600,000 for FY1999, \$600,000 for FY2000 and a final \$200,000 for FY2001. 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. Expenditures are shown on Attachment 2. \$413,185 was available from the balance forward from FY 2002. \$2,429 was spent. \$408,185 was transferred to the General Fund with \$2,571 as the unencumbered balance remaining and available to FY 2004.

F. During FY2000 the Commission received a grant of \$36,400 from the Office of Pipeline Safety, US Department of Transportation to fund Dig Safe Rulemaking and Enforcement. The Dig Safe Rulemaking and Enforcement grant account had a balance of \$3,606 brought forward to FY2003. \$0 was spending during FY2003, leaving an unencumbered balance of \$3,606 for use during FY2004.

G. During FY2001 the Commission received a Dig Safe Public Education Grant in the amount of \$47,500 to develop and implement a targeted education campaign reaching excavators, designers, public works officials & others involved in excavation. The Dig Safe Education Grant account had a balance of \$10,588 brought forward to FY2003. \$0 was spent during FY03 leaving an unencumbered balance of \$10,588 for use during FY2004.

H. During FY2002 the Commission received a 2002 PUC One Call Grant to implement a targeted education campaign reaching excavators, designers, public works officials and others involved in excavation. \$2,405 is the unencumbered balance brought forward to FY 2003. \$21,000 is the encumbered balance. \$8,878 was spent leaving \$14,527 as unencumbered balance brought forward to FY 2004.

I. During FY2003 the Commission received a 2003 PUC One Call Grant to implement a targeted education campaign reaching excavators, designers,

public works officials and others involved in excavation. \$43,250 was received, \$0 expended and \$43,250 is brought forward to FY 2004.

- J. The Conservation Administration Fund had an unencumbered balance of \$1,300,000 is made available from Energy Conservation Assessments on Electric Utilities. \$600,000 was transferred to the General Fund. \$426,055 was expended leaving an encumbered balance of \$450 and unencumbered balance of \$273,495 for use during FY 2004.
- K. The Conservation Program Fund had an unencumbered balance of \$3,350,393 and is made available from Energy Conservation Assessments on Electric Utilities. \$2,573,776 was received during FY 2003; \$1,005,045 was expended leaving an encumbered balance of \$1,589,245 and an unencumbered balance of \$3,329,879 available for FY 2004.

2. Fiscal Year 2004

Attachment 3 details the Commission's FY2004 Regulatory and other PUC funds' budgets. Encumbered and unencumbered balances brought forward from FY2003 are included. The right hand column represents the total funds available to the Commission in FY2004 by account and line category.

3. The Budget in Perspective

Attachment 2 details the Commission's budget for a 3-year period. The left hand column includes amounts actually expended in FY2003. Column 2 contains the FY2004 expenditure plan. Column 3 contains the FY2005 approved Budget.

4. The Regulatory Fund Assessment in Perspective

Attachment 4 details the Regulatory Fund assessments since FY80. Annual Reports filed by the utilities with the Commission include revenues for the previous year ending December 31. Calculations are made to determine what percentage of the revenues reported by Transmission & Distribution companies will produce the amount authorized by statute. Calculations are also made to determine what percentage of the revenues reported by other utilities will produce the amount authorized by statute. The factors derived that will raise the authorized amounts are 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.

Pursuant to PL 2003, ch. 272, 35-A M.R.S.A. was modified and the Transmission and Distribution assessment was increased to \$3,772,000 annually. The assessment on all other utilities was increased to \$1,733,000 for a total of \$5,505,000.

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. During FY2003, a management audit was performed on Northern Utilities, Inc. customer service operations. The full list of services included metering and billing, general and emergency call response, field services, and contact center operations.

PUC FUND ACTIVITY BY ACCOUNT FOR FY2003

PUC REGULATORY FUND *014-65A-0184-01*

UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2002	1,322,673
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY2002	287,304
FUNDS RECEIVED DURING FY2003	5,548,650
LESS EXPENDED DURING FY2003	5,269,536
ENCUMBERED BALANCE BROUGHT FORWARD TO FY2004	194,446
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2004	1,694,645

REIMBURSEMENT FUND**Filing Fee Account** *014-65A-0184-03*

UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2002	20,000
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY2002	0
FUNDS RECEIVED DURING FY2003	100
LESS TRANSFERRED TO GENERAL FUND DURING FY2003	20,000
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2004	100

Miscellaneous Reimbursement *014-65A-0184-04*

UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2002	2,894
FUNDS RECEIVED DURING FY2003	2,651
LESS TRANSFERRED TO GENERAL FUND DURING FY2003	4,279
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2004	1,266

PUC CONSUMER EDUCATION FUND *014-65A-0184-06*

UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2002	413,185
FUNDS RECEIVED DURING FY2003	0
LESS EXPENDED DURING FY2003	2,429
LESS TRANSFERRED TO GENERAL FUND DURING FY2003	408,185
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2004	2,571

PUC DIG SAFE GRANT *013-65A-0184-01*

UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2002	3,603
FUNDS RECEIVED DURING FY2003	0
LESS EXPENDED DURING FY2003	0
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2004	3,603

2001 PUC ONE CALL GRANT *013-65A-0184-02*

UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2002	10,588
FUNDS RECEIVED DURING FY2003	0
LESS EXPENDED DURING FY2003	0
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2004	10,588

2002 PUC ONE CALL GRANT *013-65A-0184-03*

UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2002	2,405
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY2002	21,000
FUNDS RECEIVED DURING FY2003	0

LESS EXPENDED DURING FY2003	8,878
ENCUMBERED BALANCE BROUGHT FORWARD TO FY2004	0
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2004	14,527
*Encumbered bal liquidated FY03 Period 13 - \$12,122	

2003 PUC ONE CALL GRANT 013-65A-0184-04

ONE CALL GRANT FUNDS RECEIVED DURING FY 2003	43,250
LESS EXPENDED DURING FY2003	0
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2004	43,250

CONSERVATION ADMINISTRATION FUND 014-65A-0966-01

UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2002	1,300,000
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY2002	0
FUNDS RECEIVED DURING FY2003	0
LESS TRANSFERRED TO GENERAL FUND DURING FY2003	600,000
LESS EXPENDED DURING FY2003	426,055
ENCUMBERED BALANCE BROUGHT FORWARD TO FY2004	450
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2004	273,495

CONSERVATION PROGRAM FUND 014-65A-0967-01

UNENCUMBERED BALANCE BROUGHT FORWARD FROM FY2002	3,350,393
ENCUMBERED BALANCE BROUGHT FORWARD FROM FY2002	0
FUNDS RECEIVED DURING FY2003	2,573,776
LESS EXPENDED DURING FY2003	1,005,045
ENCUMBERED BALANCE BROUGHT FORWARD TO FY2004	1,589,245
UNENCUMBERED BALANCE BROUGHT FORWARD TO FY2004	3,329,879

COMMISSION BUDGET IN PERSPECTIVE

Attachment 2

	FY2003 ACTUALLY SPENT	FY2004 APPROVED BUDGET	FY2005 APPROVED BUDGET
	-	-	-
REGULATORY FUND			
POSITIONS	(62)	(62)	(62)
PERSONAL SERVICES	4,193,528	5,367,820	5,543,916
CONSULTANTS	427,112	175,000	200,000
ALL OTHER	648,896	799,265	814,326
CAPITAL	0	0	0
	-	-	-
TOTAL	5,269,536	6,342,085	6,558,242
RESOURCES			
ASSESSMENT AUTHORITY		5,505,000	
UNENCUMBERED BALANCE FORWARD		1,694,645 #1	
ENCUMBERED BALANCES FORWARD		194,446 #1	
DEAPPROPRIATED TO GENERAL FUND		-256873 #2	
		-	
TOTAL REGULATORY FUND RESOURCES		7,137,218	
REIMBURSEMENT FUND			
FILING FEES	0	50,000	50,000
MISC. REIMBURSEMENT	0	15,000	15,000
DEAPPROPRIATED TO GENERAL FUND	20000		#3
PUC CONSUMER EDUCATION FUND			
ALL OTHER	2,429	2,571 #4	

DEAPPROPRIATED TO GENERAL FUND	408,182	#5	
PUC DIGSAFE GRANT			
ALL OTHER	0	3,603 #6	
2001 PUC ONE CALL GRANT			
ALL OTHER	0	10,588 #7	
2002 PUC ONE CALL GRANT			
ALL OTHER	8,878	14,527 #8	
2003 PUC ONE CALL GRANT			
ALL OTHER	0	43,250 #9	
ELECTRICITY CONSERVATION PROGRAM			
ALL OTHER	1,005,045	5,900,000	5,900,000
ELECTRICITY CONSERVATION ADMINISTRATION			
POSITIONS	(3)	(3)	(3)
PERSONAL SERVICES	323,950	337,319	352,210
CONSULTANTS	8,529	887,346	870,950
ALL OTHER	93,576	75,335	76,840
CAPITAL	0	0	0
STATE ENERGY PROGRAMS			
POSITIONS		(3)	(3)
PERSONAL SERVICES		192,446	192,446
CONSULTANTS		363,779	401,655
ALL OTHER		0	0
CAPITAL			
EMERGENCY SVCS COMM (E-911)			
POSITIONS		(5)	(5)
PERSONAL SERVICES		258,499	251,525
CONSULTANTS		0	0
ALL OTHER		8,900,651	8,313,349
CAPITAL			

TOTAL

6,711,943 23,396,999 22,982,217

- #1 Encumbered Balance of \$194,446 and unencumbered balance forward from FY2003 of \$1,694,645; pursuant to PL 2003 ch. 272, all balance forward is made available during FY2004 and FY2005.
- #2 Deappropriations via Statewide Financial Order for \$256,873
- #3 Deappropriations to fund General Fund shortfall of \$20,000.
- #4 Unencumbered Balance of \$2,571 brought forward to be expended during FY2004.
- #5 Deappropriations to fund General Fund shortfall of \$408,182.
- #6 Unencumbered Balance of \$3,603 brought forward to be expended during FY 2004.
- #7 Unencumbered Balance - PUC Dig Safe grant of \$10,588 will be used during FY2004.
- #8 Unencumbered Balance of \$14,527 is brought forward to FY2004.
- #9 Unencumbered Balance of \$43,250 is brought forward to FY2004.

FY 2004 BUDGET & ADJUSTMENTS

Attachment 3

		BUDGET	ADJUSTMT	ADJUSTED BUDGET
REGULATORY FUND				
	POSITIONS	(62)		(62)
PERSONAL SERVICES		5,367,820	-256,873 *1	5,110,947
CONSULTING		175,000	444,446 *2	619,446
ALL OTHER		799,265	0	799,265
CAPITAL		0	0	0
		-	-	-
	TOTAL	6,342,085	187,573	6,529,658
REIMBURSEMENT FUND				
<u>FILING FEES</u>		50,000	0	50,000
<u>MISC. REIMBURSEMENT</u>		15,000	0	15,000
PUC CONSUMER EDUCATION FUND		0	2,571 *3	2,571
PUC DIG SAFE GRANT		0	3,603 *4	3,603
2001 PUC ONE CALL GRANT		0	10,588 *5	10,588
2002 PUC ONE CALL GRANT		0	14,527 *6	14,527
2003 PUC ONE CALL GRANT		0	43,250 *7	43,250
ELECTRIC CONSERVATION ADMINISTRATION				
	POSITIONS	(3)		(3)
PERSONAL SERVICES		337,319	-16,388 *1	320,931

CONSULTING	887,346		887,346
ALL OTHER	75,335		75,335
CAPITAL	0		0
STATE ENERGY PROGRAM			
POSITIONS	(3)		(3)
PERSONAL SERVICES	192,446		192,446
ALL OTHER	363,779	498,224 *8	862,003
CAPITAL	0		0
EMERGENCY SVCS COMM (E911)			
POSITIONS	(5)		(5)
PERSONAL SERVICES	258,499	-20,826 *1	237,673
ALL OTHER	7,224,610	1,676,041 *9	8,900,651
CAPITAL	0		
	-	-	-
Total	15,746,419	2,399,163	18,145,582

*1 DEAPPROPRIATION VIA STATEWIDE FINANCIAL ORDER

*2 Includes Encumbered Bal. fwd of \$194,446 and \$250,000 from
Bal Fwd via Financial Order.

*3 Unencumbered balance of \$2,571 brt fwd to FY 2004.

*4 Unencumbered balance of \$3,603 brt fwd to FY 2004.

*5 Unencumbered balance of \$10,588 brt fwd to FY 2004.

*6 Unencumbered balance of \$14,527 brt fwd to FY 2004.

*7 Unencumbered balance of \$43,250 brt fwd to FY 2004.

*8 FO #000435 for \$468,224 and FO 000561 for \$30,000 making use of Federal Funds

*9 FO #000824 provided for delayed Verizon payments

PUC Regulatory Fund

Year	Electric Revenues	Telecom Revenues	Water Revenues	Gas Revenues	Water Carriers Revenues	Attachment 4 Total		Amount Billed	Amount Authorized
						Utilities Revenues			
FY80	1980	186,278,293	139,683,694	24,086,603	6,749,736		356,798,326	74,816	75,000
	1981	206,762,413	153,652,974	25,465,331	7,374,962		393,255,680	149,830	150,000
FY82	1982	216,243,682	165,108,544	28,421,070	8,932,172		418,705,468	449,779	450,000
	1983	462,967,673	182,850,133	32,220,884	14,428,444	803,933	693,271,067	1,299,996	1,300,000
FY84	1984	508,838,895	194,922,674	36,803,237	19,309,123	959,425	760,833,354	1,459,983	1,460,000
	1985	546,977,166	210,502,523	40,372,798	21,206,118	984,106	820,042,711	1,593,904	1,594,000
FY86	1986	630,565,108	210,877,202	42,290,155	20,517,627	1,080,600	905,330,692	2,143,913	2,144,000
	1987	670,908,924	238,902,099	43,400,274	19,213,032	1,211,241	973,635,570	2,328,989	2,329,000
FY88	1988	645,757,051	275,047,659	45,215,835	17,911,730	936,922	984,869,197	2,219,000	2,219,000
	1989	721,684,049	286,419,434	48,176,192	17,744,522	1,035,357	1,075,059,554	2,386,000	2,386,000
FY90	1990	783,537,776	312,154,685	50,659,705	18,555,805	1,214,007	1,166,121,978	2,642,845	2,696,000
	1991	837,377,145	349,185,418	52,855,076	21,928,319	1,536,596	1,262,882,554	3,235,117	3,378,000
FY91	1992	927,601,155	358,682,900	58,784,656	26,182,164	1,537,296	1,372,788,171	4,259,985	4,473,000
	1993	1,052,609,125	343,341,527	64,223,522	24,997,942	1,569,023	1,486,741,139	4,233,807	4,918,000
FY93	1994	1,064,245,073	354,876,542	68,315,387	28,108,038	1,919,595	1,517,464,635	4,257,758	4,918,000
	1995	1,097,614,456	371,037,052	74,793,749	30,505,910	1,284,905	1,575,236,072	4,590,198	4,918,000
FY95	1996	1,093,553,536	384,936,867	81,529,938	32,091,988	1,697,223	1,593,809,552	4,918,000	4,918,000
	1997	1,118,124,742	392,623,445	87,230,402	31,365,288	1,924,520	1,631,268,397	4,276,900	4,918,000
FY97	1998	1,131,080,875	410,824,795	87,549,280	36,068,309	2,098,648	1,667,621,907	4,283,000	4,918,000
	1999	1,153,567,578	415,265,192	91,340,130	42,553,204	2,187,844	1,704,913,948	5,553,000	5,553,000
FY99	2000	1,144,803,899	456,312,932	92,952,562	35,354,982	2,259,826	1,731,684,201	4,918,000	4,918,000
FY01	2001	1,181,804,581						3,370,000	
	2001		521,331,046	95,682,346	36,311,777	3,123,023	1,838,252,773	1,548,000	4,918,000

FY02	2002	547,912,962						3,588,000	
	2002		500,763,978	98,835,956	55,824,836	3,521,316	1,206,859,048	1,647,156	5,236,000
FY03	2003	535,509,552						3,772,000	
	2003		538,050,538	101,802,792	53,466,479	3,713,543	1,232,542,904	1,648,000	5,505,000

PAST COMMISSIONERS

1915 - 2003

* 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	1968-1977
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 Moskovitz	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- 2003
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	Sharon M. Reishus	2003-Present
* Chairman			

MAINE PUBLIC UTILITIES COMMISSION STAFF

Abbott, Jean – TA Div. Secretary	7-1364	Mace, Shannon – CAD Specialist	7-3831
Austin, Thomas – Utility Analyst	7-5901	MacLennan, Carol – Sr. Staff Attorney	7-1393
Ballou, Peter – Sr. Staff Attorney	7-1388	Marquis, Rita – Clerk Typist III	877-8050
Bartlett, Shirley – Planner	7-7495	Mason, Cara – Legal Secretary	7-1384
Bergeron, Denis –	7-1366	Mayhew, Michael –	7-7638
Director Energy Conservation		Energy Audit Engineer	
Bero, Betty – Sr. CAD Specialist	7-3831	McLaughlin, Marjorie –	7-1365
Berube, Cheryl – Clerk III	7-1396	Utility Analyst	
Bragdon, Trina – Staff Attorney	7-1392	Monroe, Angela – Utility Analyst	7-1397
Buckley, James –	7-1387	Paul, Jennifer –	7-1360
Special Counsel/ER		Sr. Administrative Secretary	
Bunker, Stephan – E-911 Staff		Peaslee, Lauree – Legal Secretary	7-1386
Development Coordinator	877-8068	Pepper, Jenn – Librarian II	7-1560
Carroll, Christopher –	7-7494	Perez, Lydia – Utility Analyst	7-7343
Energy Conservation Specialist		Plante, Lorry – Legal Secretary	7-1566
Cohen, Chuck – Sr. Staff Attorney	7-1394	Poetzsch, Kathy – CAD Secretary	7-8328
Cowie, Doug – Sr. Utility Analyst	7-1369	Randall, Myong – Clerk III	7-1352
Cyr, Paula – Commission Clerk	7-6074	Reishus, Sharon – Commissioner	7-3831
Davidson, Derek – Director CAD	7-1596	Robichaud, Ray –	7-1357
Deforge, Dan –	7-2999	Assistant Administrative Director	
Info System Support Specialist		Saban, Ann –	7-8519
Diamond, Stephen – Commissioner	7-3831	Agency Technical Officer	
Dunn, Steve – Sr. CAD Specialist	7-3831	Shifman, Joel – Utility Analyst	7-1381
Farmer, Gary –	7-1385	Smith, Lucretia – Utility Analyst	7-1383
Gas Pipeline Specialist		Soldano, Rick – CAD Specialist	7-3831
Fink, Lisa – Sr. Staff Attorney	7-1389	Spelke, Amy – Utility Analyst	7-5945
Fournier, Kristine – CAD Specialist	7-3831	Steneck, Joanne – General Counsel	7-1390
French, Tammy – Research/Planning	7-6075	Stratton, Mary – CAD Specialist	7-3831
Gasper, Robert – E-911	877-8063	Sukaskas, Joe – Utility Analyst	7-1375
Public Service Coordinator-Special Projects		Tannenbaum, Mitch – Staff Attorney	7-1391
Gervenack, Albert –	877-8052	Thayer, Matt – Consumer Education	7-1594
Director of E-911		Tibbetts, Marilyn – Accountant II	7-1358
Goodwin, Nancy – Business Manager	7-1355	Viens, Linda – Utility Analyst	7-7327
Haefele, Julie – CAD Specialist	7-3831	Welch, Thomas – Chairman	7-3831
Hammond, Ray – Utility Analyst	7-1368	Wright, Patricia – CAD Supervisor	7-3831
Hanson, Belinda –	7-1356		
Information System Support Technician		Website: http://www.state.me.us/mpuc	
Howe, Ralph – Utility Analyst	7-1373	Fax:	7-1039
Huntington, Faith – Acting Director	7-1373	Relay for Deaf	1-800-457-1220
Technical Analysis		CAD Hotline	1-800-452-4699
Information Resource Center -	7-1560		
Jacques, Maria – E-911	877-8061		
Data Base Manager			
James, Mary – Assistant Director	7-3831		
CAD			
Kania, Rich – Acting Director	7-1379		
Finance			
Keschl, Dennis –	7-1353		
Administrative Director			
Kivela, Rich – Utility Analyst	7-1562		
Lewis, Stephen – Utility Analyst	7-6704		
Lindley, Phil – Utility Analyst	7-1598		

**For all staff phone lines – Prefix 7 = 287
The area code for Maine is (207)**

ACRONYMS AND ABBREVIATIONS

AFOR	Alternative Form of Regulation	NEB	Canadian National Energy Board
ASGA	Asset Sale Gain Account	NECPUC	New England Conference of Public Utility Commissioners
BHE	Bangor Hydro Electric Company	NEPOOL	New England Power Pool
CAD	Consumer Assistance Division	NOI	Notice of Inquiry
CAP	Community Action Program	NU	Northern Utilities
CMP	Central Maine Power Company	OGIS	Maine Office of Geographic Information Systems
DEP	Dept of Environmental Protection	OPA	Office of Public Advocate
DHS	Department of Human Services	PERC	Penobscot Energy Recovery Co
ESCB	Emergency Services Communication Bureau (E9-1-1)	PNGTS	Portland Natural Gas Transmission System
FAME	Finance Authority of Maine	PSAP	Public Safety Access Point
FCC	Federal Communications Commission	PUC/MPUC	Maine Public Utilities Commission
FERC	Federal Energy Regulatory Commission	QF	Qualifying Facility
FY	Fiscal Year	RFB	Request For Bid
HEAP	Home Energy Assistance Program	RFP	Request for Proposal
ISO	Independent System Operator	RPS	Renewal Portfolio Standard
IXC	Interexchange Carriers	RTO	Regional Transmission Organization
LD	Legislative Document	SEP	State Energy Program
LDC	Local Distribution Company	SEPC	Staff Energy Policy Committee
LIAP	Low Income Assistance Program	SQI	Service Quality Index
LIHEAP	Low Income Home Energy Assistance Program	SSI	Social Security Income
LNG	Liquefied Natural Gas	TA	Technical Analysis
MHSA or MSHA	Maine State Housing Authority	TANF	Temporary Assistance For Needy
MPS	Maine Public Service	T&D	Transmission and Distribution
M&NP	Maritimes and Northeast Pipelines	TELRIC	Total Element Long-Run Incremental Cost
MRSA	Maine Revised Statutes Annotated	TRO	Temporary Restraining Order
MTEB	Maine Telecommunications Board	WPS-ESI	WPS Energy Services, Inc
MWUA	Maine Water Utilities Association		

GLOSSARY

- **Access Charges:** The rates that a long-distance carrier pays to local telephone companies for connecting to the local network. Access charges are a major cost component of toll rates.
- **Aggregator:** "Aggregator" means an entity that gathers individual customers together for the purpose of purchasing electricity, provided such entity is not engaged in the purchase or resale of electricity directly with a competitive electricity provider, and provided further that such customers contract for electricity directly with a competitive electricity provider.
- **All-In Rate:** The total price for electricity, including generation and delivery (transmission & distribution service).
- **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.
- **Cramming:** The practice of adding fees or charges to a consumer's bill for services that were either never provided or for services that the customer did not register for (see also Slamming).
- **Customer Classes for Electricity Consumers:** Residential/small non-residential; Medium non-residential; Large non-residential. Non-residential class determined by customer's kW demand peak.
- **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, provided only Delivery Service.
- **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.
- **Electric Supply:** Electricity that is sold or resold by a PUC-licensed Electricity Supplier, or provided under the Standard Offer.

- **Electricity Utility:** A monopoly utility that, until March 2000, provided both Electricity Supply and Delivery Service. In March 2000, Electric Utilities became Distribution Companies.
- **Eligible Telecommunications Carrier: [Would include a definition for. SD]**
- **Federal High-Cost Funds:** Universal service support mechanisms that have helped make telephone service affordable for low-income consumers and consumers who live in areas, typically rural, where the cost of providing service is high.
- **Green Power:** Power generated from renewable energy sources, such as wind and solar power, geothermal, hydropower and various forms of biomass.
- **Independent Telephone Company:** This term is often used to refer to all incumbent local exchange carriers companies other than Verizon - Maine. There are 23 of these companies in Maine, although some are owned by the same parent holding company.
- **Independent Third Party Verifier:** A third party used to verify preferred carrier changes. The third party must be qualified and independent, and must obtain the customer's oral authorization to submit the preferred carrier change that includes appropriate verification data (e.g. the customer's date of birth or social security number).
- **Intrastate Access Rates:** "Access charges" and "access rates" are those charges and rates that an interexchange carrier must pay to a local exchange carrier in order to provide intrastate interexchange service in Maine.
- **Letter of Agency:** A "letter of agency" is a document containing a customer's signature that authorizes a change to a customer's preferred carrier selection.
- **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 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.
- **Lifeline & Link-Up:** These programs assist low-income consumers in obtaining and affording telecommunications services.
- **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.

- **Prescribed Toll Carrier “PIC”:** The carrier to which a customer is presubscribed for local, intrastate, interstate, or international telecommunications service.
- **Qualifying Facility:** A small power production or cogeneration facility that meets the Federal Energy Regulatory Commission’s ownership and technical requirements is a qualifying facility.
- **RBOC:** An acronym for Regional Bell Operating Company. In Maine’s case, the incumbent RBOC is Verizon - Maine.
- **Renewable Energy:** Energy from fuel cells, tidal power, solar energy, wind power, geothermal power, hydroelectric energy, biomass and municipal solid waste.
- **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.
- **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.”
- **Slamming:** The illegal practice of switching a consumer’s telephone carrier or electrical supplier without obtaining proper consent (see also Cramming).
- **Standard Service Offer:** Electric generation service provided to any electricity consumer who does not obtain electric generation service from a competitive electricity provider.
- **Stranded Costs:** A utility's legitimate, verifiable and unmitigable costs made unrecoverable as a result of the restructuring of the electric industry required by 35-A M.R.S.A. Chapter 32 determined by the Commission pursuant to 32-A M.R.S.A. § 3208.
- **Unbundled:** Electric utility bills that state the current cost of electric capacity and energy separately from transmission and distribution charges and other charges for electric service.
- **Universal Service:** The principle that all Americans should be able to afford at least a minimal level of basic telephone service.

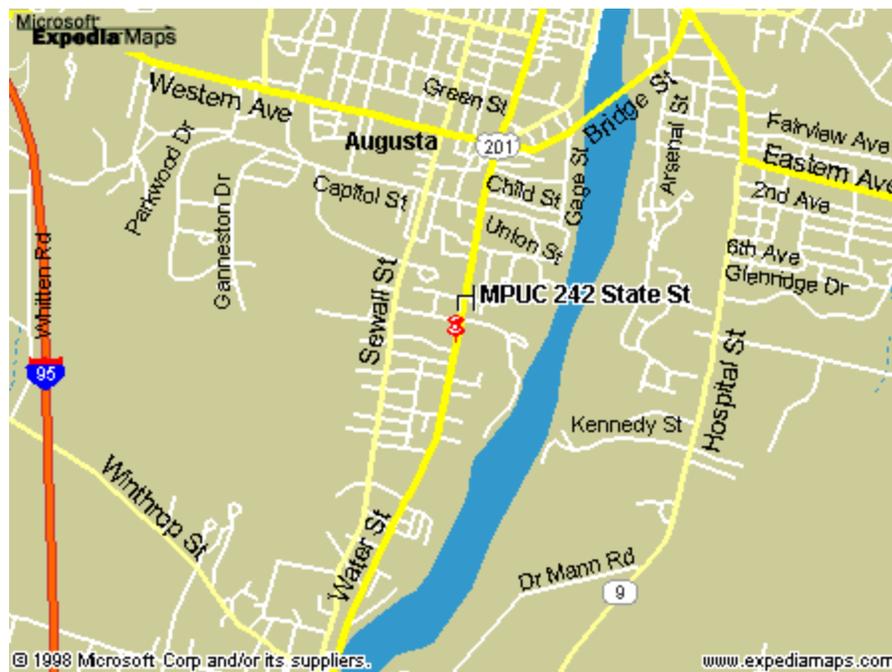
Map Location of Commission

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.



PUC 2003 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		Acronyms		Public Access	
Electric		Consumer Assistance		Glossary	
Water		Maine Commission			
Natural Gas		Rulemakings			
Telephone List		Summary of Laws			
Map Location		Fiscal Information			

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!

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18 State House Station
Augusta, Maine 04333-0018

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Maine Public Utilities Commission

The Commissioners wish to thank the staff of the Commission for assisting in the preparation of this report, with special thanks to the editors and contributing writers.

Editors

Dennis L. Keschl
Jennifer Paul

Contributing Writers

Denis Bergeron
Trina Bragdon
James Buckley
Gary Farmer
Lisa Fink
Albert Gervenack
Ray Hammond
Ralph Howe
Mary James
Dennis Keschl
Phil Lindley
Carol MacLennan
Marjorie McLaughlin
Angela Monroe
Raymond Robichaud
Amy Spelke
Joanne Steneck
Joseph Sukaskas
Matt Thayer

We welcome feedback on how we can improve next year's report. Send your comments to Dennis L. Keschl at 207-287-1353 or dennis.keschl@Maine.gov

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