

STATE OF MAINE PUBLIC UTILITIES COMMISSION



2010 Annual Report

February 1, 2011

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STATE OF MAINE PUBLIC UTILITIES COMMISSION

This Annual Report summarizes the breadth and depth of the Maine Public Utilities Commission's (Commission) work in 2010. During this year, the Commission resolved many significant cases; this letter highlights several of the most notable.

Central Maine Power Transmission Line Expansion

On July 1, 2008, Central Maine Power (CMP) filed a Petition for a Certificate of Public Convenience and Necessity (CPCN) requesting approval to construct 350 miles of transmission lines and associated infrastructure referred to as the Maine Power Reliability Program (MPRP). The estimated capital cost of the MPRP as proposed was \$1.55 billion, making it the largest transmission project ever to come before the Commission. The case progressed through an extensive period of discovery and re-modeling of various transmission planning assumptions during 2008 and 2009. The Commission held four public witness hearings throughout Maine in Waterville, Lewiston, Gorham and South China. In February 2010, the Commission held two weeks of expert witness hearings.

Concurrent with the formal case process, the parties met to discuss potential settlement agreements (or stipulations) to resolve the case issues. On May 7, 2010, a Stipulation was filed by CMP, and signed by the Office of the Public Advocate, the Industrial Energy Consumers Group, GridSolar, the Conservation Law Foundation and a number of other parties. The Stipulation supported construction of substantially all of the MPRP with the exception of certain sections in the Lewiston and mid-coast regions. The question of need for facilities in those regions will be addressed in follow-up proceedings.

On June 10, 2010, the Commission issued an Order Approving the Stipulation which included \$17 million in grants from CMP shareholders over a ten-year period for energy efficiency programs and \$1.5 million in ratepayer funded grants for non-utility parties to retain expert assistance to participate in local, regional, and federal transmission planning and cost allocation proceedings; the creation of an "Ombudsman" to assist abutting landowners and CMP resolve disputes during construction of the MPRP; and the development of the Land Use Dispute Resolution Team at the Commission to address landowner disputes that are not resolved by the Ombudsman process. The Stipulation also established a process to examine potential pilot programs for smart grid, non-transmission alternatives to meet reliability needs.

FairPoint

FairPoint filed for Chapter 11 bankruptcy protection in the southern district of New York on October 26, 2009. Their reorganization plan was submitted to the bankruptcy court for approval on May 10, 2010. FairPoint proposed to reduce the amount of debt from \$2.7 billion to \$1.0 billion. Through the engagement of outside bankruptcy counsel, the Commission participated in the bankruptcy proceedings in order to preserve its authority to regulate FairPoint as a public utility in Maine with respect to rates, facilities and quality of service according to state laws and the 2008 Merger order issued when FairPoint purchased Verizon's landlines.

On June 24, 2010, the Commission approved a Regulatory Settlement agreeing to modify the timing and the extent of FairPoint's broadband plan expansion which had been originally adopted as part of the January 2008 Merger Order. The pertinent changes to FairPoint's broadband build-out obligations included a delay—from April to December 2010—of the 83% completion deadline for the first phase of the Company's broadband expansion project; a reduction from 90% to 87% of lines that will be capable of carrying broadband upon completion of the five-year broadband project; relief from pricing restrictions for unregulated broadband; removal of certain restrictions on the overall level of the company's indebtedness; and, delay of three months of the start date for the payment to ratepayers of the rebate for service quality failures in the previous (2008/09) year. All of the modifications are dependent on FairPoint meeting its obligations on time.

Long-Term Contracting

In 2010, the Commission issued a second Request for Proposals (RFP) for long-term contracts which attracted a large number and wide range of proposals. In September, the Commission conditionally approved a long-term contract for capacity and renewable energy credits associated with a new renewable capacity project at Verso Bucksport. Also in September, the Commission released an RFP for Deep Water Wind and Tidal Energy Demonstration and Pilot Projects which are due by May 1 of 2011. Other long-term contract proposals remain under consideration.

Rural Exemption

The Commission finished conducting a telecommunications "rural exemption" proceeding to determine whether to remove federal provisions that exempt rural Incumbent Local Exchange Carriers (ILECs) from the requirement to negotiate interconnection agreements with competitive carriers. The proceeding involved CRC Communication's petition to interconnect its facilities in the territories of five rural Maine ILECs so as to permit Time Warner Cable to provide competitive voice service. After extensive hearings, briefs, arguments,

and analysis, the Commission decided in June 2010 to maintain the federal rural exemption. In so ruling, the Commission considered the financial ability of the rural companies to withstand competition and to continue to fulfill their traditional provider of last resort obligations.

Transitions

The year 2010 was also a time of internal transition for the Commission. On July 1, 2010, the Efficiency Maine Trust (Trust) assumed responsibility for planning and administering Maine's programs for energy efficiency and use of alternative energy resources which previously were the responsibility of the Commission. The Commission also conducted its first review of the Trust's Triennial Plan as required by law; a Supplemental Review will follow early in 2011.

The make-up of the Commission changed as well in 2010. Chair Sharon Reishus resigned in July and Jack Cashman became Chair. David Littell was appointed to the Commission in August.

In all aspects of its work, the Commission continues to exercise its regulatory, adjudicatory and public policy responsibilities to ensure that the rates paid by Maine residential and business consumers for utility services are just and reasonable, and services provided follow good utility practices. We look forward to working with the members of the Legislature in the coming year on these issues.

With regards,



Jack Cashman
Chairman



Vendean V. Vafiades
Commissioner



David Littell
Commissioner

THE MAINE COMMISSION

The Maine Public Utilities Commission regulates electric, gas, telephone and water utilities to ensure that Maine citizens have access to safe and reliable utility services at rates that are just and reasonable for residential and business consumers.

The Maine Legislature created the Commission in 1913; it began operation on December 1, 1914. Since the Commission was created, its roles and responsibilities have changed over time. The Commission has broad powers to regulate approximately 430 utility companies and districts that generate nearly a billion dollars a 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 and has limited authority over rates and service of ferry transportation.

Like a court, the Commission adjudicates cases and 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 directives.

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 6 years. The Governor designates one Commissioner as Chairman. The Commissioners make all final Commission decisions by public vote or action of the majority.

The Commission's staff includes accountants, engineers, lawyers, financial analysts, economists, consumer specialists, and administrative and support staff. It is divided into six operating areas according to industry area or function.

The Telephone and Water Division and the **Electric and Gas Division** are designated to work on the issues related to these industries. Division staff conduct financial investigations and analyses of utility operations, analyze applications by utilities to issue securities, advise the Commission on matters of rate base, revenues, expenses, depreciated and cost of capital, engineering, rate design, energy science, statistics and other technical elements of policy analysis for all utility areas.

The Safety and Security Team coordinates all safety and security functions to ensure proper oversight and management of the critical functions of

E9-1-1, utility infrastructure safety, gas and pipeline safety and damage prevention (Dig Safe).

The Consumer Assistance Division (CAD) provides information and assistance to utility customers to help them resolve disputes with utilities. CAD investigates a variety of complaints involving utility service including: quality of utility service, billing disputes, payment arrangements, rates or charges, disconnection, and utility repairs. The CAD processes complaints and in response determines what utility practices, if any, should be corrected. The CAD also educates the public and utilities about consumer rights and responsibilities and other utility-related consumer issues, and evaluates utility compliance with State Statutes and Commission Rules.

The Legal Division provides 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, and various regional and federal administrative and regulatory agencies.

The Administrative Division handles day-to-day operational management of the Commission, with responsibilities for fiscal and personnel matters, contract and docket management, and the physical plant. The administrative staff also provides support services to the other areas of the Commission and coordinates Commission activities.

TELECOMMUNICATIONS

THE TELEPHONE INDUSTRY IN MAINE

The Commission regulates telephone service including landline local exchange service and in-state interexchange (or long distance) service. The Federal Communications Commission (FCC) regulates interstate services. Wireless mobile carriers are lightly regulated by the FCC.

The Commission regulates three types of landline carriers: Incumbent Local Exchange Carriers (ILECs) whose monopoly service territories were established before competition had developed in the telecommunications market; Interexchange Carriers (IXCs) that provide in-state or intrastate long distance services; and Competitive Local Exchange Carriers (CLECs) that provide local service in competition with the ILECs and other CLECs. A map showing the State's ILEC territories appears at the end of this section (page 13). The Commission's regulation of CLECs and IXCs is more relaxed than its regulation of ILECs because market forces are expected to discipline the prices charged by CLECs and IXCs.

Many telephone carriers also provide broadband service that delivers high-speed internet services. Broadband is provided using a variety of technologies, including Digital Subscriber Line (DSL), cable-television technologies, and wireless technologies. Generally, broadband service is not regulated by the Commission.

KEY EVENTS

FairPoint FairPoint filed for Chapter 11 bankruptcy protection in the Southern District of New York on October 26, 2009; their reorganization plan was submitted to the bankruptcy court for approval on May 10, 2010. In it, FairPoint proposed to reduce the amount of debt that it carries from \$2.7 billion to \$1.0 billion. The Commission participated in the bankruptcy proceedings, through the engagement of outside bankruptcy counsel, in order to preserve its authority to regulate FairPoint as a public utility in Maine with respect to rates, facilities and quality of service.

On June 24, 2010, the Commission approved a Regulatory Settlement agreeing to modify the timing and the extent of FairPoint's broadband plan expansion which had been originally adopted as part of the January 2008 Merger Order. The pertinent changes to FairPoint's broadband build-out obligations included a delay—from April to December 2010—of the completion deadline for the first phase of the Company's broadband expansion project; a reduction, by 3%, of the percentage of lines that will be capable of carrying broadband upon completion of the five-year broadband project; relief from pricing restrictions for

unregulated broadband service provided that the broadband build-out milestones are met; removal of certain restrictions on the overall level of the company's indebtedness; and, delay of three months of the starting date for the payment to ratepayers of a rate rebate for service quality failures in the previous (2008/09) year.

Rural Exemption The Commission finished conducting a "rural exemption" proceeding dealing with the issue of whether to lift federal provisions that exempt rural ILECs from the requirement to negotiate interconnection agreements with competitive carriers. The proceeding involved CRC Communication's desire to interconnect its facilities so as to permit Time Warner Cable to provide competitive voice service in the territories of five rural Maine ILECs.

Emergency Monitoring The Commission has continued to strengthen its ability to monitor potential emergency situations by revising requirements for outage reporting and investigating storm response procedures to determine whether FairPoint responds adequately in outage conditions.

INDUSTRY TRENDS

Competition Since enactment of the federal 1996 Telecommunications Act (TelAct), the telecommunications industry in Maine has been characterized by increasing but uneven levels of competition. Virtually all of Maine's telephone users can obtain long distance service from an IXC, other than from their own exchange carrier. In addition, CLECs now serve a large portion of Maine's customers. Wireless carriers are now serving more Maine households than do wireline carriers. Finally, Voice over Internet Protocol (VoIP) service, which uses a broadband connection (e.g., DSL or cable), is creating additional competition among technologies. Jurisdiction over the regulation of VoIP is a topic of vigorous discussion, dispute and activity at the state and federal levels. Recently this Commission determined in an adjudicatory proceeding that cable television provided VoIP service is "telephone service" under Maine law and subject to consumer protection regulation.

Relaxed Regulation Telephone regulation in Maine has evolved to respond to the competition that exists between various carriers among different technologies. Pursuant to state law, the Commission has relaxed its regulation of services when it believes competition creates conditions in which the market will control prices. For example, after years of providing some oversight of CLECs' and IXCs' rates, the Commission determined in 2007 that it was no longer necessary for CLECs and IXCs to file retail tariffs. In addition, the Commission found that ILECs need not file competitive bundled service tariffs for Commission approval. Maine State Law and Commission Rules retain consumer protections for competitive services and the Commission's Consumer Assistance Division continues to resolve complaints involving competitive carriers subject to State jurisdiction.

Broadband Availability Although the Commission does not directly regulate the rates for broadband service, it supports the state's goal of extending broadband access to reach as many Maine customers as possible. During 2010, carriers in Maine expanded broadband service in Maine using a variety of technologies, and the State's ConnectME Authority (on which the Commission Chair serves) awarded an additional round of monetary grants in support of broadband expansion. FairPoint has been working to meet the first phase milestone towards completion of the broadband build-out project that formed an important condition in the Commission's January 2008 Order granting FairPoint authority to take over its ILEC infrastructure of Verizon in Maine. The Commission continues to monitor FairPoint's progress.

The Commission has also filed comments with the applicable federal agencies in proceedings involving how federal stimulus money should be evaluated by those entities making the grants. The Commission also assisted the ConnectME Authority in issuing a Request for Proposals for a broadband inventory mapping project and subsequently assisted in the evaluation process by which the James W. Sewall Company, of Old Town, was ultimately awarded the contract.

MAJOR CASES AND EVENTS

FairPoint Background: FairPoint's back-office systems cutover occurred on February 1, 2009. The new systems were unable to process orders and provide customer information in the manner for which they were designed. The number of late or unfilled orders increased to levels considered to be unacceptable by any standard of service. In addition, numerous billing errors created customer confusion and dissatisfaction and contributed to a significant decline in the Company's financial condition. Customer complaints lodged with the Commission against FairPoint increased significantly. Finally, in 2010 FairPoint's service is returning to pre-cutover level of quality.

Bankruptcy: On October 26, 2009, FairPoint filed for Chapter 11 bankruptcy protection in the Southern District of New York. FairPoint held discussions with various interested parties – such as the group of bank lenders, the unsecured bondholders, its employee unions and other creditors – in order to reorganize the company with improved financial stability. The reorganization plan was submitted to the bankruptcy court for approval on May 10, 2010.

As proposed in its reorganization plan, FairPoint would reduce the amount of debt that it carries from \$2.7 billion to \$1.0 billion. FairPoint believes that the reduced debt load would provide it with the capability to meet its debt obligations on a going forward basis. One major result of the reorganization plan is that current equity holders would see their holdings value wiped out, with the bank group (the bondholders) and unsecured creditors becoming the new shareholders of FairPoint stock. The Commission participated in the bankruptcy

proceedings, through the engagement of experienced, outside bankruptcy counsel, in order to preserve its authority to regulate FairPoint as a public utility in Maine with respect to rates, facilities and quality of service.

Regulatory Settlement: On June 24, 2010, in a divided decision, the Commission approved a Regulatory Settlement that is a major component of FairPoint's bankruptcy reorganization plan. In approving the Regulatory Settlement, the Commission agreed to modify the timing and the extent of their broadband plan expansion which had been originally adopted as part of the January 2008 Commission decision approving FairPoint's take-over of the Verizon telecommunications network. The pertinent changes to FairPoint's broadband build-out obligations, and other conditions adopted in the FairPoint/Verizon merger case, include (1) a delay—from April to December 2010—of the completion deadline for the first phase of the Company's broadband expansion project; (2) a reduction, by 3%, of the percentage of lines that will be capable of carrying broadband upon completion of the five-year broadband expansion project; (3) relief from pricing restrictions for unregulated broadband service provided that the broadband build-out milestones are met; (4) removal of certain restrictions on the overall level of the company's indebtedness; and, (5) a delay of three months of the starting date for the payment to ratepayers of the rebate for service quality failures in the previous (2008/09) year.

Ongoing Monitoring: The Commission is monitoring FairPoint's continuing migration from Verizon's broadband technology to its own. For example, the Commission's staff actively monitored, in real time, the first step in FairPoint's successful reconfiguration of its SS7 signaling system—a system used to route telephone calls. The Commission is monitoring FairPoint's rollout of its improved broadband DSL service in the rural areas of Maine where Verizon had not previously provided DSL service. The Commission continues to monitor FairPoint's broadband build-out to insure FairPoint meets its broadband coverage percentages.

Rural Exemption Cases In 2007, a Maine CLEC, CRC Communications of Maine (CRC), requested interconnection with Oxford Telephone Company, Oxford West Telephone Company, UniTel, Inc., Lincolnville Telephone Company, and Tidewater Telecom, Inc. (the rural ILECs) in order that it could provide wholesale services to Time Warner so that Time Warner would be able to offer its Digital Phone service to customers residing in the Oxford, Oxford West, UniTel, Lincolnville, and Tidewater service territories. Presently, non-wireless telephone providers do not compete with the rural ILECs.

The Commission determined that before the rural ILECs can be compelled to negotiate with CRC, the Commission must determine whether to lift the so-called "rural exemption," – a provision of the federal Telecommunications Act of 1996 which exempts rural ILECs from certain interconnection obligations that otherwise apply to incumbent carriers. During 2008, the Commission conducted

proceedings (Dockets No. 2008-214 through 2008-218) to consider whether CRC and Time Warner had demonstrated that the criteria established in federal law for lifting the rural exemption were satisfied. In November 2008, after evaluating the testimony submitted by CRC and Time Warner, the Commission found that CRC had not met its burden of providing sufficient information to allow the Commission to lift the rural exemption.

In 2009, CRC re-filed its case with supporting testimony. After extensive hearings, briefs, arguments, and analysis, the Commission voted in June 2010 to maintain the federal rural exemption. In divided decisions, the Commission upheld the rural exemption with respect to each of the rural ILECs, finding that lifting the rural exemption would either create an undue economic burden to the rural ILEC or would be inconsistent with the universal service goals of ensuring both quality phone service at just, reasonable, and affordable rates for all Maine citizens and improved access to advanced telecommunications and information services.

In so ruling, the Commission considered the financial ability of the rural companies to withstand competition and to continue to fulfill their traditional provider of last resort obligations. Although the Commission has recognized the value of competition in most of the telecommunications market, it found in this instance, where Time Warner was not proposing to expand the availability of its service throughout the entire service territory of the rural companies, that such selective competition would undercut the ability of the rural companies to fulfill their provider of last resort obligations.

FCC Preemption Case Regarding Interconnection Following the Commission's decision in the rural exemption cases described above, on July 15, 2010, Time Warner filed a petition requesting that the Federal Communications Commission (FCC) issue an order preempting the Commission's interpretation of Section 251 of the TelAct finding that until the rural exemption established in the Act is terminated, rural local exchange carriers (LECs) are not required to negotiate agreements with competitive carriers, and that such requests are not subject to arbitration under the Act.

The petitioners argued that the effect of the Commission's interpretation of the Act was to deprive CRC the ability to interconnect and exchange traffic and Time Warner of its ability to offer interconnected digital voice services in some rural areas of Maine. The Commission filed comments with the FCC defending its interpretation of the Act. To date, the FCC has not issued a decision in the matter.

Wireless Eligible Telecommunications Carrier (ETC) Designation In 2009, the Commission renewed the "Eligible Telecommunications Carrier" (ETC) status of one wireless carrier, United States Cellular Company (US Cellular). Under the TelAct, ETC designation allows these carriers to receive funding from the federal

Universal Service Fund (USF), thereby encouraging build-out of wireless service to rural areas in which it would otherwise not occur. US Cellular is now the only wireless ETC operating in Maine since Unitel, following a merger with Verizon Wireless, has relinquished its ETC status. The Commission also designated TracFone (a pre-paid phone carrier) as an ETC for the limited purpose of providing lifeline service.

INVESTIGATIONS AND RULEMAKINGS

Investigation into Requirements of Certain VoIP Providers The Commission opened an investigation into whether Time Warner Cable Digital Phone, LLC and Comcast IP Phone, LLC or any other facilities-based Voice over the internet protocol (VoIP) providers must request authorization to provide telephone service under the requirements of Maine law (Docket No. 2008-421).

The Commission found that the VoIP services offered by Time Warner Cable Digital Phone LLC, and Comcast Phone of Maine, LLC, are “telephone services” under Maine law and are therefore subject to regulation by the Commission. It also found that these particular VoIP services are “telecommunications services,” and not “information services,” pursuant to § 153 of the Act, and that the Commission’s authority to regulate these services has not been preempted by federal law.

The Commission found that any information service-like network functions were only provided in order to aid in the delivery of a telecommunications service. Therefore, they are not considered to be information services under the federal law definition of what is an information service.

Federal Rulemakings and Investigations The Commission contributed expertise to other states and organizations regarding proposals set forth by the FCC. These proposals could affect funds flowing to Maine through the federal USF and through access charges paid among carriers, broadband and wireless build-out, and jurisdiction over certain types of telecommunications carriers. The Commission also filed extensive reply comments in the FCC’s broadband proceeding. Those comments emphasized the importance of maintaining existing support for carriers during the transition to broadband build-out. The Commission also expressed concern with the limited budget for the proposed broadband plan. The Commission also filed a petition for review with the United States Court of Appeals of the D.C. circuit challenging the FCC’s decision on remand from the 10th Circuit Court. That petition addressed the fundamental question of what level of USF support is necessary to ensure that telephone service in rural areas such as Maine are reasonably comparable in price and quality to that service that is provided in urban areas of the country.

LEGISLATIVE MANDATES

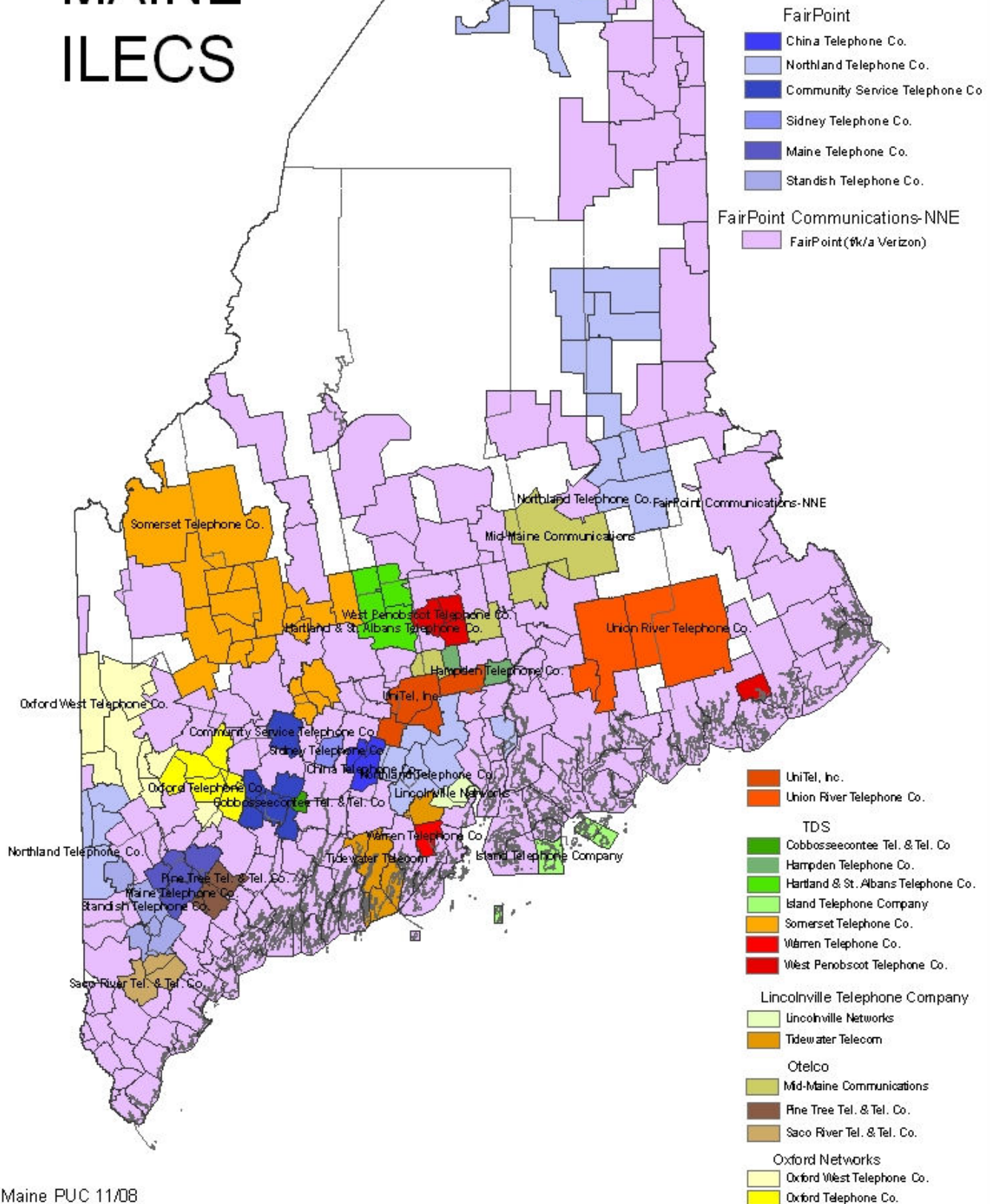
Maine Telecommunications Education Access Fund (MTEAF) The Commission administers the MTEAF, which provides funding to Networkmaine (an entity within the University of Maine System) to operate the Maine Schools and Library Network (MSLN). The MSLN provides qualified schools and libraries within the State with high-speed Internet access, content databases and search capabilities, content filtering and training, as needed. The MTEAF receives contributions from all telecommunications carriers offering telecommunications services in the State and any other entities identified by the Commission to contribute to the Fund. The Fund collects from telecommunications carriers up to 0.7% of retail charges for intrastate telecommunications services.

The carriers may pass on their MTEAF contributions in the form of a surcharge that must be explicitly identified on their customers' bills. An independent administrator selected by the Commission implements the process of collecting the required contributions and paying the MSLN's expenses. The Commission approves the annual budget request from Networkmaine and establishes the contribution rate. The current rate is .6%. The Commission is in the process of analyzing the Fund's cash balance to determine if the rate can be reduced and still maintain the Fund's financial viability, given its cash flow needs.

Public Interest Phones (PIPs) During 2007, in response to Maine law and Chapter 252 of the Commission's Rules, the Commission oversaw the installation of approximately 50 Public Interest Payphone (PIP) sites throughout Maine. The current contract for PIP installation and maintenance extends until March 2011, and, until that time, it exhausts the annual funding provided by law for the PIP program. The Commission will issue an RFP for a successor contract. Depending upon the bids received and the vendor selected, the Commission may be able to consider approval of additional PIP sites during 2011.



MAINE ILECS



ELECTRIC

THE ELECTRIC INDUSTRY IN MAINE

Electricity in Maine is comprised of two components: delivery and supply. Delivery includes transmission, distribution and customer-related functions such as metering and billing, and supply includes the production and provision of electric energy and capacity. Delivery is regulated by the Commission. The Commission does not regulate electrical supply; competition is provided by the markets. Maine electricity consumers receive delivery service from a transmission and distribution (T&D) utility and supply service from a Maine-licensed competitive electricity provider (CEP). The Commission fully regulates the delivery operations and rates of the T&D utilities, except for transmission rates, which are regulated by the Federal Energy Regulatory Commission (FERC).

With respect to supply, the Commission licenses CEPs, oversees the retail market, and administers competitive procurement processes for standard offer service and other power supply, including long-term contracts for capacity, energy, and renewable supply. The Commission also monitors the regional wholesale markets and related activities of the New England Independent System Operator (ISO-NE), and advocates for Maine consumers in regional forums and before the FERC.

There are thirteen T&D utilities in Maine: three investor-owned utilities (IOUs) and ten consumer-owned utilities (COUs). The IOUs: Central Maine Power Company (CMP), Bangor Hydro Electric Company (BHE) and Maine Public Service Company (MPS): serve about 95% of the total State load. There are currently 145 Maine-licensed CEPs, and during 2010, seven different CEPs provided standard offer service. More detail about the T&Ds and CEPs is provided below. In addition to the T&D utilities and CEPs that provide service directly to retail consumers, there are also electricity generation facilities located in Maine. Summary information about these facilities is provided in Figure 9, page 38.

Electricity use by Maine consumers is currently about 12 million megawatt hours (MWh) per year, with a peak demand of about 2,100 MW. Maine is currently a net electricity exporter, with total generation capacity from in-state plants being approximately 3,500 MW.

KEY EVENTS, ISSUES, AND INDUSTRY TRENDS

- The Commission authorized construction by CMP of the Maine Power Reliability Program (MPRP), a transmission project involving construction of about 350 miles of high-voltage transmission in Maine, for a total

estimated cost of \$1.4 billion. The stipulated resolution of the case also created an ombudsman to facilitate resolution of landowner issues related to the project, and established a process by which smart grid/non-transmission alternatives could be tested on a pilot basis.

- The Commission approved significant smart grid investment for Maine in the form of an Advanced Metering Infrastructure (AMI) project for CMP. The CMP AMI project includes smart meters and related systems that will provide improved service quality and a platform for pricing and other programs designed to offer customers choices and opportunities to monitor and reduce electricity usage. The CMP AMI project received \$96 million in federal funding from the U.S. Department of Energy (DOE) under the Smart Grid Investment Grant Program of the American Reinvestment and Recovery Act of 2009 (ARRA). The Commission also approved a BHE proposal to enhance its existing metering systems to provide similar AMI capabilities.
- The Commission initiated an investigation to determine whether it was in the public interest to establish one or more smart grid coordinators for Maine.
- The Commission approved a corporate reorganization of MPS and BHE in which Emera Inc., the parent corporation BHE, will become the parent corporation of MPS.
- On July 1, 2010, the Efficiency Maine Trust (Trust) assumed responsibility for planning and administering Maine's programs for energy efficiency and use of alternative energy resources. These responsibilities were previously held by the Commission, which during 2010 completed the processes needed to successfully transition responsibility to the Trust. The Commission also conducted its first review of the Trust's Triennial Plan.
- The Commission issued a second Request for Proposals for Long-Term Contracts, as well as an RFP for Deep Water Wind and Tidal Energy Demonstration and Pilot Projects. The former attracted a large number and wide range of proposals. In September, the Commission conditionally approved a long-term contract for capacity and renewable energy credits associated with a new renewable capacity project at Verso Bucksport. Proposals in response to the Deep Water Wind and Tidal RFP are due by May 1, 2011. Other long-term contract proposals remain under consideration.
- Standard offer service was procured through several competitive bid processes the Commission conducted throughout the year. Standard offer prices averaged about nine cents/kilowatt hour (kWh) for residential and small commercial consumers.

- In the electricity markets affecting Maine consumers, wholesale prices remained relatively low and stable. During the twelve-month period ending October 2010, energy prices in the ISO-NE spot market averaged about 4.6 cents per kWh. Forward energy prices were similarly low, as were prices for capacity and renewable energy credits.
- Retail competition remained robust for medium and large commercial and industrial (C&I) customers of CMP and BHE. During 2010, 70%-75% of the load in these customer sectors was served by several different retail suppliers with the remaining load receiving standard offer service. Retail competition remained weak for residential and small commercial customers, and for all customers in northern Maine.
- While electricity prices have decreased, transmission rates continued to increase for most Maine consumers in 2010. For CMP and BHE customers, transmission rates increased by 11% and 40% respectively. Because of recent and expected future trends in transmission investment in the ISO-NE region, transmission is a growing component of electricity bills for Maine consumers. In addition transmission rates for MPS customers increased by approximately 30%.
- Significant attention was focused on developing renewable generation, including wind in Maine, as well as the associated infrastructure to transmit renewable generation to load. The Commission continued to participate actively in various regional and national forums focusing on these issues, including the Eastern Interconnection States Planning Council (EISPC), which was formed with funding assistance from the DOE to help state policy makers compile information and collaborate on similar issues.
- The Commission continued to participate in regional forums and at FERC regarding issues that affect Maine electricity consumers. During 2010, focus centered on transmission issues. FERC initiated a major proceeding to examine transmission planning and cost allocation, including how these matters relate to policy goals such as renewable resource development.

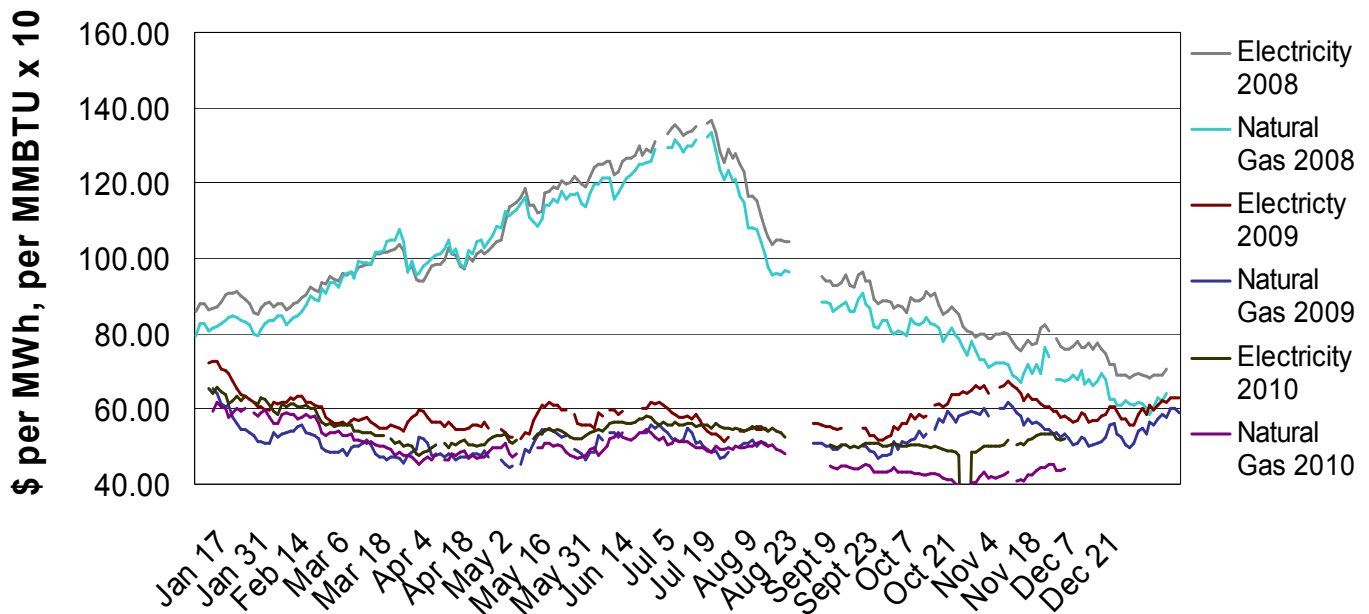
ELECTRICITY SERVICE: PRICES, PROCESSES AND MARKET CONDITIONS

Wholesale Supply Market Electricity supply prices in Maine are determined by wholesale prices in the ISO-NE markets, most notably the market for energy and, to a lesser extent, capacity. During the twelve-month period through October 2010, energy prices in the ISO-NE spot market averaged 4.6 cents/kWh. This price is about 15% higher than energy prices during 2009, but still 20%-25% below prices on average over the past three years. As noted in last year's report,

energy prices in 2009 were at a low point compared to the previous five years. Forward market energy prices also trended lower, and were relatively stable, following similar trends in natural gas prices. Figure 1 provides an illustration of forward prices for electric energy and natural gas prices during the pervious three years.

Figure 1 - Wholesale Prices for Electricity and Natural Gas

Forward Prices - Electricity and Natural Gas ISO-NE Hub; Henry Hub Average prices for forward year as of date shown



The regional Forward Capacity Market (FCM) became operational in June 2010, replacing a transition period mechanism that provided generators with fixed payments for capacity. The first FCM auction cleared at the floor price of \$4.50/kW/month. After prorating due to the surplus supply that was bid, final prices for the first auction year (June 2010-May 2011) were \$4.25/kW-month. In combination with the transition payments applicable during the first five months of 2010, capacity prices for the year averaged \$4.19 kW/month, or about one cent per kWh for a typical residential consumer.

Regional Greenhouse Gas Initiative During 2010, Maine continued its participation in the Regional Greenhouse Gas Initiative (RGGI), the market-based effort to reduce greenhouse gas emissions under which ten Northeastern and Mid-Atlantic states have capped and will reduce CO₂ emissions from the power sector 10% by 2018. The participating states sell nearly all emission

allowances (a CO₂ allowance represents a limited authorization to emit one short ton of CO₂ from a regulated source) through auctions and invest proceeds in consumer benefits, including energy efficiency, renewable energy, and other clean energy technologies. Four quarterly auctions of allowances were held in 2010, with allowance prices ranging from \$1.86 to \$2.07. Maine's proceeds from the auctions totaled just under \$8.3 million in 2010, 100% of which is used to benefit electricity consumers state-wide through energy efficiency programs.

Retail Supply Market Since the enactment of Maine's Electric Restructuring Act (PL 1997, Chapter 306) consumers in Maine have had the right to shop for electricity products and suppliers in the market. As described below, the retail market in Maine is robust for some, but not all, sectors.

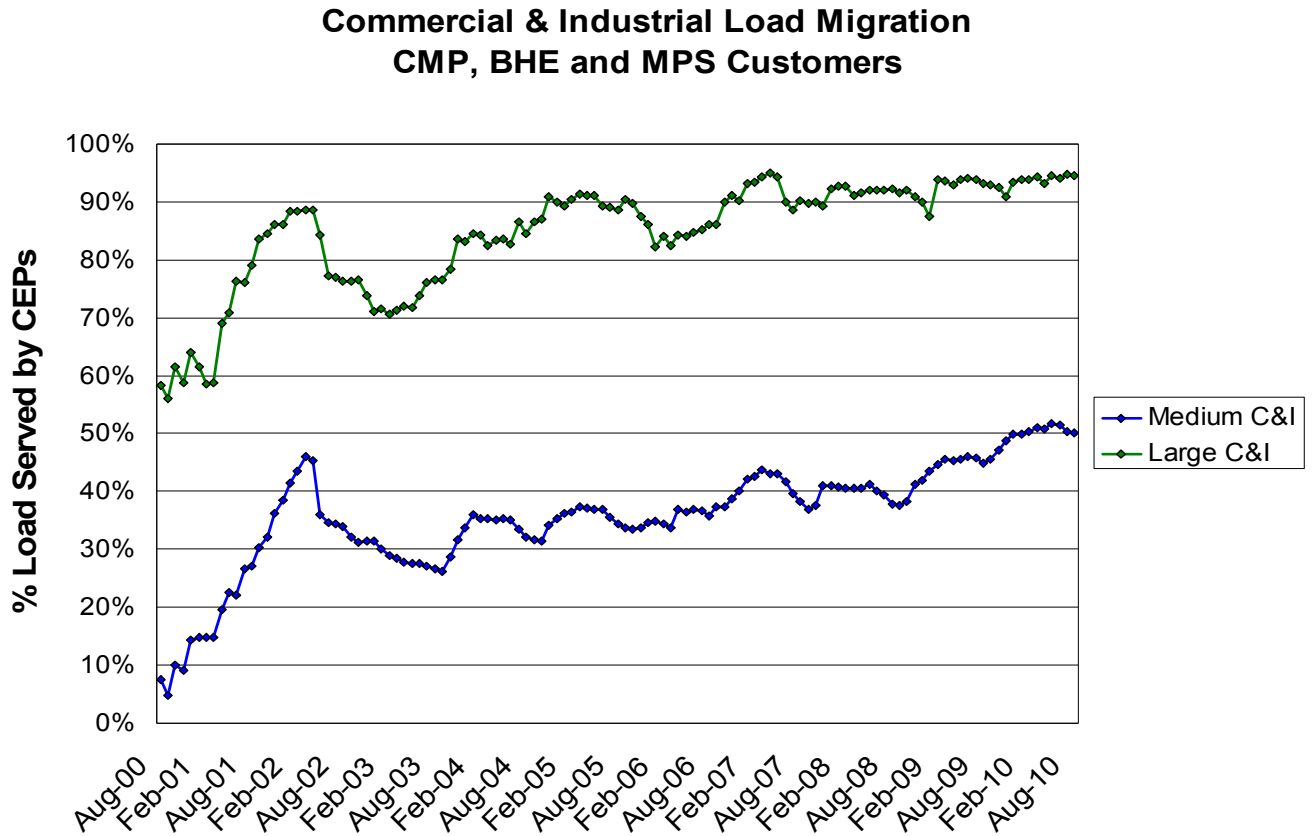
As of early December, the Commission had licensed 25 new competitive electricity providers (CEPs) in 2010. CEP's include direct suppliers, as well as brokers and aggregators. In total, there are 145 CEPs currently licensed to operate in Maine, although many of them are not active in the Maine market. A complete list of licensed CEPs is available at:

<http://www.maine.gov/mpuc/industries/electricity/ElectricSupplier/ceplist.htm>

The retail market in most areas of Maine continued to reflect a reasonable level of competitive activity in the medium and large commercial and industrial (C&I) customer sectors. Most of the load of these customers is served by supply arrangements that C&I customers acquire directly in the retail market. Terms of service and prices are negotiated between these customers and suppliers, or, in some cases, with the assistance of aggregators or brokers. Depending upon customer preference and supplier product offerings, prices may be fixed for multi-year terms, or, at the other end of the spectrum, prices may change hourly in accordance with real-time or near real-time wholesale markets.

Although migration to and from the competitive market is influenced to some extent by the relationship between standard offer and non-standard offer prices, the prevailing trend is for customers to remain in the market once they have left the standard offer. Figure 2 shows migration among medium and large customers, and reflects the overall trend from standard offer service to the retail market. Currently, about 45% percent of the load of Maine's medium C&I customers and more than 90% of the load of the large C&I customers is served through individual retail arrangements.

Figure 2- Commercial and Industrial (C&I) Migration



During 2010, there continued to be little retail market activity in the residential and small commercial sectors in Maine or other states. However, because Maine’s standard offer providers are chosen through bidding processes, residential and small commercial customers are receiving competitively-procured supply, albeit at the bulk level.

In northern Maine, retail competition remained weak during 2010 due to structural and wholesale market deficiencies that characterize the region. These deficiencies have hindered market development since retail access began in 2000. During 2010, there remained only two CEPs (Algonquin Energy Services and NB Power) active in the region.

Standard Offer Service During 2010, the portion of Maine’s electric load receiving standard offer service remained steady at about 60%. By customer class, standard offer service supplied about 55% of the load of medium C&I customers and less than 10% of the load of large C&I customers in Maine. Standard offer service continued to supply virtually all residential and small commercial customers, as has been the case since retail access began. The Commission conducted several competitive bid processes during 2010, procuring supply for various classes. Figure 3 provides a summary of standard offer suppliers and prices during 2010.

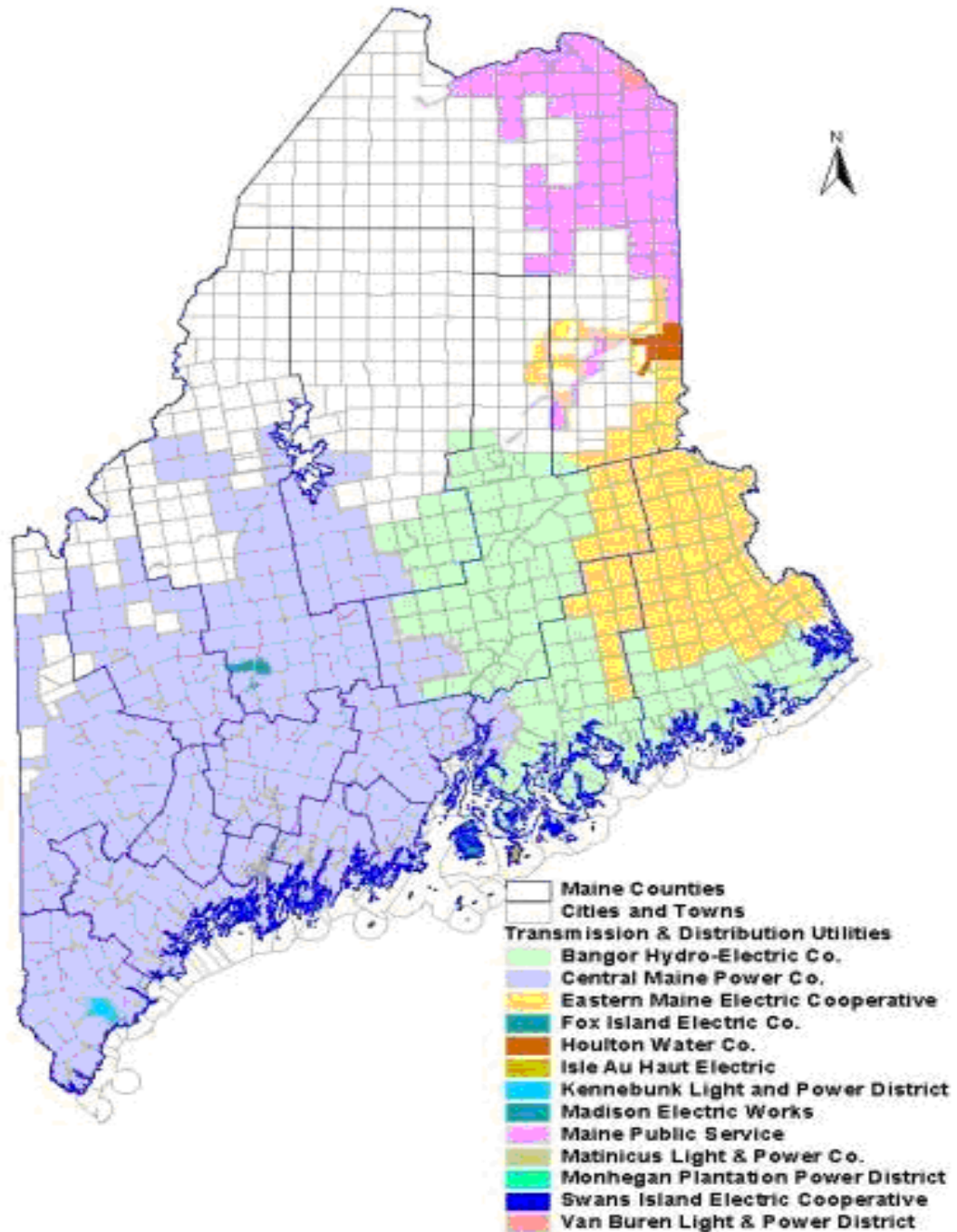
Figure 3 - Standard Offer Prices and Suppliers

Customer Class	Average Price (cents/kWh)	Suppliers
CMP Residential /Small Commercial	9.0	NextEra
CMP Medium C&I	7.1	TransCanada, Dominion
CMP Large C&I	7.6	Dominion, CECG
BHE Residential/Small Commercial	8.8	Integrus, NB Power, NextEra
BHE Medium C&I	6.9	Dominion
BHE Large C&I	7.5	Dominion
MPS Residential/Small Commercial	8.6	NB Power
MPS Medium C&I	9.2	NB Power
MPS Large C&I	10.0	Algonquin (Integrus)

Transmission and Distribution (T&D) Service and Rates T&D service includes electricity delivery and customer-related services such as metering and billing. Delivery encompasses high-voltage transmission and lower-voltage distribution systems, including the construction, operation and maintenance of the necessary facilities. T&D is fully regulated for service adequacy, quality and rates. The Commission oversees most aspects of T&D service except, most notably, for transmission rates over which the FERC has jurisdiction. There are 13, T&D utilities in Maine – three IOUs and ten COUs. The three IOUs serve most of Maine, and among them, CMP is the largest, serving about 80% of all Maine load. BHE and MPS serve most of the remaining load, with the COUs serving, in the aggregate, a few percent. Figure 4 shows the geographic areas each utility serves.

Figure 4 – T&D Service Areas

Maine Transmission & Distribution Utilities



T&D rates are comprised of three components: transmission, distribution, and stranded costs. Transmission rates cover the cost of constructing and operating the transmission system in Maine, as well as costs allocated to Maine

for regional pool transmission facilities (PTF)--high voltage transmission lines which serve as the backbone of the New England system and are paid for by all New England ratepayers. Transmission rates are regulated by the FERC. Distribution rates cover costs incurred by the T&D utility to construct and operate the local distribution system, as well as costs for customer-related activities such as metering and billing. Stranded cost rates reflect the net, above-market costs for generation obligations that utilities incurred prior to industry restructuring. Distribution and stranded costs rates are regulated by the Commission.

Figure 5 below provides a summary of residential electricity sales and rates by each T&D utility. The rates include all delivery costs that include transmission rates set by FERC, distribution rates set by the Commission, and standard offer rates as determined by the competitive energy market.

Figure 5

2009 RESIDENTIAL RATES IN MAINE*					
	<u>% of State Residential Load</u>	<u>kWh</u>	<u>T&D Delivery Rate ¢/kWh</u>	<u>Standard Offer Rate ¢/kWh</u>	<u>Total Rate ¢/kWh</u>
<u>INVESTOR-OWNED UTILITIES</u>					
CMP	78.6%	3,422,941,000	6.21	8.92	15.14 ¢/kWh
BHE	13.6%	592,985,000	8.17	9.00	17.17 ¢/kWh
MPS	4.1%	180,065,000	8.38	8.33	16.71 ¢/kWh
<u>COOPERATIVES & MUNICIPAL-OWNED UTILITIES</u>					
Eastern Maine Electric Coop.	1.2%	53,636,557	9.09	9.15	18.24 ¢/kWh
Houlton	0.7%	29,027,240	3.14	8.60	11.74 ¢/kWh
Van Buren	0.2%	7,378,167	3.85	8.325	12.17 ¢/kWh
Kennebunk Light & Power	1.0%	44,162,724	2.21	11.00	13.21 ¢/kWh
Madison Electric Works	0.4%	17,309,986	3.55	10.54	14.09 ¢/kWh
Matinicus	0.0%	255,486	Exempt from Standard Offer Requirements		40.44 ¢/kWh
Monhegan	0.0%	118,406	Exempt from Standard Offer Requirements		70.00 ¢/kWh
Fox Island	0.1%	6,149,523	17.15	8.82	25.97 ¢/kWh
Isle au Haut	0.0%	174,290	36.84	7.53	44.37 ¢/kWh
Swans Island	0.0%	2,163,430	19.21	10.74	29.95 ¢/kWh
STATE AVERAGE		4,356,366,809	6.55	8.94	15.49 ¢/kWh
<i>* Rates based on 2009 annual reports and 3/1/2009 standard offer rates.</i>					

MAJOR ADJUDICATORY PROCEEDINGS

Transmission Lines and Related Proceedings

- **Maine Power Reliability Project (MPRP)**

On July 1, 2008, CMP filed a Petition for a Certificate of Public Convenience and Necessity (CPCN) requesting approval to construct 350 miles of transmission lines and associated infrastructure referred to as the Maine Power Reliability Program (MPRP). The estimated capital cost of the MPRP as proposed was \$1.55 billion, making it the largest transmission project ever to come before the Commission. The case was ongoing during 2008 and 2009, and in February 2010, the Commission held expert witness hearings in the matter. In addition, the Commission held public witness hearings at the following locations throughout Maine: Waterville, Lewiston, Portland and South China.

Concurrent with the formal case process, the parties met to discuss potential settlements to resolve the MPRP issues. On May 7, 2010, a stipulation was filed by CMP, and signed by the Office of the Public Advocate, the Industrial Energy Consumers Group, GridSolar, the Conservation Law Foundation and a number of other parties. The stipulation supported construction of substantially all of the MPRP, for a cost of \$1.45 billion, with the exception of certain sections in the Lewiston and mid-coast regions. The ratepayers of Maine will pay for just 8% of the total construction costs as the project is needed for overall reliability for the New England Region. The need for facilities in those regions is being addressed in follow-up proceedings. On June 10, 2010, the Commission issued an Order Approving the Stipulation.

As part of the MPRP stipulation, CMP agreed that its shareholders would provide \$17 million in grants over a ten-year period for energy efficiency programs and \$1.5 million in ratepayer funded grants for non-utility parties to retain expert assistance to participate in local, regional, and federal transmission planning and cost allocation proceedings. The stipulation also provides for the creation of an “Ombudsman” to assist abutting landowners and CMP resolve disputes during construction of the MPRP as well as a Commission process to address landowner disputes that are not resolved by the Ombudsman process. Finally, the stipulation establishes a process to examine potential pilot programs for smart grid, non-transmission alternatives to meet reliability needs.

In approving the stipulation, the Commission concluded that the transmission solution provided for in the stipulation meets the State’s reliability needs over the relevant planning horizon and that when looked at as a whole, the resolution will benefit Maine ratepayers when all relevant factors, including electrical need, economics, and the promotion of indigenous renewable resources, are considered. The Commission also found that the stipulation

moves forward the State's objectives of increasing energy efficiency as a resource and decreasing the State's use of fossil fuels.

- Lewiston Loop

This transmission project was originally proposed as part of the MPRP, but pursuant to the MPRP Stipulation was deferred to a subsequent proceeding that began in August 2010. As proposed by CMP, the Lewiston Loop would include a 115 kV line extending from the Larabee Road Substation to be built as part of the MPRP to a new Middle Street Substation in Lewiston, which would replace the existing Lewiston Substation. From Middle Street a new 115 kV line would run to Lewiston Lower Substation. According to CMP, the Lewiston Loop is needed to address reliability issues in Lewiston. The estimated total cost of the project is \$29.6 million, 40% of which would be borne by CMP ratepayers. The Commission held hearings in the case on December 14, 2010, and expects to issue its decision in early 2011. The recurring costs will be shared by all the ratepayers in New England.

- Smart Grid Coordinator Investigation/Pilot Program

Under the provisions of the Commission's Order Approving the MPRP Stipulation, the needs in the mid-coast area would be further evaluated as part of a smart grid and non-transmission alternative (NTA) pilot plan proposal to be filed by GridSolar and CMP. The pilot plan would also address the Portland area. The pilot plan would include a proposal to address the design, installation, ownership, operation and cost recovery of a smart grid platform and the designation of a smart grid operator.

In anticipation of the GridSolar/CMP proposal, the Commission initiated an Investigation pursuant to the Legislature's newly enacted provisions of the Smart Grid Policy Act (35-A MRSA § 3143) to accomplish the following: define the technologies, system, and functions considered to be smart grid; analyze the feasibility of implementing and operating the smart grid to achieve the reliability, efficiency and environmental objectives set forth in the Smart Grid Policy Act; assess the potential role of a smart grid coordinator in achieving such objectives; and determine whether it is in the public interest to have one or more smart grid coordinators to operate the smart grid in the state. If, as a result of the investigation the Commission finds that it is in the public interest to have a smart grid coordinator, the Commission will consider standards regarding the smart grid coordinator, including the following: the eligibility, qualification and selection criteria for the smart grid coordinator; the duties and functions of the smart grid coordinator; and the relationship between the smart grid coordinator and the transmission and distribution utility, as well as what steps the Commission should take to ensure that grid safety, reliability and security standards are met. The Investigation will continue over the next several months.

- Northern Maine Interconnect

On December 21, 2009, Algonquin Power Fund America Inc. (Algonquin) filed a petition (35-A MRSA §3132) seeking a CPCN to construct a 345 kV electric transmission line known as the Northern Maine Interconnect (NMI). This line would run from Houlton, Maine, to an interconnection point with the Maine Electric Power Company (MEPCO) 345 kV line located in Haynesville. The NMI would be the first transmission line to directly interconnect northern Maine to southern Maine and the ISO-New England (ISO-NE) region. After discovery on the petition and several conferences among the parties, Algonquin, on September 21, 2010, requested that the Commission suspend consideration of the petition. Algonquin is expected to report to the Commission by January 24, 2011, on whether it wishes to reinstate proceedings to consider its petition.

- Record Hill Transmission Project

On September 9, 2010, one year from the date the application was filed, the Commission issued a CPCN (35-A MRSA § 3132) approving CMP's request to build a new transmission line and substation in order to interconnect the Record Hill Wind, LLC, wind farm into CMP's transmission grid (Docket No. 2009-216). A public witness hearing was held in Rumford in January 2010 to allow members of the community and opponents to express their views on the project. The litigation schedule was extended at CMP's request by a 90-day procedural suspension from March through May 2010. The case resumed on June 1, 2010, when CMP filed a modified proposal, which parties reviewed in technical conferences and filed written comments. Pursuant to the Commission approval, Record Hill will pay for virtually all of the costs to build the new line and will prepay in successive 3-month intervals. A condition of the Commission's order was that CMP must obtain additional financial security from Record Hill to cover costs that would be incurred if the project were terminated prior to completion. CMP must file progress and financing reports every 3 months during construction of the project.

- Somerset County Reinforcement Transmission Project/Western Maine Needs Assessment

On August 2, CMP filed a petition (35-A MRSA § 3132) seeking a CPCN to construct a new, 39 mile-long, 115 kV electric transmission line in central Maine originating at Wyman Hydro substation in Moscow and terminating at Benton (referred to as the Somerset County Reinforcement Project). CMP states that the project will improve system reliability and transfer capability in the local Somerset County area including the surrounding towns of Benton, Clinton, Waterville and Winslow. The proceeding is pending.

In addition, in the case, pursuant to the Commission's Order in the MPRP proceeding, the Commission will undertake a comprehensive assessment of the transmission needs in western Maine, including the extent to which other projects would be preferable to the Somerset County Project and also provide more beneficial interconnection conditions for wind generation projects in western Maine.

- Exemptions from Saco Zoning Ordinance

On July 8, 2010, CMP petitioned the Commission to grant (30-A MRSA § 4352(4) and Chapter 885 of the Commission's rules) a partial exemption for the City of Saco's Zoning Ordinance in order for CMP to construct and operate the Saco Bay Transmission System Reinforcement Project. This is a 115 kV transmission line in Saco that was previously approved by the Commission in Docket No. 2006-487. The Commission is expected to issue a decision in the proceeding by February 2011.

On August 27, 2010, CMP petitioned the Commission to grant, (30-A MRSA § 4352(4) and Chapter 885 of the Commission's rules) an exemption for the City of Saco's Zoning Ordinance in order for CMP to construct and operate the sections of the MPRP located in Saco. As noted above, the MPRP was previously approved by the Commission in Docket No. 2008-255. The Commission is expected to issue a decision in the proceeding by mid-February 2011.

Advance Metering Infrastructure (AMI or Smart Grid)

- Infrastructure Installation and Pricing

During 2010, the Commission issued orders approving the installation of advance metering infrastructure (AMI) for CMP and BHE. The Commission found that the benefits in term of potential customer supply savings and utility operational cost savings are likely to exceed the costs of the investment (CMP Docket No. 2007-215(II); BHE Docket No. 2006-661(II)). AMI includes smart meters and related systems that allow for automated and remote meter reading, detailed customer usage measurement and data storage, and communications to and from customer meters. AMI systems add expenses, but provide utility operational savings (e.g., lower storm restoration costs, elimination of manual meter reading). They also provide a platform for programs that allow customers to lower their energy costs through more accurate and timely information and pricing programs that better reflect the hourly and seasonal differences in electricity costs (e.g., time-of-use rates). CMP received approximately \$96 million in funding under the Department of Energy (DOE)'s Smart Grid Investment Grant Program, which represents 50% of the cost of CMP's AMI project. BHE applied for but did not receive a DOE grant. BHE had advanced meters already in place throughout most of its service territory, and therefore the Commission approved the relatively small investment needed to bring the BHE system to full-scale AMI level.

The Commission also opened proceedings for both CMP and BHE to consider the pricing programs that should be implemented when AMI is fully installed and operational (CMP Docket No. 2010-132; BHE Docket No. 2010-14). Both proceedings are pending.

On November 10, 2010, the Commission approved an Enhanced Transition Agreement (Agreement) relating to CMP's AMI project between CMP and Local 1837 of the International Brotherhood of Electrical Workers (Docket No. 2007-215(II)). The Agreement provides a transition plan for CMP employees displaced by its investment in AMI.

- Smart Meter Complaints

On October 25, 2010, the Commission received a ten-person complaint against CMP (35-A MRSA § 1302) which asks the Commission to initiate an investigation into the health, safety, and security impacts of non-ionizing radiofrequency radiation from the "smart meters" associated with CMP's AMI project. On November 16, 2010, CMP filed its response, arguing that the Commission should dismiss the complaint as without merit.

On October 26, 2010, the Commission received a second complaint against CMP (also 35-A MRSA § 1302) which asks the Commission to initiate an investigation into fire safety issues resulting from the physical installation of smart meters, including the training and experience of the technicians that will install the meters. On November 4, 2010, CMP filed its response, arguing that the Commission should dismiss the complaint as without merit.

A number of other complaints have been received and will be considered in accordance with our customer complaint procedure.

Maine Public Service Company Reorganization On March 19, 2010, MPS and BHE filed a joint petition for approval from the Commission (35-A MRSA §§ 708(2) and 1103(1)) for a proposed reorganization that would allow BHE Holdings, Inc., to acquire all of the outstanding securities of Maine & Maritimes Corporation, the parent company of MPS (Docket no. 2010-89). BHE Holdings, Inc. is the existing holding company for BHE and is wholly owned by Emera US Holdings, Inc., which in turn is wholly owned by Emera, Inc. Emera Inc., a company based in Nova Scotia, is also the ultimate parent company of Nova Scotia Power. Once the proposed reorganization is complete, Emera Inc. will be the parent company of both BHE and MPS.

On September 14, 2010, MPS and BHE filed two stipulations that would resolve all of the issues in the proceeding. The stipulations were opposed by one party and most intervenors took no position on the proposed settlement. On October 14, 2010, the Commission issued an Order Approving Stipulations in which it concluded that the overall result of the stipulations is reasonable, not

contrary to legislative mandate and consistent with the public interest. Specifically, the Commission considered the potential benefits of the proposed transaction against possible harms to ratepayers, and determined that, on balance, the proposed reorganization, as conditioned by the provisions in the stipulations, would not adversely affect ratepayers and would be in the public interest. The transition was subsequently also approved by FERC, and closed on December 21, 2010.

Efficiency Maine Trust: Triennial Plan Review On July 1, 2010, in accordance with the requirements of the Efficiency Maine Trust Act (PL 2009, chapter 372), the Efficiency Maine Trust (Trust) was created as a separate organization and assumed full responsibility for planning and administering Maine's programs for energy efficiency and use of alternative energy resources. These responsibilities were previously held by the Commission, which during 2010 completed the processes needed to successfully transition responsibility to the Trust. As required by the Act, the Trust must provide a report to the Legislature on its activities, spending and programs by December 1 of each year.

The Act also requires the Trust to develop a Triennial Plan for energy efficiency and alternative energy resources and establishes certain oversight roles and responsibilities for the Commission with respect to the Triennial Plan. In April of 2010, the Trust released its Triennial Plan for the 3-year period beginning July 2010. The Commission opened a proceeding on April 27, 2010, to conduct a review of the Plan and invited comments from interested persons (Docket 2010-116). In addition, the Commission retained Navigant Consulting, Inc., a firm with extensive experience in energy efficiency program planning, design, implementation and evaluation, to review and report on the Plan. The Commission released the Navigant Report for public comment on June 8, 2010.

On July 19, 2010, the Commission conditionally approved the Triennial Plan and required the Trust to provide a set of supplemental materials by October 1, 2010. The supplemental material was sought to allow the Commission to fully meet its statutory obligations with respect to review and approval of the Plan, including aspects of the Plan related to assessment amounts charged to utility ratepayers. On October 1, 2010 the Trust filed its Supplemental Filing in response to the Commission's Order. Review of the Supplemental Filing is ongoing.

CMP Distribution Rate and Service Proceedings

Alternative Rate Plan (ARP): CMP continued to operate under the terms of an ARP approved in 2008 (ARP 2008) which established the following:

- a \$20.3 million decrease in CMP distribution rates effective July 1, 2008;
- a new five-year ARP (ARP 2008) to take effect in January 2009;
- a formula by which CMP's distribution rates will be adjusted annually based on inflation less a productivity offset of 1%;
- an upper-end earnings sharing provision in the event CMP's Return on Equity (ROE) exceeds 11% in any calendar year during ARP 2008;
- a five-year cycle trim program for vegetation management on CMP's distribution system;
- a set of service quality provisions intended to ensure CMP's reliability and customer service performance, including seven performance metrics and penalties of up to \$5 million.

In 2010, the Commission issued two orders regarding CMP's ARP rates and service quality. First, on July 13th the Commission issued an Accounting Order which approved in part and denied in part CMP's request that it be allowed to recover \$11.0 million for restoration costs associated with a December 2008 ice storm. The Commission found that CMP's prior improper vegetation management practices caused CMP's restoration costs to be higher than they otherwise would have been and, therefore, reduced the amount to be recovered from CMP's ratepayers by 30% or \$3.3 million.

On November 19, 2010, the Commission issued an Order Approving Stipulation, which approved the imposition of a \$4 million rate adjustment on CMP as a result of its failure to meet the Commission's customer complaint ratio metric component of the Service Quality Index for calendar year 2009. Of the \$4 million, \$3 million will be rebated to all of CMP's distribution customers as part of the 2010 ARP price change and \$1 million will flow to eligible low-income customers as part of an arrears forgiveness program.

BHE Distribution Rate and Service Proceedings There were no major proceedings in 2010.

MPS Distribution Rate and Service Proceedings MPS's distribution rates were unchanged during 2010.

Transmission Rates Transmission rates for Maine’s utilities in ISO-NE (CMP and BHE) continued to rise in 2010 primarily due to the build-out of new transmission projects, both within the state and in other states in the ISO-NE region. CMP’s transmission rates increased on average by approximately 11% and BHE’s increased by almost 40%. MPS’s transmission rates also increased on average by approximately 30% in 2010, due primarily to a decrease in revenue from exporting generators.

KEY INVESTIGATIONS, RULEMAKINGS, & OTHER PROCEEDINGS

Power Supply Procurement

- Long-Term Contracting

On February 22, 2010, the Commission issued an RFP for long-term contracts for capacity and energy (35-A MRSA § 3210-C). The RFP required comprehensive proposals and indicative prices to be submitted by April 16, 2010. The Commission’s statutory authority regarding long-term contracts was amended since the prior RFP to include renewable energy credits (RECs) associated with capacity resources. As a result, the February 2010 RFP indicated that proposals that included RECs would be considered.

The Commission received a large number and wide range of proposals. The Commission’s staff and consultants conducted economic analyses of the proposals and worked with several bidders and the utilities throughout the year to develop commercial and contractual terms that would be beneficial to ratepayers.

The overarching goal of the long-term contract RFP processes has been to obtain contracts that would be beneficial in terms of lower and/or more stable electricity rates. Other goals include promoting State energy policy to facilitate new renewable development in Maine. Due to the long-term nature of these contracts and their potential to create new stranded costs, proposals have been carefully analyzed and negotiations with bidders have been extensive. On September 28, the Commission conditionally approved a term sheet for a long-term contract for capacity and RECs associated with Verso Bucksport LLC’s Renewable Capacity Project. The final contractual terms of the arrangement with Verso Bucksport LLC were approved on December 28, 2010.

- Deep Water Wind and Tidal Projects

During its 2010 session, the Maine Legislature enacted “An Act to Implement the Recommendations of the Governor’s Ocean Energy Task Force (Ocean Energy Act)” (PL 2009, chapter 615). The Ocean Energy Act (in section A-6) directs the Commission to conduct a competitive solicitation for proposals for long-term contracts to supply installed capacity and associated renewable energy and RECs from one or more deep-water offshore wind energy pilot

projects or tidal energy demonstration projects. The Commission may authorize one or more long-term contracts for an aggregate total of no more than 30 MW, with no more than 5 MW of the total supplied by tidal energy demonstration projects. The Ocean Energy Act directed the Commission to initiate the solicitation by September 1, 2010.

As required, on September 1, 2010, the Commission issued an RFP for Long-term Contracts for Deep-Water Offshore Wind Energy Pilot Projects and Tidal Energy Demonstration Projects. Initial proposals for deep-water offshore wind energy pilot projects and tidal energy demonstration projects are due to be submitted to the Commission on or before May 1, 2011.

Community-Based Renewable Projects During the 2009 session, the Legislature enacted “An Act to Establish the Community-based Renewable Energy (CBRE) Pilot Program” (CBRE Act--PL 2009, Chapter 329). Part A of this Act establishes a community-based renewable energy pilot program to be administered by the Commission in order to encourage the sustainable development of community-based renewable energy. Participating pilot projects may not exceed 10 MW. They must be “locally owned electricity generating facilities,” which means that 51% or more of the facility must be owned by “qualifying local owners.” Eligible facilities have the option to elect one of two incentive mechanisms: (1) a long-term contract for the output of the facility with a T&D utility; or (2) a REC multiplier in which the value of the REC is 150% of the amount of the produced electricity. The CBRE Act requires the Commission to adopt implementing rules for the program.

On January 27, 2010, the Commission issued an Order that adopted the implementing rules for the CBRE Pilot Program (Chapter 325). These rules require that participating projects be certified by the Commission as a community-based renewable energy project. The Commission has certified two projects. On April 24, 2010, the Commission issued an Order certifying Fox Island Wind, LLC, a 4.5 MW wind project located on Vinalhaven, Maine (Docket No. 2010-65). Fox Island Wind has chosen the REC multiplier incentive. On November 23, 2010, the Commission issued an Order certifying Exeter Agri-Energy, LLC, a 980 kW anaerobic digester system. Exeter Agri-Energy anticipates choosing the long-term contract incentive.

Green Power Offer Part B of the above referenced CBRE Act requires the Commission to arrange for a green power offer that is composed of green power supply and to ensure that the green power offer is available to residential and small commercial electricity customers. Green power supply is defined in statute as electricity or RECs for electricity generated from renewable capacity resources as defined in statute. The CBRE Act requires the Commission to administer a competitive bid process to select a green power offer provider or providers and to adopt rules to implement a green power offer program.

On October 15, 2010, the Commission issued an Order that adopted the implementing rules for the green power offer program (Chapter 326). The rules allow for the establishment of a state-wide green power offer by selecting, through a competitive bid process, a “green power offer provider” that would commit to providing the product through a specified term (e.g., three years). The green power offer provider would provide the product through the purchase of RECs that will correspond to all or a portion of the electricity usage of customers choosing the green power supply. The Commission initiated the solicitation process by issuing an RFP on December 16, 2010. Initial proposals are due in February 2011.

Regional Matters and FERC Proceedings

Forward Capacity Market The fourth auction in the ISO-NE Forward Capacity Market (FCM) took place in August 2010 and, for the fourth year in a row, surplus capacity resulted in prices clearing at the floor price of \$2.95 per kW-month. Demand resources played a key role in this regard, including demand resources from Maine customers through programs administered by the Efficiency Maine Trust.

During 2010, a FERC proceeding involving proposals to change the way the FCM operates was ongoing. The Commission did not support the proposed changes and submitted protests to the FERC. A decision on these various proposals is pending at the FERC.

Transmission Cost Allocation: FERC Notice of Proposed Rulemaking On June 17, 2010, the FERC issued a Notice of Proposed Rulemaking (NOPR) on transmission planning and cost allocation. The Commission submitted comments in response to the FERC NOPR in September 2010, followed by reply comments in November 2010. In these comments, the Commission proposed an approach, referred to as the Integrated Transmission Benefits Model (ITBM), which would eliminate distinctions between transmission projects based on whether reliability or market efficiency benefits are provided. The ITBM focuses instead on whether projects provide economic benefits to consumers. The economic benefits of a project would be used to allocate project costs among sub-regions, replacing the socialized cost allocation methodology currently used in New England. In addition, the ITBM would integrate into the planning process the need to accommodate public policy goals such as development of renewable generation. The FERC NOPR process is expected to continue for the next several months.

Eastern Interconnect States Planning Council During 2010, the Commission participated in a federally funded electricity system planning process called the Eastern Interconnect States Planning Council (EISPC). (The Eastern Interconnect is the portion of the national transmission grid that spans 38 states from Maine, south to Florida, and west to North Dakota. Currently, this system

operates as a single system but is planned by 26 different entities.) The DOE has funded the EISPC with the objective of obtaining greater efficiency of the system through a coordinated planning process. The Commission is involved in the EISPC to ensure that the interests of Maine and New England are represented, specifically with respect to efforts by mid-western utility and generator interests to expand the transmission grid in the central part of the country to ship coal fired power and wind energy to the eastern seaboard. The EISPC process is expected to continue over the next few years.

Supply Resources in Maine

Resources Serving Maine Customers Maine's Electricity Restructuring Act originally established a 30% resource portfolio standard (RPS), requiring electricity suppliers (including standard offer suppliers) to supply 30% of their Maine load from "eligible resources." The Act defined eligible resources to be generating units whose capacity do not exceed 100 MW and that produce electricity from tidal, fuel cells, solar, wind, geothermal, hydroelectric, biomass, or municipal solid waste in conjunction with recycling; that qualify as small power producers under federal regulations; or that are efficient cogeneration units.

In 2007, the Legislature expanded the RPS to require that an additional amount of electricity come from "new" renewable resources, which are renewable facilities that have an in-service date after September 1, 2005. New renewable resources include fuel cells, tidal power, solar arrays and installations, geothermal installations, wind generators, hydroelectric generators that meet all state and federal fish passage requirements, and biomass generators including generators fueled by landfill gas. The "new" requirement (also referred to as "Class I") starts at one percent of load in 2008 and increases by one percent per year to ten percent in 2017, unless the Commission suspends the requirement pursuant to the provisions of the Act.

Any generation facility used toward a supplier's Class I RPS must be certified by the Commission. During 2010 the Commission certified 10 generators as Class I compliant, bringing the total certified generators to 44, for a total capacity of 652 MW. See Figure 6 for new renewable resource suppliers certified in Maine.

Figure 6 – RPS Class I Resources

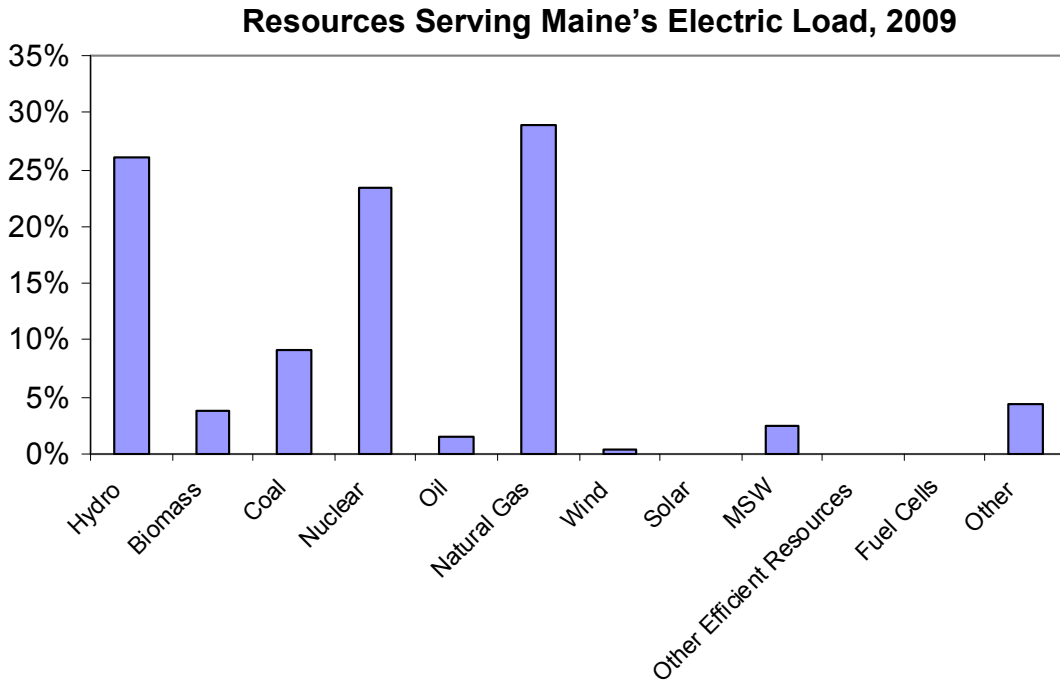
RPS Class I Eligible Resources				
	Location	Size (MW)	Resource Type	Notes
Greenville Steam Co.	Greenville, ME	19.0	Biomass	Approved
PPL EnergyPlus	Orono, ME	4.8	Hydro	Approved
Town of Kittery	Kittery, ME	0.05	Wind	Approved
Loring Bioenergy	Limestone, ME	55.0	Biofuel	Approved
Lincoln Pulp and Paper	Lincoln, ME	13.5	Wood & Process Waste	Approved
Evergreen Wind Power	Mars Hill, ME	42.0	Wind	Approved
Seneca Energy II, LLC	Seneca Falls, NY	6.4	Landfill Gas	Approved
Modern Innovative Energy Syst., Inc	Youngstown, NY	6.4	Landfill Gas	Approved
Innovative Energy Syst., Inc (DANC)	Rodman, NY	4.8	Landfill Gas	Approved
Innovative Energy Syst., Inc (Colonie)	Cohoes, NY	4.8	Landfill Gas	Approved
Indeck Energy-Alexandria, LLC	Alexandria, NH	16.0	Biomass	Approved
Pine Tree Landfill	Hampden, ME	3.0	Landfill Gas	Approved
Hyland Innovative Energy Syst.	Angelica, NY	4.8	Landfill Gas	Approved
University of New Hampshire	Durham, NH	4.0	Landfill Gas	Approved
Evergreen Wind Power V, LLC	Washington Cty, ME	57.0	Wind	Approved
Wm Renewable Energy LLC (High Acres)	Fairpoint, NY	6.4	Landfill Gas	Approved
Madison Power Industries	Madison, ME	3.0	Hydro	Approved
Wm Renewable Energy, LLC (Chaffee)	Chaffee, NY	4.8	Landfill Gas	Approved
Wm Renewable Energy, LLC (Mill Seat)	Bergen, NY	6.4	Landfill Gas	Approved
Lempster Wind, LLC	Lempster, NH	24.0	Wind	Approved
Innovative Energy Systems (Clinton Landfill)	Morrisonville, NY	4.8	Landfill Gas	Approved
Wm Renewable Energy, LLC (Fitchburg Landfill)	Westminster, MA	4.8	Landfill Gas	Approved
Innovative Energy Systems (Chautaugua Landfill)	Jamestown, NY	6.4	Landfill Gas	Approved
Innovative Energy Systems (Fulton Landfill)	Johnstown, NY	1.6	Landfill Gas	Approved
Wm Renewable Energy, LLC (Crossroads Landfill)	Norrigwock, ME	3.2	Landfill Gas	Approved
Wm Renewable Energy, LLC (Madison Landfill)	Canastota, NY	1.6	Landfill Gas	Approved
Sheldon Energy, LLC (High Sheldon Wind)	Sheldon, NY	112.5	Wind	Approved
University of New Hampshire (UNH Power)	Durham, NH	7.9	Landfill Gas	Approved
Richey Properties, LLC	Newburyport, MA	0.6	Wind	Approved
Red Shield Acquisition, LLC (Old Town Fuel & Fiber)	Old Town, ME	14.5	Biomass	Approved
Canandaigua Power Partners (Dutch Hill Wind)	Cohocton, NY	37.5	Wind	Approved
Canandaigua Power Partners (Cohocton Wind)	Cohocton, NY	87.5	Wind	Approved
FPL Energy Maine Hydro, LLC (Gulf Island)	Lewiston/Auburn, ME	0.6	Hydro	Denied
Beaver Ridge Wind, LLC	Freedom, ME	4.5	Wind	Approved
PPL Renewable Energy, LLC (PPL Colebrook)	Colebrook, NH	0.8	Landfill Gas	Approved

Seaman Energy, LLC (Gardiner Landfill)	Gardner, MA	1.0	Landfill Gas	Approved
Fox Island Wind, LLC	Vinalhaven, ME	4.5	Wind	Approved
MM Lowell Energy, LLC (Westford St. Landfill)	Lowell, MA	0.5	Landfill Gas	Approved
CommonWealth New Bedford Energy, LLC	New Bedford, MA	3.3	Landfill Gas	Approved
Sappi Fine Paper North America	Westbrook, ME	68.0	Biomass	Approved
Stetson Wind II	T8R3, ME	25.5	Wind	Approved
Avery Hydro LLC	Laconia, NH	0.5	Hydro	Approved
Summit Hydropower, Inc. (Wyre Wynd)	Jewett City, CT	2.8	Hydro	Approved
Red Shield Acquisition LLC (Old Town Fuel & Fiber)	Old Town, ME	2.0	Biomass	Approved
Covanta, ME (West Enfield)	West Enfield, ME	27.5	Biomass	Denied
Covanta, ME (Jonesboro)	Jonesboro, ME	27.5	Biomass	Denied
Talmage Solar Engineering	Alfred, ME	0.1	Solar	Approved
Thundermist Hydro, LLC	Woonsocket, RI	1.2	Hydro	Approved
TOTAL		684.4		

Suppliers can meet their Maine RPS obligations from plants located in Maine, or in neighboring states or regions. Compliance is tracked by the New England Generator Information System (GIS), which is a regional platform for resource attribute trading and accounting.

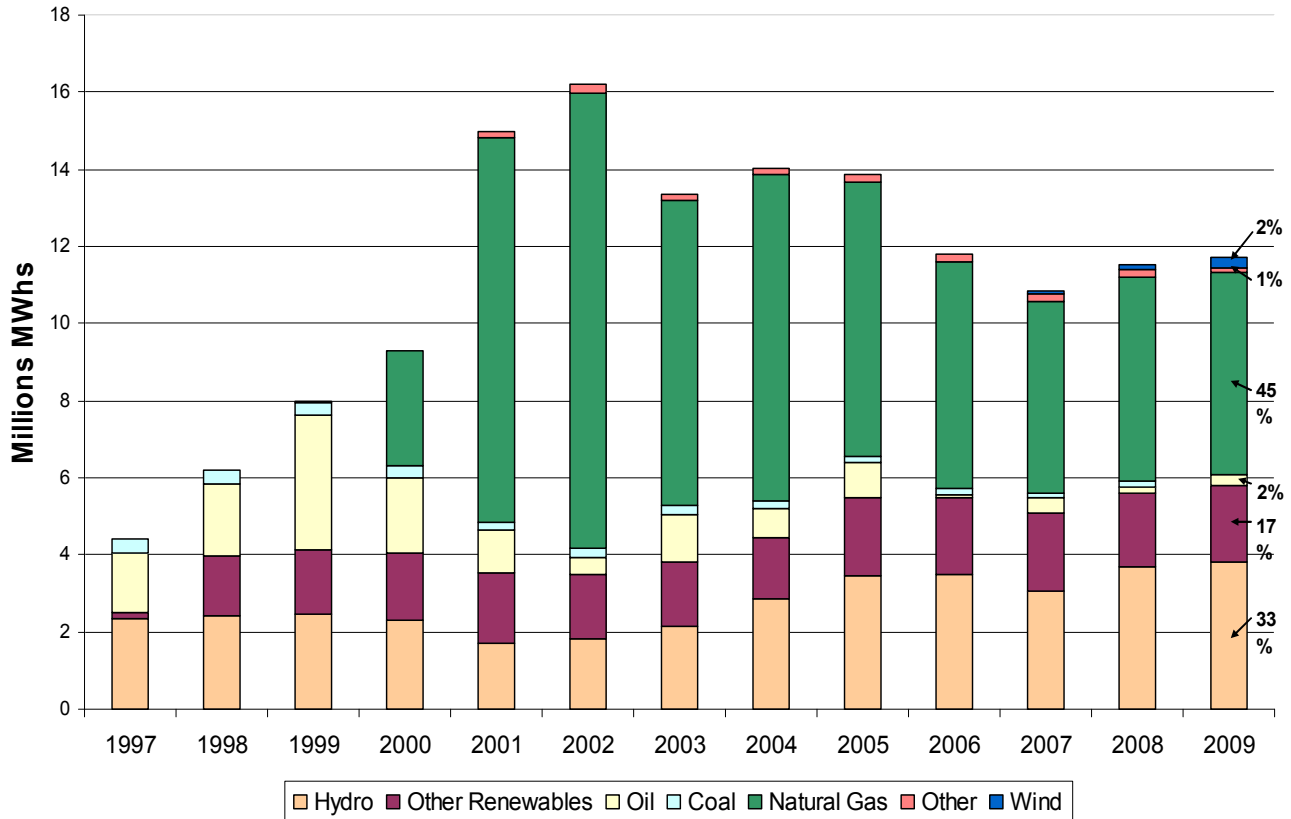
Figure 7 below shows the mix of resources used by suppliers to serve Maine customers in 2009. Resource mix data for calendar year 2010 will be submitted by suppliers in July 2011 and provided in next year's Annual Report.

Figure 7



Electricity Generated in Maine Just under half of the electricity produced by Maine plants is fueled by natural gas, with hydro-electricity being the next largest source. Figure 8 shows Maine's generation levels and fuel mix over time, illustrating the trend toward greater in-state production overall, as well as greater reliance on natural gas. Figure 9 provides a list of Maine plants, including the capacity and fuel type of each plant.

Figure 8 Electricity Generated in Maine by Fuel Type, 1997-2009



Uniform Disclosure Labels Comparative information regarding electricity supply is provided to customers in “uniform disclosure labels” that contain a supplier’s resource mix and emissions information. Residential and small commercial customer suppliers must provide a disclosure label to their customers quarterly, and suppliers to larger customers must provide the label upon request. Labels for standard offer service may be found on the Commission’s web page at:

http://www.maine.gov/mpuc/industries/electricity/standard_offer/disclosure_labels_history.html

Affiliated Competitive Providers and Compliance Costs T&D utilities and any of their supply marketing affiliates are required by statute to comply with standards of conduct and market share limitations intended to prevent undue competitive advantage in the supply market. The Commission is required to determine and report on actual and estimated future costs of implementing these requirements. These affiliated competitive provider provisions have not been implicated in recent years, including at any point during 2010. CMP does not have a marketing affiliate. BHE formed a marketing affiliate several years ago, Emera Energy Services, Inc. (EES), but EES has not been active in Maine. MPS also formed a marketing affiliate several years ago, Energy Atlantic, but Energy Atlantic is no longer active.

Figure 9
Maine Generators – ISO-NE Region

Facility Name	Description	In Service Date	Lead Participant	Summer Capacity Rating (MW)
YARMOUTH 4	OIL STEAM	01-Dec-78	NextEra Energy Power Marketing, LLC	603.49
MAINE INDEPENDENCE STATION	GAS COMBINED CYCLE	01-May-00	Dynegy Power Marketing, Inc.	488.28
WESTBROOK ENERGY CENTER G1	GAS COMBINED CYCLE	13-Apr-01	Calpine Energy Services, LP	255.03
WESTBROOK ENERGY CENTER G2	GAS COMBINED CYCLE	13-Apr-01	Calpine Energy Services, LP	255.03
RUMFORD POWER	GAS COMBINED CYCLE	16-Oct-00	Consolidated Edison Energy, Inc	244.94
BUCKSPORT ENERGY 4	GAS/OIL COMBUSTION (GAS) TURBINE	01-Jan-01	H.Q. Energy Services (US) Inc.	156.81
YARMOUTH 3	OIL STEAM	01-Jul-65	NextEra Energy Power Marketing, LLC	115.51
GREAT LAKES - MILLINOCKET	HYDRO (WEEKLY CYCLE)	01-Mar-87	Brookfield Energy Marketing Inc.	89.82
KIBBY WIND POWER	WIND TURBINE	16-Sep-09	TransCanada Power Marketing, Ltd.	66
STETSON WIND FARM	WIND TURBINE	09-Dec-08	Evergreen Wind Power V, LLC	57
YARMOUTH 2	OIL STEAM	01-Jan-58	NextEra Energy Power Marketing, LLC	51.13
YARMOUTH 1	OIL STEAM	01-Jan-57	NextEra Energy Power Marketing, LLC	50.66
VERSO COGEN 1	GAS COMBUSTION (GAS) TURBINE	28-Dec-00	Energy New England LLC	47.22
VERSO COGEN 2	GAS COMBUSTION (GAS) TURBINE	28-Dec-00	Energy New England LLC	45.25
BORALEX STRATTON ENERGY	BIO/REFUSE	01-Sep-89	Boralex Stratton Energy LP	45.02
VERSO COGEN 3	GAS COMBUSTION (GAS) TURBINE	28-Dec-00	Energy New England LLC	44.14
S.D. WARREN-WESTBROOK	BIO/REFUSE	01-Nov-97	NextEra Energy Power Marketing, LLC	42.59
HARRIS 2	HYDRO (WEEKLY CYCLE)	01-Jan-54	FPL Energy Maine Hydro LLC	34.95
AEI LIVERMORE	BIO/REFUSE	01-Oct-92	Boralex Stratton Energy LP	34.7
HARRIS 3	HYDRO (WEEKLY CYCLE)	01-Jan-53	FPL Energy Maine Hydro LLC	34.21
GULF ISLAND COMPOSITE	HYDRO (WEEKLY CYCLE)	01-Jan-26	FPL Energy Maine Hydro LLC	32.97
RUMFORD FALLS	HYDRO (DAILY CYCLE - RUN OF RIVER)	06-Jul-06	Brookfield Energy Marketing Inc.	31.69
WYMAN HYDRO 2	HYDRO (WEEKLY CYCLE)	01-Jan-31	FPL Energy Maine Hydro LLC	29.87
MONTY	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Jan-80	FPL Energy Maine Hydro LLC	28
WYMAN HYDRO 1	HYDRO (WEEKLY CYCLE)	01-Jan-30	FPL Energy Maine Hydro LLC	27.36
WYMAN HYDRO 3	HYDRO (WEEKLY CYCLE)	01-Jan-40	FPL Energy Maine Hydro LLC	25.73
COVANTA WEST ENFIELD	BIO/REFUSE	01-Nov-87	Covanta Maine, LLC	23.21
COVANTA JONESBORO	BIO/REFUSE	01-Nov-87	Covanta Maine, LLC	23.12
PERC-ORRINGTON 1	BIO/REFUSE	01-Jan-88	Integrus Energy Services, Inc.	20.85
SKELTON	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Jan-48	FPL Energy Maine Hydro LLC	19.7
MERC	BIO/REFUSE	01-May-87	NextEra Energy Power Marketing, LLC	19.37
BONNY EAGLE/W. BUXTON	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Jan-10	FPL Energy Maine Hydro LLC	17.5
HARRIS 1	HYDRO (WEEKLY CYCLE)	01-Jan-54	FPL Energy Maine Hydro LLC	16.79
MADISON COMPOSITE	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Sep-84	Competitive Energy Services, LLC	16.45
CAPE GT 4	OIL COMBUSTION (GAS) TURBINE	01-Jan-70	NextEra Energy Power Marketing, LLC	15.93
CAPE GT 5	OIL COMBUSTION (GAS) TURBINE	01-Jan-70	NextEra Energy Power Marketing, LLC	15.82
WILLIAMS	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Jan-39	FPL Energy Maine Hydro LLC	14.9
HYDRO KENNEBEC	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Mar-89	Competitive Energy Services, LLC	14.14
WESTON	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Jan-20	FPL Energy Maine Hydro LLC	13.2
ECO MAINE	BIO/REFUSE	01-Aug-88	Integrus Energy Services, Inc.	11.66
BRUNSWICK	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Mar-82	FPL Energy Maine Hydro LLC	11.62
HIRAM	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Jan-17	FPL Energy Maine Hydro LLC	11.6
SHAWMUT	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Jan-13	FPL Energy Maine Hydro LLC	9.5
MILLER HYDRO	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Apr-84	Constellation Energy Commodities	9.14
ELLSWORTH HYDRO	HYDRO (WEEKLY CYCLE)	01-Jan-19	Black Bear Hydro Partners, LLC	9.1
PEJEPSCOT	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Nov-87	NextEra Energy Power Marketing, LLC	8.9
PPL VEAZIE	HYDRO (DAILY CYCLE - RUN OF RIVER)	09-Jun-09	PPL EnergyPlus, LLC	8.4
MEDWAY DIESELS 1-4	OIL INTERNAL COMBUSTION	01-Jan-60	Constellation Energy Commodities	8.15
CATARACT EAST	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Jan-37	FPL Energy Maine Hydro LLC	8
WEST ENFIELD	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-May-88	NextEra Energy Power Marketing, LLC	7.47
LOCKWOOD	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Dec-84	NextEra Energy Power Marketing, LLC	6.95
AZISCOHOS HYDRO	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Jul-88	NextEra Energy Power Marketing, LLC	6.81
MILFORD HYDRO	HYDRO (DAILY CYCLE - RUN OF RIVER)	09-Jun-09	Black Bear Hydro Partners, LLC	6.4
FOX ISLAND WIND	WIND TURBINE	01-Sep-09	Vermont Public Power Supply Authority	4.5
MESSALONKEE COMPOSITE	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Jan-17	NextEra Energy Power Marketing, LLC	4.4
BRASSUA HYDRO	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Aug-89	Brookfield Energy Marketing Inc.	4.2
BAR HARBOR DIESELS 1-4	OIL INTERNAL COMBUSTION	01-Jan-60	Constellation Energy Commodities	4.05
BENTON FALLS HYDRO	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Dec-87	Littleton Electric Light & Water Departmer	3.78
PPL GREAT WORKS - RED SHIELD	BIO/REFUSE	24-Jan-07	PPL EnergyPlus, LLC	3.68

PINE TREE LFGTE	BIO/REFUSE	01-Jan-08	NextEra Energy Power Marketing, LLC	2.84
ORONO	HYDRO (DAILY CYCLE - RUN OF RIVER)	29-Dec-08	Black Bear Hydro Partners, LLC	2.8
MEDWAY	HYDRO (DAILY CYCLE - RUN OF RIVER)	09-Jun-09	Black Bear Hydro Partners, LLC	2.78
BAR MILLS	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Jan-56	FPL Energy Maine Hydro LLC	2.68
MMWAC	BIO/REFUSE	01-Jun-92	NextEra Energy Power Marketing, LLC	2.34
CROSSROADS LANDFILL	BIO/REFUSE	31-Dec-08	Energy America LLC	2.29
EASTPORT DIESELS 1-3	OIL INTERNAL COMBUSTION	01-Jan-48	Constellation Energy Commodities	2.2
STILLWATER	HYDRO (DAILY CYCLE - RUN OF RIVER)	09-Jun-09	Black Bear Hydro Partners, LLC	1.9
NORTH GORHAM	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Jan-25	FPL Energy Maine Hydro LLC	1.87
HOWLAND	HYDRO (DAILY CYCLE - RUN OF RIVER)	09-Jun-09	PPL EnergyPlus, LLC	1.82
BHE SMALL HYDRO COMPOSITE	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Dec-82	NextEra Energy Power Marketing, LLC	1.72
FIEC DIESEL	OIL INTERNAL COMBUSTION	01-Dec-06	Vermont Public Power Supply Authority	1.64
SOMERSET	BIO/REFUSE	01-Jan-76	Constellation Energy Commodities	1.61
UNION GAS STATION	HYDRO (DAILY CYCLE - RUN OF RIVER)	19-Mar-08	NextEra Energy Power Marketing, LLC	1.5
BEAVER RIDGE WIND	WIND TURBINE	15-Oct-08	New Hampshire Electric Cooperative, Inc.	1.5
HARRIS 4	HYDRO (WEEKLY CYCLE)	01-Jan-54	FPL Energy Maine Hydro LLC	1.44
PITTSFIELD HYDRO	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Mar-84	Blackstone Hydro, Inc.	0.88
YORK HYDRO	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Mar-84	Blackstone Hydro, Inc.	0.88
KENNEBAGO HYDRO	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Apr-88	NextEra Energy Power Marketing, LLC	0.69
LEWISTON U5	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Oct-90	PPL Maine, LLC	0.64
KEZAR LEDGEMERE COMPOSITE	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Feb-96	NextEra Energy Power Marketing, LLC	0.63
GARDINER HYDRO	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Jul-83	Blackstone Hydro, Inc.	0.61
SWANS FALLS	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Oct-98	Public Service Company of New Hampshire	0.41
KENNEBEC WATER U5	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Mar-95	PPL Maine, LLC	0.39
BARKER LOWER HYDRO	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Apr-80	Blackstone Hydro, Inc.	0.39
WAVERLY AVENUE HYDRO	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Apr-84	NextEra Energy Power Marketing, LLC	0.3
BROWNS MILL HYDRO	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Jul-83	Blackstone Hydro, Inc.	0.22
BARKER UPPER HYDRO	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Jul-87	Blackstone Hydro, Inc.	0.22
PIONEER DAM HYDRO	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Dec-85	NextEra Energy Power Marketing, LLC	0.2
ROCKY GORGE CORPORATION	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Jan-84	Rocky Gorge Corporation	0.18
EUSTIS HYDRO	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Mar-84	Blackstone Hydro, Inc.	0.14
CORRIVEAU HYDROELECTRIC LLC	HYDRO (DAILY CYCLE - RUN OF RIVER)	10-Aug-07	PPL Maine, LLC	0.07
GREENVILLE HYDRO	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Mar-84	Blackstone Hydro, Inc.	0.04
SYSKO WIGHT BROOK	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Jan-84	PPL Maine, LLC	0.03
SYSKO GARDNER BROOK U5	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Feb-02	PPL Maine, LLC	0.01
SYSKO STONY BROOK	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Apr-00	PPL Maine, LLC	0.01
DAMARISCOTTA HYDRO	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Mar-84	Blackstone Hydro, Inc.	0.01
MARSH POWER	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Feb-86	NextEra Energy Power Marketing, LLC	0
SPARHAWK	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Jun-85	PPL Maine, LLC	0
J & L ELECTRIC - BIOMASS I	BIO/REFUSE	01-Nov-84	NextEra Energy Power Marketing, LLC	0
STETSON II WIND FARM	WIND TURBINE	31-Mar-10	Stetson Wind II LLC	0
MEAD	COAL STEAM	01-Feb-90	American PowerNet Management, LP	0
LEWISTON CANAL COMPOSITE	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Jan-20	FPL Energy Maine Hydro LLC	0
TCPMCPAGF GEN1 U5	BIO/REFUSE	01-Jun-83	TransCanada Power Marketing, Ltd.	0
NORWAY HYDRO	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-May-85	Blackstone Hydro, Inc.	0
GALLOP POWER GREENVILLE	BIO/REFUSE	01-Mar-87	Constellation Energy Commodities	0
DOWNEAST POWER	BIO/REFUSE	01-Nov-97	DownEast Power Company, LLC	0
HACKETT MILLS HYDRO	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Dec-85	NextEra Energy Power Marketing, LLC	0
MECHANIC FALLS HYDRO	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Nov-84	Blackstone Hydro, Inc.	0
GREAT WORKS COMPOSITE	HYDRO (DAILY CYCLE - RUN OF RIVER)	01-Mar-84	Blackstone Hydro, Inc.	0

3,357

Northern Maine Generators:

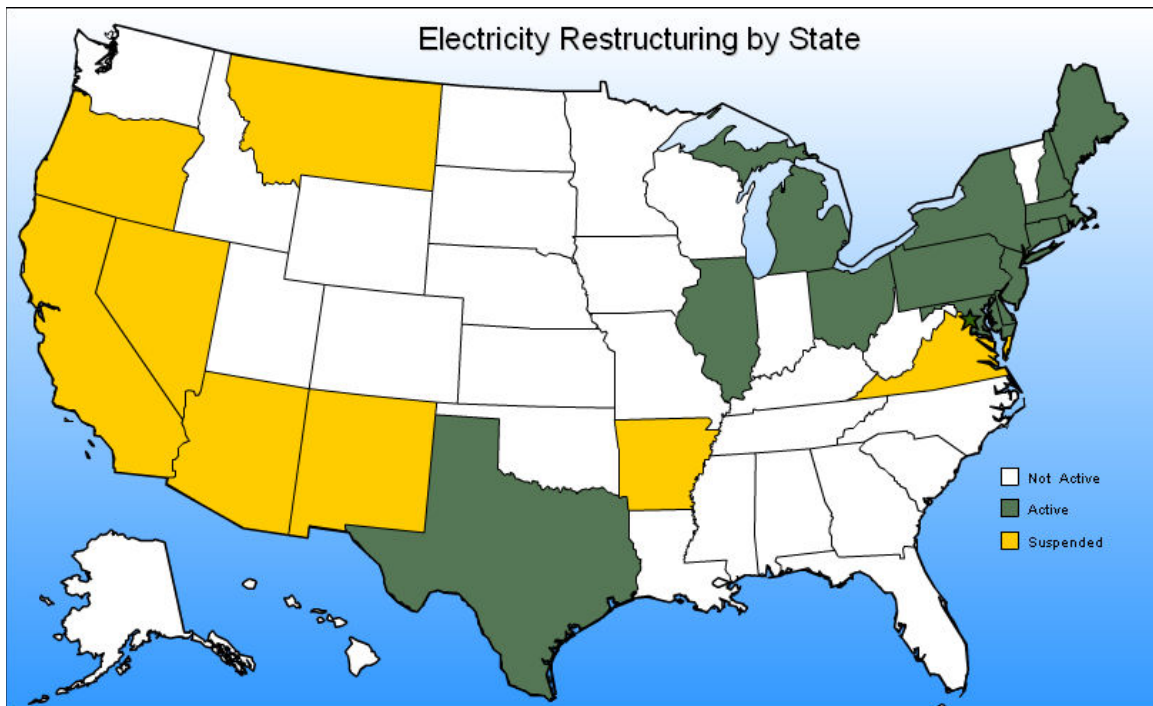
Note -- In addition to the above, the following generators are located in northern Maine and are not part of the ISONE

Facility	Owner	Fuel Type	Capacity (MW)
Boralex Ashland	Boralex	Biomass	37
Boralex Ft. Fairfield	Boralex	Biomass	33
Tinker	Integrys	Hydro	35
Caribou Steam	Integrys	Oil	23
Diesel Units, various locations	Integrys	Diesel	17
Mars Hill	UPCWind	Wind	42
DOMTAR	Domtar	Hydro/Oil	20

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Summary of 2010 Restructuring Activity The Restructuring Act directs the Commission to report on activities in other states associated with changes in the regulation of electric utilities. Restructuring activity in the mid- to late-1990s that led to development of competitive electricity markets in more than twenty states. Since then, a number of states have reversed, suspended or modified restructuring actions and several restructured states have taken steps to delay implementation of a fully competitive retail market. During 2010, no additional states have initiated consideration of electricity market restructuring, leaving the fully implemented restructured markets primarily concentrated in the northeast and mid-Atlantic states. The map below shows the status of restructured electricity markets by state.

Figure 10



Source: Energy Information Administration
Data as of September 2009

NATURAL GAS

GAS REGULATION IN MAINE

The Commission approves the service terms and rates charged by Maine's natural gas local distribution utility companies (LDCs) to ensure that they are reasonable and just. In addition, the Commission investigates and approves proposed sales, acquisitions or mergers among corporations owning LDCs doing business in the State. The Commission also reviews and analyzes gas purchasing strategies and pricing options that can stabilize natural gas prices that Maine citizens pay. In addition, the Commission oversees the safety aspects of LDC operations and facilities, as well as of certain propane facilities, by conducting inspections and enforcing utility compliance with State and federal safety regulations. Finally, although the Commission does not regulate interstate gas pipelines or liquefied natural gas (LNG) import facilities, over which federal agencies have jurisdiction, the Commission actively monitors events and participates as warranted in proceedings involving pipeline and LNG-related issues that affect Maine consumers.

There are three natural gas local distribution utilities serving Maine. Northern Utilities, Inc. d/b/a Unitil (Northern) serves the south-central area, primarily in greater Portland and Westbrook, greater Lewiston/Auburn and Biddeford, Saco and Kittery. Northern, a Unitil Corporation subsidiary, and its predecessors have served Maine for over 150 years and have approximately 27,000 customers. Two other gas companies began service in 1999. Maine Natural Gas Corporation (Maine Natural Gas), a subsidiary of Iberdrola, serves primarily in the Windham, Gorham, Brunswick and Topsham areas. Bangor Gas Company, LLC (Bangor Gas), owned by Energy West, serves the greater Bangor area, including Orono, Old Town, Brewer and Bucksport.

Three interstate pipelines have facilities in Maine: Maritimes & Northeast Pipeline, Portland Natural Gas Transmission System (PNGTS), and Granite State Gas Transmission. These entities are regulated by federal authorities, but the Commission works with state and federal agencies involved in the construction and regulation of these entities to ensure appropriate and adequate review of issues that affect Maine gas consumers and the public.

MAP OF MAINE SERVICE AREAS AND PIPELINES

Figure 1 shows the placement of major natural gas pipelines and local gas company service areas.

Figure 1

Natural Gas Pipelines and Services



KEY EVENTS

- Maine Natural Gas is extending natural gas service to Freeport in a major distribution pipeline expansion project.
- The Commission approved a 14-year cast iron and bare steel replacement program by Unitil that will reduce costly maintenance and repair, enhance safety, and expand the growth capacity of its distribution system in Portland and Westbrook.
- The Commission approved an improved hedging program for Unitil that stabilizes rates while mitigating the potential for losses during market price change events.
- United States natural gas market prices in 2010 averaged \$4.44 per million British thermal units (MMBtu) due to continuing weak demand and strong shale gas production that kept storage filled.
- Maine residential gas consumer's 2010 – 2011 Winter Period rates are 1.16% higher than 2009 - 2010 Winter Period levels but are 29% less than heating oil on an equivalent heat value basis .
- The number of Maine consumers converting to natural gas continued to be strong in 2010 because its favorable price value as a heating and commercial process fuel compared to the relatively high world price of oil and its derivative fuels.
- Maritimes & Northeast Pipeline agreed to contribute \$1,250,000 over five years to defray the cost of tapping its system to expand gas service in Maine.

INDUSTRY TRENDS

Regional Issues The Commission participates at federal or state forums on issues such as the rates interstate natural gas pipeline companies charge Maine shippers and consumers, service terms, regional energy policy directives, and safety issues. During 2010, the Commission intervened in FERC proceedings that involved rate change proposals filed by the pipeline companies in Maine.

On November 23, 2010, the Commission joined a settlement with the Maine Office of Public Advocate and the New Hampshire Public Utility Commission that allows the Granite State to raise rates from \$1.67/dekatherms (Dth) per day to \$2.80/Dth per day effective January 1, 2011 (FERC Docket: RP10-896-000). The settlement reflected an increase that was 21% lower than the amount initially sought by the Granite State. The Commission is participating in two proposed rate increase cases filed by PNGTS at the FERC

that are currently pending (FERC Docket: RP08-608 and RP10-729). In addition, the Commission participated in a settlement, effective May 1, 2010, in which Maritimes reduced its pipeline rates by 29%, from \$0.78 per dekatherm to \$0.55 per dekatherm, and agreed to contribute funds for five years for new delivery points within Maine to expand gas service areas.

Regarding natural gas supply, the Canaport storage terminal in St. John, New Brunswick, completed one year of operation, receiving, storing and injecting LNG into the Maritimes & Northeast Pipeline to serve Northeast markets. Two LNG terminals proposed for Washington County, Calais LNG and Downeast LNG, remain under review by FERC.

New gas production techniques have resulted in robust gas production from unconventional sources, particularly extractions of gas accumulations embedded in expansive geologic formations such as the Fayetteville, Marcellus and Barnett shale beds. National storage levels are at high levels and demand remains low due to slow economic recovery. These factors have resulted in favorable gas market prices in the United States.

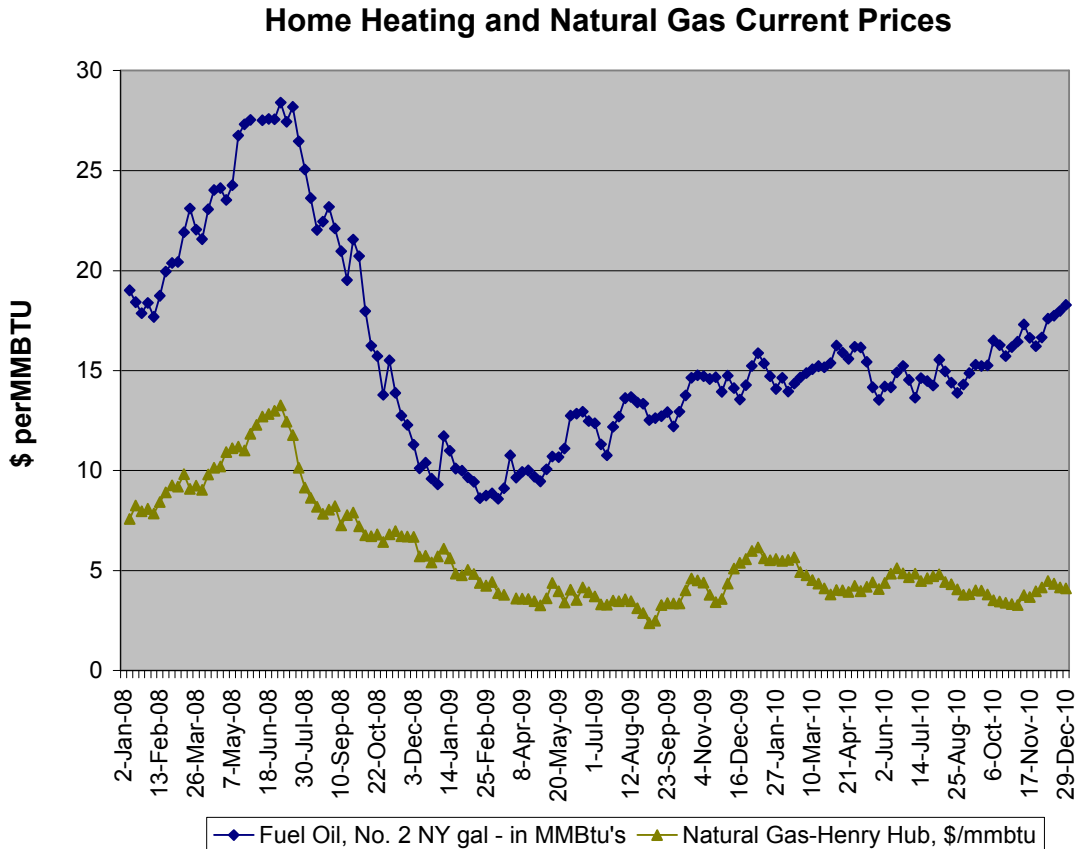
Competitive Gas Supply Since 1999, commercial and industrial customers have been free to enter into competitive gas supply arrangements, taking delivery-only service from the local distribution utility. Over 80% of all deliveries made by Maine's three natural gas utilities in 2009, not including deliveries to electric generators, were supplied by competitive gas providers. The Commission will continue to monitor the progress that gas supply competition is making in Maine and the region and the effect of Maine's regulatory policies on these markets.

Gas Service Quality Issues The Commission actively monitors customer service and safety standards to ensure adequate performance by Maine's LDCs. The Commission has developed incentive mechanisms, conditions on corporate acquisition and reorganizations, and other methods that aim to improve or maintain customer service and safety standards for Maine's largest gas utility (Northern). The Service Quality Plan requires Northern to maintain specified levels of service performance for eleven measures or be subjected to monetary penalties.

Consumer Prices – Cost of Gas and Base Rates By statute, Maine gas utilities may pass through the cost of gas supply used to serve their customers, with no profit adder. To a large degree, the cost of the gas that utilities purchase is determined by the prevailing gas market price on the date of purchase. The Commission reviews all proposed gas utility cost of gas rates to ensure that the rate accurately reflects the utility's gas costs. All three gas utilities offer consumers the option of even monthly payments year-round, to assist consumers in managing the effects adverse market conditions have on gas bills.

As shown in Figure 2 below, market prices for natural gas have varied over a substantial range in recent years, from a high of \$14.00 per MMBtu to a low of \$2.50 per MMBtu. During 2010, gas prices averaged about \$4.44 per MMBtu. The figure also shows natural gas and heating oil prices on a comparable heat value basis, illustrating the relative economy of natural gas compared to heating fuel which has encouraged many Maine customers to convert to natural gas in recent years.

Figure 2



Low-Income Program During 2010, Northern continued to provide a discount of 30% of total service charges for all customers that are eligible for all Low Income Home Energy Assistance Program (LIHEAP). This discount program has been in effect for two years, pursuant to 35-A MRSA § 4706-A. Up to 560 people participated in Unitol's Low Income Assistance Program during 2010.

MAJOR CASES AND EVENTS

Maine Natural Gas Expands to Freeport, Pownal and Durham Taking advantage of a favorable pricing climate for natural gas as compared to oil, and of the Maritimes & Northeast funding contribution for new taps within Maine that will expand gas service areas, Maine Natural Gas installed a gas main from the Maritimes pipeline through Pownal and into Freeport where it will serve L.L. Bean and other businesses and residences. This expansion is the largest undertaken in several years by a Maine distribution company and continues Maine Natural Gas's reach into previously unserved communities in Maine.

Cast Iron and Bare Steel Replacement Program In July 2010, the Commission approved a comprehensive 14-year replacement program for cast iron and bare steel facilities in Northern's low pressure system in Portland and Westbrook. The program was proposed in a Stipulation by the OPA, Northern and several legislator interveners (Docket No. 2008-151). This replacement program is similar to ones other distribution companies are implementing, such as in the National Grid systems in Massachusetts. These programs target replacement of leak-prone facilities, the removal of which can significantly reduce operating and repair expenses, enhance safety, and increase capacity. The stipulation provides for Northern to implement a replacement program for cast iron, non-cathodically protected (bare) steel, and wrought iron pipe along with a coordinated upgrade of its low pressure system in Portland and Westbrook by October 31, 2024. A rate mechanism to recover the cost of this replacement program, with completion benchmarks, incentives and other features, will be developed in Northern's next base rate proceeding which is expected to begin in early 2011.

Conservation Programs Northern offered gas conservation programs under Commission oversight through June 2010. These programs provided rebates to residential and commercial gas customers who weatherize, install high-efficiency heating or water heating equipment, ENERGY STAR programmable thermostats, commercial and industrial infrared heating units or food service equipment, as well as comprehensive weatherization for eligible residential low-income heating customers. After June 2010, oversight of energy efficiency programs transferred to the Efficiency Maine Trust, which reports separately to the Legislature.

Revised Hedging Program In early 2010, the Commission approved a redesigned hedging program for Northern (Docket No. 2008-93) that incorporates several significant changes from the prior program including: a portfolio approach to hedging that incorporates both physically hedged supplies and financial hedges; the introduction of a price ceiling above which purchases of futures contracts would be postponed; and the introduction of a process under which futures contracts that had appreciated substantially in value would be sold, thereby locking in the appreciated value for ratepayers. The revised program

better serves Maine consumers by adding rate stability while mitigating the potential for losses during times of significant gas price fluctuations.

Natural Gas Alternative Ratemaking The Commission is authorized by statute (35-A MRSA § 4706) to adopt alternative ratemaking mechanisms for gas utilities “to promote efficiency in operations, create appropriate financial incentives, promote rate stability and promote equitable cost recovery.” In particular, the Commission may do the following: adopt multi-year ratemaking plans with mechanisms for future rate changes; reconcile costs and revenues; index revenues or rate changes; establish financial incentives; streamline regulation or deregulate services where not required to protect the public interest; approve rate flexibility programs; and modify cost-of-gas adjustment requirements.

Under this authority, the Commission has implemented alternative rate plans for two natural gas utility start-up ventures: Bangor Gas Company LLC, and Maine Natural Gas Corporation. Bangor Gas Company’s alternative rate plan included a 10-year distribution rate freeze, a rate cap set initially on a 3-year average of oil prices, indexed rate cap increases, pricing flexibility, and authority to enter into special contracts without prior Commission approval. This flexible regulation encourages expansion of natural gas service into areas that previously had no natural gas utility.

Under Section 4706, the Commission approved Northern’s use of a detailed hedging plan which helps stabilize its winter gas commodity rates for its customers. In 2005, the Commission approved monthly cost of gas adjustment mechanisms for Maine’s two start-up local distribution companies to ensure more realistic price signals to consumers and to help moderate gas revenue imbalances that accrue between rate adjustment intervals. The Commission has also approved fixed and indexed price options.

GAS SAFETY

GAS SAFETY REGULATION AND ENFORCEMENT IN MAINE

The Commission regulates natural gas service reliability and ensures compliance with safety standards for 654 miles of natural gas pipeline throughout the state. In addition, the Commission enforces safety standards for over 800 propane gas distribution facilities that deliver propane service to multi-unit housing complexes, commercial buildings and other facilities where propane system failures would likely impact large numbers of people.

The Commission's derives its authority for safety oversight from both state and federal law. Chapters 420 and 421 of the Commission's Rules adopt federal safety regulations for pipelines that transport hazardous gases to protect the public and govern the safe operation of distribution facilities within the State.

The Commission is also a certified agent for the U.S. Department of Transportation's Pipeline and Hazardous Material Safety Administration (PHMSA). In this role, the Commission ensures that intrastate natural gas transmission and distribution systems are in compliance with federal pipeline safety standards and corresponding state regulations through operator inspections. Additionally, the Commission performs investigations of natural gas safety incidents and pursues enforcement actions.

During 2010, the gas safety staff conducted natural gas distribution inspections and propane gas distributions compliance audits. These were performed to determine whether operators conformed to the design, construction, operating and maintenance requirements of the safety regulations.

In July 2010, the Commission hired one additional Gas Pipeline Safety Inspector. Previously, the propane inspection work was done by an outside contractor. Moving the function in-house not only allows for closer supervision and coordination with Commission staff, but is more cost effective for the program.

September 9, 2010, a natural gas transmission line ruptured at an intersection on a residential street in San Bruno, California. Approximately 115 million cubic feet (MMSCF) of natural gas was released. The released gas caught fire and had an impact on the nearby neighborhood. Seven people died, many more were injured and over 50 homes were damaged or destroyed. The investigation into the incident is not yet complete. However, the San Bruno explosion has drawn attention to several aspects of gas safety, including, age of infrastructure, frequency of inspection, and manual versus automatic shut off valves. The safety of the nation's gas infrastructure is expected to be the focus of several bills in 2011.

INDUSTRY TRENDS

In 2005, PHMSA identified excavation incidents as a primary cause of damage to pipeline facilities. Since then, PHMSA has worked with industry groups to decrease the occurrence of excavation related damage to underground facilities and encouraged states to modify damage prevention programs to implement industry best practices that have been identified by the Common Ground Alliance (CGA). PHMSA continues to encourage and support state efforts to decrease damage incidents related to excavation through grants for damage prevention programs at the state level and coordination with stakeholder groups such as CGA.

MAJOR CASES AND EVENTS

Cast Iron Replacement In 2010, the Commission issued an Order in Docket No. 2008-151 which approved a Revised Stipulation filed July 6, 2010 by all parties to the proceeding (Northern Utilities Inc d/b/a Unitil (Northern)), the OPA, and several local legislators (Docket No. 2008-151): see additional description in previous section, page 40.

Rulemakings Prior to 2010, safety regulations for both natural gas and liquid propane gas (LPG) distribution systems were contained in Chapter 420 of the Commission's rules. In late 2009, the Commission issued a Notice of Rulemaking (Docket No. 2009-392) to propose a new rule, Chapter 421, which would contain safety requirements solely for liquid propane gas (LPG) systems that are regulated by the Commission in its role as an agent of PHMSA. In May, the Commission adopted Chapter 421 and closed this docket.

In 2010, the Commission issued an additional Notice of Rulemaking in a companion docket (Docket No. 2010-106) to propose a series of revisions to the natural gas safety and operations standards contained in Chapter 420 of the Commission's rules. After reviewing the early experiences implementing the provisions of Chapter 421 and comments received in the Chapter 420 Rulemaking docket, the Commission issued a second Notice of Rulemaking proposing further revisions to Chapter 421 in Docket No. 2010-317. Similarly, because of the extensive comments received after the initial Notice of Rulemaking in Chapter 420, the Commission issued a Further Notice of Rulemaking regarding Chapter 420 at the same time. Public hearings in both Dockets were held in November.

WATER

THE WATER INDUSTRY IN MAINE

There are more than 150 water utilities in Maine which fall into three categories: water districts, water departments and investor or privately owned companies. Water districts are quasi-municipal entities formed through Private and Special Laws enacted by the Legislature. Water districts may serve more than one municipality. Water departments are a part of a local municipality. The water districts and water departments are considered “consumer-owned” and are not-for-profit entities. Privately owned water companies are owned by shareholders and are “for-profit” entities.

The Commission regulates the rates and services of water utilities. The Department of Health and Human Service’s Drinking Water Program regulates water quality through the enforcement of the Federal Safe Drinking Water Act. Finally, the Department of Environmental Protection is also involved in water utility issues, for example, with regulations on water sources.

KEY EVENTS

- During 2010, the Commission addressed a number of water rate cases. The Commission conducts investigations for all rate cases initiated pursuant to our legislatively authorized rate making authority and for rate cases initiated (pursuant to 35-A MRSA § 6104) when 15% or more of a water district’s customers file a petition with the Commission requesting an investigation of the rates filed by the utility. In petitioned cases pursuant to Section 6104, customers often express a general dissatisfaction with the district’s plans to increase rates and the quality of service provided.
- During 2009, as part of the federal American Reinvestment and Recovery Act (ARRA), the Drinking Water State Revolving Fund (DWSRF) obtained additional funding to support its loan and principal forgiveness programs. The Commission must approve all security issuances with terms greater than 12 months. The Commission approved 41 water security issuances during 2010, the vast majority of which relied upon ARRA funding. Based upon the information filed with the Commission in support of the various requests for the issuance of such indebtedness, the Commission expects that many of the districts which obtained such financing will likely be filing for rate increases during the next two years.

INDUSTRY TRENDS

Increasing Costs Water utilities have been facing increasing costs for a number of years. These costs include common operating expenses such as electrical power and fuel. Other costs, such as chemical treatment, have also been rising due to manufacturing processes, cost of raw materials and shipping costs. One of the largest costs for a water utility, however, is the cost to repair or replace infrastructure. Many water utilities have been serving customers for many years, some for more than a century, and the infrastructure that was built long ago is now reaching the end of its useful life. New infrastructure costs are allowed in rates over the life of the plant through depreciation. In addition, consumer-owned water utilities may also include in rates the full debt repayment for these projects. As a result, new infrastructure needs can drive substantial rate increases to water utility customers.

Loss of Major Customers The major portion of the customer base for most water utilities is residential. However, water utilities with an industrial base have seen a decrease in water sales due to either the shut-down or slow-down of these operations. As a result, some utilities have to shift costs to the remaining customers, causing even larger rate increases.

Water Conservation A large part of operating a water utility focuses on water conservation. Some conservation is achieved through the utilities operations, primarily through leak detection and repair of water mains and system-wide monitoring of water usage. A water utility may promote water conservation through education of customers. Such activities often include posters, newsletters and bill stuffers which inform customers how they can reduce water consumption. Some water utilities offer, at cost, low-flow shower heads and other kits that can help customers reduce their usage.

MAJOR CASES AND EVENTS

Adoption of Chapter 660: Consumer Standards for Water Utilities The Commission adopted Chapter 660 setting consumer standards for water utilities on September 30, 2010 with an effective date of January 1, 2012. The purpose of the rulemaking was to update comprehensively and combine into a single rule the existing provisions of Chapters 81 and 86 (which have been replaced by the new rule) which address credit and collections programs and practices as they relate to a water utility's residential and commercial customers. In addition, Chapter 660 includes provisions that implement the recent legislative change to the statute (35-A MRSA Section 6111), which authorize combined water and sewer districts to disconnect water service for non-payment of sewer charges.

During the rulemaking process, the Commission received both oral and written comments from the majority of Maine water utilities. Many utilities requested that an exemption for small utilities (those with fewer than 1500

customers) be included in Chapter 660 due to the cost of compliance with the rule. The Commission agreed and the exemption resulted in small water utilities being exempted from most reporting, record keeping and bill formatting requirements. Chapter 660 is not effective for another year, which should afford utilities and the Commission sufficient time to plan for implementation and to consider any Petitions for Modification of the rule that may be filed pursuant to the Maine Administrative Procedures Act, Statute 5 MRSA § 8055, and Commission's Rules (Chapter 110, Part 5).

Aqua Maine, Inc, Camden/Rockland Division Rate Case The Commission approved a Stipulation between Aqua Maine, Inc. (Camden and Rockland Division), the Office of Public Advocate, the City of Rockland and FMC Corporation on July 28, 2010. This Stipulation resulted in a 20.95% increase in revenues for Aqua Maine (Docket 2010-72).

The purpose of the rate increase was to secure additional annual revenue to cover increased operating expenses and the bond payments associated with indebtedness obtained for the purpose of funding the construction of a new water treatment plant. This treatment plant was needed to meet federal drinking water standards. The rate filing also included a cost of service study, which was required in a previous rate case (Docket 2009-155) and a change in rate structure to lower the amount of water in the minimum quarterly charge from 900 cubic feet to 300 cubic feet.

Commission Approved Rate Increases by Water District

Utility Name	Docket #	% Increase	\$ Increase	# Customers
Aqua Maine, Inc--				
Camden/Rockland	2010-72	20.95	1,000,000.00	7703
Corinna Water District*	2010-69	0	0	23
Fryeburg Water Company	2010-8	15	62,257.00	806
Norway Water District	2010-171	35.22	106,579.00	796
Stonington Water Company	2010-170	14.8	17,592.00	279
Winterport Water District	2010-250	10.26	21,811.00	303

*Corinna submitted a rate case that added the new tariff sheet for private fire protection charges. As they do not as yet have any private fire protection services, there was no revenue change (or percent rate increase).

DIG SAFE

UNDERGROUND FACILITY DAMAGE PREVENTION AND ENFORCEMENT IN MAINE

The Commission is charged with enforcement of Maine's underground facilities damage prevention law, called "the Dig Safe Law" (23 MRSA § 3360-A). This law is intended to prevent damage to underground utility facilities such as gas lines, water lines, or underground telecommunications and electric equipment, thereby preventing the associated safety hazards, service interruptions, and costs associated with damage incidents.

Under the Dig Safe Law and the Commission's Rule implementing the law, Chapter 895, any person or company planning to excavate near underground facilities must follow certain safety procedures, and must notify facility owners of the planned excavation. Large utilities can be notified through the inter-state Dig Safe Systems Inc. by calling 1-800-DIGSAFE, or 811. Additionally, excavators can provide notification to large utilities online at www.digsafe.com. Municipal utilities and other non-members can be located through the Commission's OKTODIG program by calling 1-800 OKTODIG or online at www.oktodig.com. Once informed of a pending excavation, utilities have an obligation to locate and mark their underground facilities in accordance with the Dig Safe Law so that excavators will be sufficiently aware of their location when they dig. Violations of the Dig Safe Law and Chapter 895 must be reported to the Commission, which then investigates the incident and determines the appropriate enforcement action, if any. To increase awareness of the provisions of the Dig Safe law and Chapter 895, the Commission performs regular training programs at its offices and also performs on-site training at the request of excavators or facility operator. The Commission also provides public education materials to improve awareness among private property owners of the importance of preventing damage to underground facilities. These materials are available on the Commission's website.

KEY EVENTS AND INDUSTRY TRENDS

Telecommunications facilities have continued to experience the most damage related to excavating. This can be attributed, at least in part, to the fact that there are more telecommunications facilities underground than other types. Natural gas and electric facilities have stayed well below the telecommunications industry rate of incident on average over a five year period.

Damage Prevention programs and best practices are increasingly the focus of the US Department of Transportation's Pipeline Safety Programs as it is well documented that the most common cause of damage to gas facilities is third party damage.

The Commission continues to enforce aggressively the Damage Prevention law out of a concern for the safety and welfare of the public, and to preserve the uninterrupted delivery of utility services to customers and ratepayers. The Commission endeavors to respond to an incident as soon as possible, in many cases on the same day, and assess penalties that are commensurate with the risk to people and underground services. The Commission now imposes penalties of up to \$5,000 in cases involving egregious or repeat offenders that clearly demonstrate neglectful disregard for public safety or an unwillingness to comply with the safety requirements set forth in the Dig Safe Law.

	2008	2009	2010
Reported Total Incidents	307	315	412
Reported Electric Incidents	66	62	87
Reported Gas Incidents	36	42	34
Reported Telecom Incidents	112	121	162
Reported Water Incidents	34	58	52
Reported Sewer Incidents	7	10	19
Reported CATV Incidents	39	30	45
Excavator Violations	150	170	198
Operator Violations	124	134	139
Penalties Assessed	\$261,950	\$276,600	\$309,250
Penalties Waived with Training*	\$42,750	\$64,400	\$78,600
Penalties Not Waived	\$219,200	\$212,200	\$230,650

*The Commission may waive penalties but require training; this is the usual practice with first time violators.

Public Awareness, Training and Education The Commission continues to work with utilities, excavators, the regional Dig Safe organization, and private property owners to promote education and training about how to reduce and prevent damage incidents involving underground facilities and ensure the safety of residents and property located near those facilities.

In 2010, the Commission supported training offered by the Managing Underground Safety Team (MUST), which includes Maine Dig Safe members, excavating contractors and underground facility location workers. Training seminars were held in Presque Isle, Bangor, Augusta, and Saco. Discussions focused on safe work practices around underground facilities, compliant excavation site and underground facility markings, the design of various underground facilities and the risks involved when proper damage prevention steps are not taken.

The Commission also sponsored 34 certification and/or informational sessions at various businesses, organizations, trade shows and the Commission with over 1100 participants. The Commission remains committed to providing training and education for any individual or organization seeking assistance in understanding the roles and responsibilities of excavators, facility operators, the regional Dig Safe organization and the Commission.

The Commission, with input from Stakeholders, has also revised and updated our educational publication. Two new handouts (one for excavators and one directed at property owners) are now available.

MAJOR CASES

During 2010 the Commission continued with its Notice of Inquiry (NOI) (Docket No. 2009-371) commenced at the request of the Utilities and Energy Committee in 2009 with stakeholder meetings to review aspects of the Dig Safe Law. During the year, the Commission continued to hold stakeholder meetings and also issued a request for written responses in preparation for initiating a Rulemaking to amend Chapter 895.

In September, based on the information gathered in the NOI, the Commission issued a Notice of Rulemaking (Docket No. 2010-296) to propose amendments to Chapter 895. The Commission issued an Order provisionally adopting the new rule in December. Because changes to Chapter 895 are deemed major substantive they will be presented to the Legislature's Utilities and Energy Committee in January of 2011 for their consideration.

EMERGENCY SERVICES COMMUNICATION BUREAU

E9-1-1 SERVICES IN MAINE

The Emergency Services Communications Bureau (ESCB) manages the state-wide Enhanced 9-1-1 (E9-1-1) system, which is the component of the state-wide emergency response system that delivers 9-1-1 calls and displays the telephone number and physical location of the caller at a predetermined Public Safety Answering Point (PSAP).

KEY EVENTS

- At the direction of the Legislature, the ESCB began developing a quality assurance program to audit and monitor compliance with emergency dispatching standards, practices and procedures of PSAPs.
- Implementation of a single state-wide Emergency Medical Dispatch (EMD) protocol was completed, ensuring state-wide standardization of emergency medical protocols by each PSAP call-taker.
- The Legislature increased the E9-1-1 surcharge rate from 37 cents to 45 cents per line per month beginning July 1, 2010.
- Retailers began collecting surcharge on pre-paid wireless service on January 1, 2010.
- The Legislature enacted a resolve requiring the ESCB to report back by November 1, 2010 with a plan to implement the Optimum PSAP configuration as defined by the January 2010 L. Robert Kimball Report.

INDUSTRY TRENDS

- Nationally and in Maine, wireless phones have accounted for an increasing portion of E9-1-1 calls and payments of the E9-1-1 surcharge.
- For the fourth year in a row, there were more E9-1-1 calls made from wireless phones than wireline phones in Maine.
- Industry standard-setting organizations continue to define the requirements of NextGen 9-1-1, the next step in emergency communications that will expand access to 9-1-1 from other communication devices.

- E9-1-1 governing authorities across the United States continue to look for funding solutions outside of a surcharge on phone lines as more types of devices are capable of accessing 9-1-1 networks.

Figure 1

Number of Phone Lines Contributing to E9-1-1 Surcharge

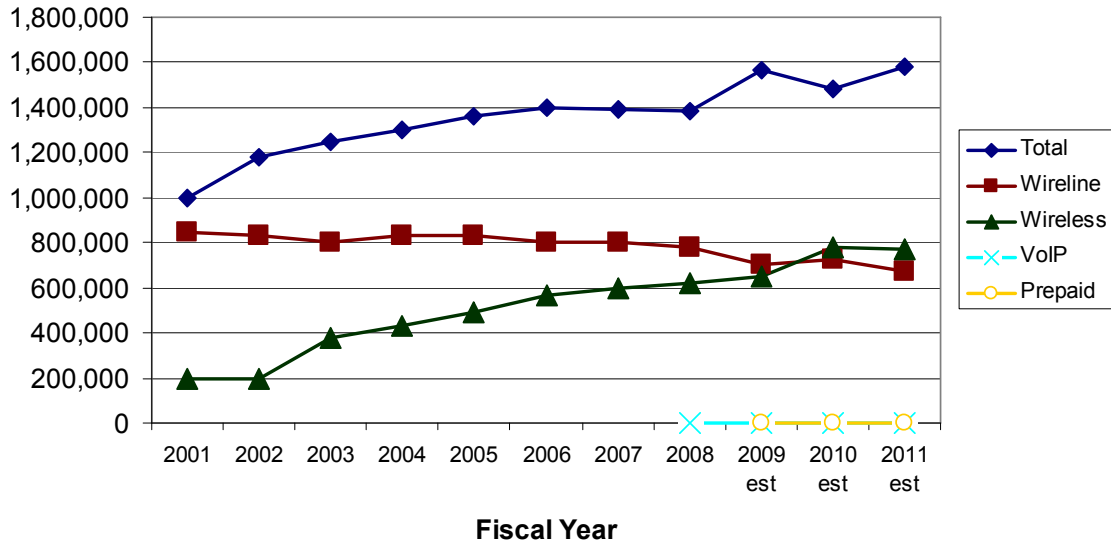
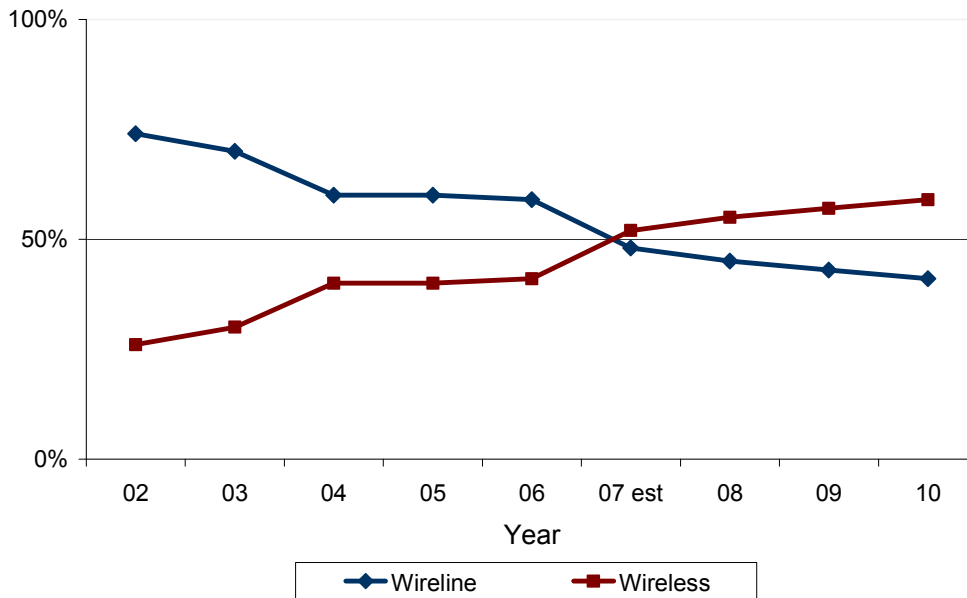


Figure 2

Percentage of E9-1-1 Calls Made from Wireline and Wireless Phones



MAJOR CASES AND EVENTS

Next Generation 9-1-1 New communications media enable people to send and receive text messages, photographs, and streaming video with handheld devices using Internet Protocol (IP) technologies for transmission. Automatic crash notification systems such as OnStar™ can automatically report motor vehicle accidents, and even provide information on the accident such as potential injuries. Yet none of these technologies has access to the current E9-1-1 system. “Next Generation 9-1-1” service (NG9-1-1) is a dramatic change in 9-1-1 that will allow call-takers to receive and recognize the location of 9-1-1 calls from any of these devices. The NG9-1-1 service will move from decades-old analog technologies to modern, digital IP technology. The ESCB has retained L. Robert Kimball and Associates to develop recommendations on a NG9-1-1 network as well as a migration plan that will allow Maine to most efficiently transition to the new technology. The report should be available in the first quarter of 2011. We expect to begin implementing NG911 technology with the next service provider contract.

Emergency Medical Dispatch Maine is one of only three states to require that all 9-1-1 call-takers be trained and licensed in Emergency Medical Dispatch (EMD), an advanced training requirement that prepares the 9-1-1 call taker to assist callers/victims by providing life-saving instructions to follow while waiting for ambulance personnel to arrive on-scene. ESCB sponsors EMD training including the training of new hires plus the re-training of dispatchers who had previously been trained in a protocol that does not meet the state-adopted uniform EMD standards. Now all EMD dispatch centers in Maine utilize a uniform, medically approved protocol for handling medical emergencies, helping to assure a high quality of care state-wide.

Mandatory Basic Emergency Telecommunicator Course During 2010, the ESCB adopted a 40-hour curriculum entitled “Emergency Telecommunicator Course (ETC)” which covers topics including roles and responsibilities, technology, interpersonal communications call management, police/fire/emergency medical call classifications, radio dispatch procedures, quality improvement, catastrophic events, legal aspects and stress management. This training provides for a uniform base of knowledge for all newly hired emergency dispatchers state-wide. During 2010 the ESCB delivered five courses, attended by 96 newly hired dispatchers. Two academic courses were held at Southern Maine Community College with 41 students in attendance. One academic course was held at Eastern Maine Community College with 13 students in attendance. Several Community College graduates were successfully placed in full and part time employment in emergency dispatching.

E9-1-1 and Department of Transportation Road Centerline Conflation There are currently two Geographic Information Systems (GIS) databases, maintained by two state agencies that contain state-wide data on roads. The databases have evolved over time to meet the specific needs of each of the agencies and this has led to divergent data. The ESCB has entered into a partnership with the Maine Department of Transportation (DOT) to develop a single dataset of road information that will eliminate confusion and reduce the level of effort needed to maintain the data while continuing to meet the needs of both agencies as well as all other users of the data. The agencies have developed a process for the project, known as conflation, and are now working, county-by-county, to merge the datasets. In addition to the leadership from the ESCB and DOT, a portion of a grant awarded to The ConnectME Authority by the National Telecommunications & Information Administration (NTIA) was identified to improve the State's road data and will be used to support a staff position at the Maine Office of GIS.

LEGISLATIVE MANDATES

Optimum PSAP Design Legislation enacted in the first session of the 124th Legislature (PL 2009, Chapter 219) directed the ESCB to prepare a report on the optimum PSAP Design. The consulting firm of L. Robert Kimball and Associates conducted the research and wrote the report that was presented to the Legislature's Utilities and Energy Committee in February 2010. The study analyzed various PSAP configurations taking into account the benefits and consequences from an economic, policy, and stakeholder perspective, as well as the impact of migration to Next Generation 9-1-1. The recommendation established the benefits of a 15 to 17 regional PSAP configuration and the underlying principle of combining dispatch and PSAPs in the same facility wherever possible. Last session, the Legislature passed a Resolve (2009 Chapter 219) that required the Commission, in consultation with stakeholders, to develop a plan to achieve the configuration. This plan was submitted to the Legislature's Joint Standing Committee on Utilities and Energy on November 1, 2010.

Quality Assurance Program Development As directed by statute (2009 PL Chapter 617), the ESCB began developing a quality assurance program to audit and monitor compliance with emergency dispatching standards, practices and procedures of PSAPs. In July, the Commission contracted with Mission Critical Partners (MCP) to assist with this project. In October, as part of the deliverables, MCP conducted onsite reviews of each PSAP to evaluate their performance in regard to current Maine statutes and administrative rules, as well as other industry best practices. Preliminary findings of these initial reviews are due to the ESCB in January 2011. The final report, including its recommendations relating to the emergency dispatching standards, practices and procedures of PSAPs and how to institute a quality assurance program within the ESCB, is due in February 2011.

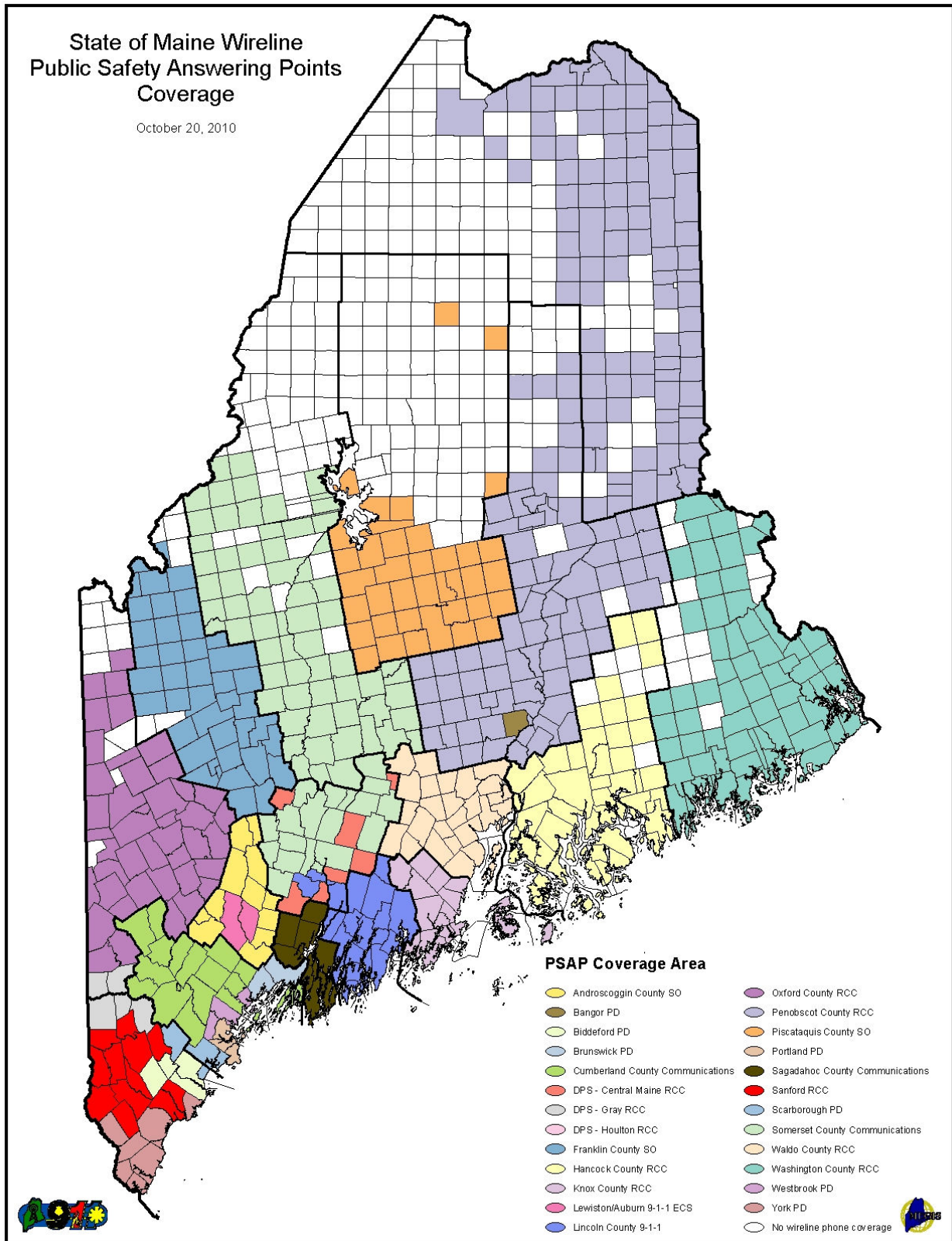
E9-1-1 Surcharge Increase The Maine Legislature enacted PL 2009, Chapter 617 which raised the monthly E9-1-1 surcharge from \$0.37 to \$0.45 on July 1, 2010.

E9-1-1 Access Only (Soft Dialtone) In 2007, the Maine Legislature enacted a Resolve (2007, Chapter 157) requiring local exchange carriers to provide E9-1-1 access to a residential customer's premises after the customer's service has been otherwise disconnected (known as "soft dialtone" which allows calls to E9-1-1 with no call incoming functionality). To carry out this law, the Commission promulgated Chapter 3 of the Commission's ESCB Rules, which requires that "soft dialtone" be maintained during a period of temporary suspension, for 90 days after a customer has been involuntarily disconnected, and at any time that the customer can obtain a dialtone (Docket No. 2007-457). Implementation by carriers began October 1, 2008. A separate report was sent to the Utilities and Energy Committee dated December 31, 2009, contained the ESCB's evaluation of the program's first year. However, due to the unusual circumstance of the Verizon/FairPoint transition, the Commission asked for another year of evaluation. This request was granted and the Commission will issue a second report by January 15, 2011.

Pre-Paid Wireless Services Surcharge Collection In January 2010, the surcharge collection for pre-paid wireless services transitioned to the retail method, which means that it is now collected at point-of-sale and remitted along with sales tax revenues to the Maine Revenue Services for deposit into the E9-1-1 Fund. A seller who is not a pre-paid wireless telecommunications service provider may deduct and retain 3 percent of pre-paid wireless E-9-1-1 surcharges that are collected by the seller from consumers. In addition, the State Tax Assessor may deduct an amount not to exceed 2 percent of remitted pre-paid wireless E-9-1-1 surcharges to reimburse the direct costs of the Assessor for administering the collection and remittance of the pre-paid wireless E-9-1-1 surcharges during that period. Compliance with the new requirement is the responsibility of Maine Revenue Services.

The first ten months experience shows that the average pre-paid cards being assessed the 9-1-1 surcharge is about three times that of the six months prior to the law change in January 2010.

Figure 3



PSAP Performance ESCB Administrative Rules require PSAPs to answer all calls in ten seconds or less 90% of the time. All PSAPs met this requirement.

Call Center Efficiency

1/1/10 to 12/31/10

PSAP	Incoming 911 Calls	Calls Answered ≤ 10 seconds	Avg. Ring Duration
Androscoggin Cty SO	7,586	98.60	5
Bangor PD	16,969	98.90	4
Biddeford PD	9,740	98.30	5
Brunswick PD	7,978	99.40	3
CMRCC	61,731	96.00	5
Cumberland Cty RCC	19,737	94.60	6
DPS Gray	144,364	97.50	4
DPS Houlton	8,267	97.60	5
DPS Orono	48,187	97.20	4
Franklin Cty RCC	8,556	98.80	4
Hancock Cty RCC	7,862	98.50	5
Knox Cty RCC	11,465	99.20	4
Lewiston Auburn 911	32,878	98.80	4
Lincoln Cty RCC	12,915	99.70	4
Oxford Cty RCC	14,028	99.60	4
Penobscot Cty RCC ¹	35,749	94.90	6
Piscataquis Cty SO	4,944	97.00	5
Portland PD	55,947	94.00	5
Sagadahoc Cty RCC	8,579	99.90	3
Sanford PD	15,684	99.60	4
Scarborough PD	8,826	97.90	5
Somerset Cty RCC	26,874	99.80	4
Waldo Cty RCC	9,303	98.50	5
Washington Cty RCC	7,408	98.00	6
Westbrook PD	8,908	97.50	5
York PD	6,996	98.40	5

Total Calls	601,481
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Source: Magic Monitor

¹ Penobscot RCC shows three months data only 9/28/09 to 12/31/09.

CONSUMER ASSISTANCE

CONSUMER ASSISTANCE DIVISION PURPOSE

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 its 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 and Conditions for service. The Commission also uses information about consumer contacts with the CAD and other CAD data as a basis for enforcement actions, Commission investigations, and in other Commission proceedings.

CMP Service Quality Indices On October 12, 2010, the Commission approved a stipulation between Central Maine Power (CMP) and the Office of the Public Advocate (OPA) to modify the service quality benchmarks of the company's Alternative Rate Plan-ARP. The modifications consisted of an increase in the ratio of complaints to the Commission from 1.00 complaints per thousand customers to 1.20 complaints per thousand customers, and, payment of a \$4 million penalty for inadequate service quality which resulted in elevated customer complaints to the CAD in 2009. The CAD received 1,488 complaints from customers against CMP in 2009, more than a 100% increase over the number of complaints received the previous year (resulting in a Commission complaint ratio of 2.47).

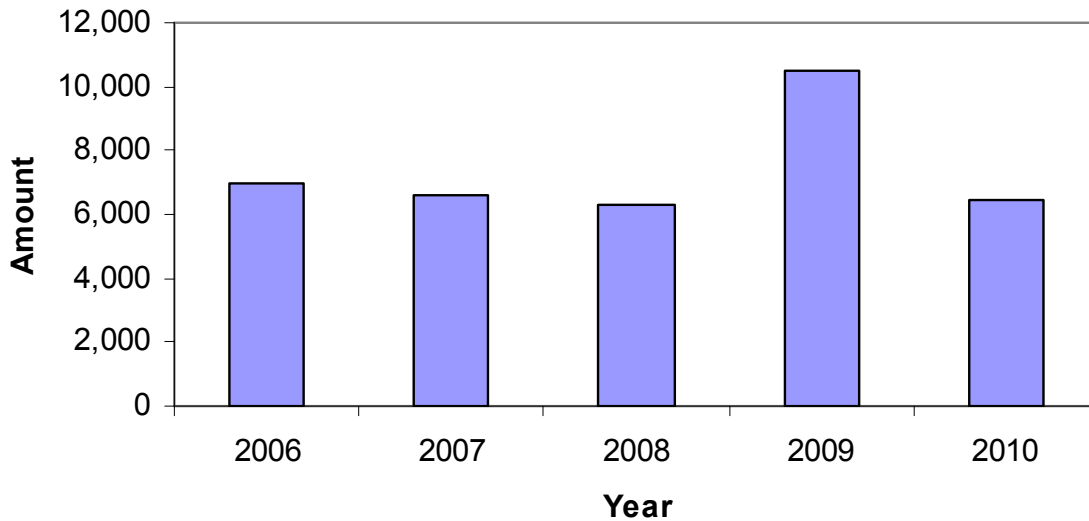
CMP's penalty could have been as high as \$5 million based on the penalty provision contained in CMP's ARP, however, the settlement agreement took into consideration CMP's position that severe economic conditions caused complaints to rise. CMP had requested that the Commission either: (a) eliminate the current Commission complaint Ratio; (b) change the Commission complaint Ratio to include only non-credit and collection complaints; or, (c) change what the Commission considers to be a complaint for the purpose of the Commission complaint Ratio and that any modification become effective January 2009. Of the \$4 million overall penalty amount, \$3 million flowed back to all ratepayers and \$1 million flowed to CMP's low-income customers.

CAD Contacts The CAD tracks its contacts with both consumers and utilities. Contacts take several forms, such as provision of information and assistance, investigation of a complaint involving a customer dispute with a utility that the parties have been unable to resolve, or processing a request by an electric or gas utility to disconnect a customer during the winter period (November 15 to April 15). The CAD recorded 6,417 consumer contacts in 2010. This was a 63% decrease from the 10,475 contacts received in 2009 and a 2% increase from the 6,292 contacts in received in 2008.

As shown in Figure 1, the number of overall contacts decreased significantly in 2010, following a dramatic increase in contacts in 2009. The decrease in 2010 was primarily related to the dramatic decrease in complaints filed against CMP and FairPoint as compared to 2009. As noted in last year's annual report, the CAD received a significantly higher than normal number of consumer inquiries from both CMP and FairPoint customers in 2009. Prior to 2010, there had been a downward trend in consumer contacts to the CAD in the previous five years. That was most likely attributable to reduced competition in the telecommunications markets. The number of customer contacts received in 2010 is consistent with the number of contacts the CAD can expect to receive during a typical year.

Figure 1

CAD Contacts 2006-2010



The CAD receives the majority of its consumer inquiries by telephone and strives to answer all 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 customer complaints immediately. In 2010, the CAD answered live 95% of the calls to the Consumer Assistance Hotline. This is an increase from the 88% of calls answered live in 2009. The increase is most likely attributable to the lower number of calls received from FairPoint and CMP customers in 2010 as

compared to 2009, as well as a change in the way the CAD answers customer calls, which is discussed below.

Consumer Complaints As shown in Figure 2, the CAD received 1344 complaints in 2010. This was a 150% decrease from the 3,357 complaints received in 2009 and a 27% decrease from the 1,706 complaints received in 2008.

Figure 2

Consumer Complaints 2006-2010

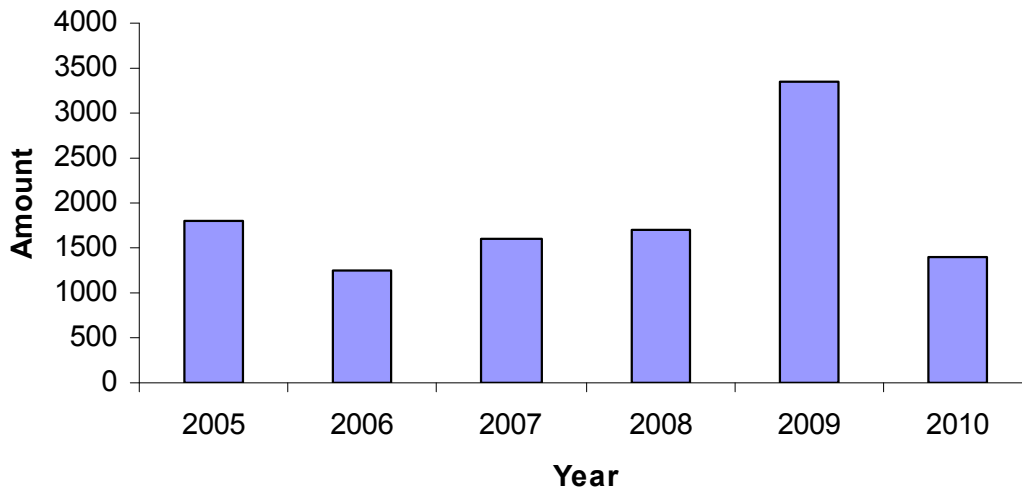


Figure 2 shows that the dramatic increase in complaints experienced in 2009 has been followed by an equally dramatic decline in 2010. The number of complaints received in 2010 is consistent with the number of complaints the CAD expects to receive during a typical year. The number of complaints filed against CMP and FairPoint in 2010 has decreased dramatically, with complaints filed against FairPoint decreasing 164% and the number of complaints filed against CMP decreasing 204%.

The reason for the decrease in complaints in 2010 is different for each company. For FairPoint, improvements to its back office systems following the February 2009 cutover from Verizon's back office systems to its own systems have allowed the Company to process orders and repair customers' service in a timelier manner. This has, in turn, reduced the number of complaints filed with the CAD. For CMP, the decrease in 2010 can most likely be explained by an increased emphasis by CMP on collections in 2009. If payments to troubled customers are not addressed in a timely manner, the number of payments to troubled customers will cumulatively increase over time as new customers experience payment troubles. Once CMP addressed this very large group of customers in 2009, it was then able, in 2010, to address primarily new customers experiencing payment troubles.

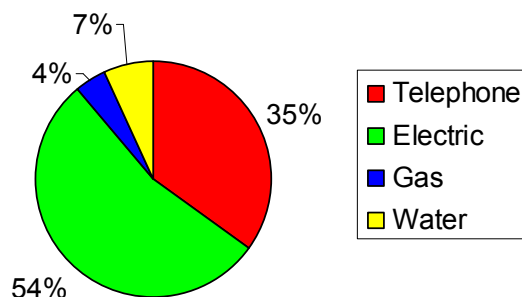
The CAD resolved 79% of complaints received within 30 days and resolved 94% of complaints received within 90 days. This is drastically better than the 49% of cases resolved within 30 days and the 77% resolved within 90 days in 2009 and significantly better than the 61% of complaints resolved within 30 days and 76% resolved within 90 days in 2008. The reason for the improvement is two-fold. First, the number of complaints received by the CAD decreased significantly in 2010. Second, the CAD implemented a structural change in its complaint intake and resolution procedures during the latter part of 2009 to ensure that certain staff focused on in-taking complaints while other staff focused on the resolution of complaints. This change has allowed the CAD to resolve complaints more efficiently and answer more customer calls live.

The CAD received 716 complaints against electric utilities in 2010, compared to 1,947 complaints against electric utilities in 2009 and 1,058 complaints in 2008. Though the number of complaints filed against electric utilities decreased dramatically in 2010, the percentage of complaints received in 2010 against electric utilities (54%) was consistent with the percentage of complaints received against electric utilities in 2009 (58%) and slightly lower than 2008 (63%). The CAD received 473 complaints against telecommunications providers in 2010, compared to 1,208 complaints against telecommunications providers in 2009 and 426 complaints against telecommunication utilities in 2008. Customers filed 373 complaints against FairPoint in 2010, a 164% reduction from the 983 complaints filed against FairPoint in 2009. Complaints filed against other telephone utilities have generally declined during this same period.

As shown in Figure 3, electricity-related complaints accounted for 54% of all complaints received by the CAD in 2010, consistent with the 58% in 2009, and a decrease from the 63% in 2007. This is consistent with trends noted above, including a rise in electricity-related complaints that began in 2007, the general decline in telecommunications complaints related to a smaller number of competitors in that field, and the increase in FairPoint complaints associated with the transition problems.

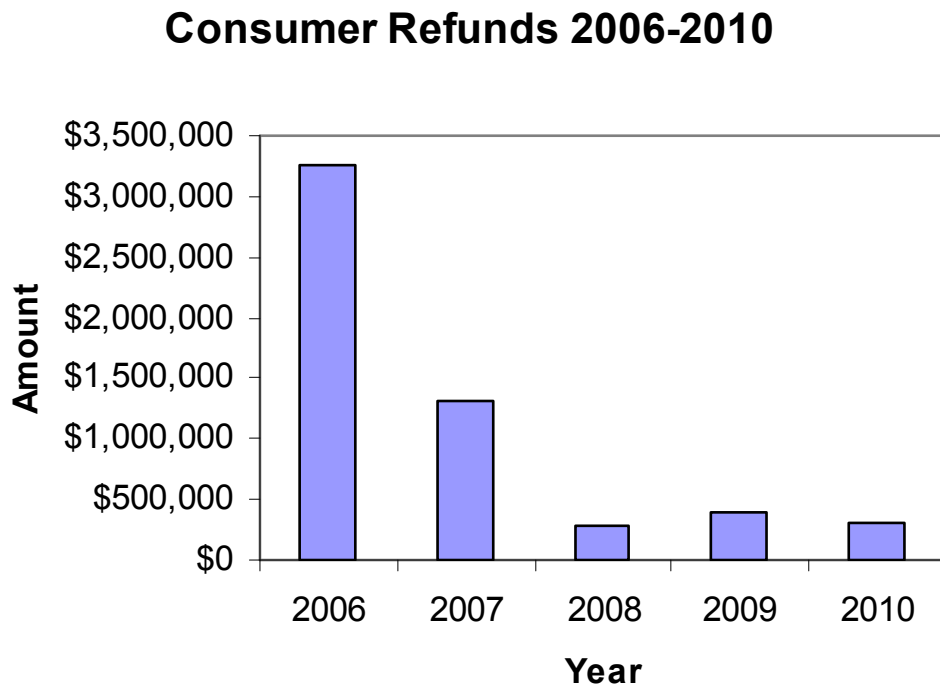
Figure 3

Complaints Received in 2010



Refunds to Consumers The CAD frequently obtains credits or refunds for customers as part of its resolution of customer complaints filed against utilities. In 2010, \$370,060 was rebated by utilities to customers. This is 9% lower than the \$402,820 was abated by utilities in 2009 and 34% higher than the \$275,474 abated by utilities in 2008. The primary reason for the reduction in abatements in 2010 is the drastically lower number of complaints received and resolved by the CAD. However, in comparison to 2008, the CAD received 27% fewer complaints in 2010, while increasing abatements by 34%. In both 2006 and 2007, large abatements were made either as a result of a Commission investigation (initiated due to a CAD complaint) or as a result of an individual complaint involving a large commercial or industrial customer. No such investigations were conducted or single large abatements made in 2009 or 2010.

Figure 4



RULEMAKING

The Commission adopted Chapter 660, the Commission's consumer protection rule for water utilities, on September 30, 2010 and the rule becomes effective on January 1, 2012. This follows the adoption of the new consumer protection rule for electric and gas utilities, Chapter 815, in 2007. Chapter 660 establishes the minimum standards for the provision of service and the administration of credit and collection programs by water utilities. The rule governs granting and denying service, credit and deposit practices, billing, disconnection, customer complaint procedures and methods of obtaining waivers. Chapter 660 replaces Chapters 81 and 86, which had been in effect since 1988 and 1985 respectively.

LOW INCOME PROGRAMS

Electric Low-Income Assistance Programs and Oxygen Pump and Ventilator Benefits (Pursuant 35-A MRSA § 3214(6))

The Commission is required by statute to report annually to the Utilities and Energy Committee on the results of the programs. The report must, at a minimum, include the following:

- A. For each month of the program year, the number of participants enrolled in low-income assistance programs, the number receiving oxygen pump benefits and the number receiving ventilator benefits;
- B. For each month of the program year, the dollar amount of low-income assistance program benefits, the dollar amount of oxygen pump benefits and the number receiving ventilator benefits; and
- C. An assessment of the effectiveness of the oxygen pump benefit and ventilator benefit with regard to covering only those electric charges directly related to use of an oxygen pump or ventilator by the program participant.

Table A summarizes the information relating to the LIAP, Oxygen Pump and Ventilator programs on a state-wide basis required by 35-A MRSA § 3214 (6). It is based upon the quarterly reports submitted by T&D utilities.

TABLE A

Month	LIAP Program		Oxygen Program		Ventilator Program	
	Number of Participants	Amount of Benefits	Number of Participants	Amount of Benefits	Number of Participants	Amount of Benefits
October 2009	11,265	\$ 457,842	243	\$ 10,299	0	\$ 0
November 2009	12,587	\$ 788,909	215	\$ 7,472	0	\$ 0
December 2009	16,566	\$1,058,465	376	\$ 21,443	0	\$ 0
January 2010	19,321	\$1,143,603	402	\$ 20,550	1	\$108
February 2010	19,608	\$ 897,900	463	\$ 19,100	1	\$136
March 2010	23,293	\$1,225,594	556	\$ 23,233	2	\$ 47
April 2010	22,687	\$ 820,696	577	\$ 18,689	2	\$ 61
May 2010	19,541	\$ 484,315	470	\$ 17,264	2	\$ 53
June 2010	19,067	\$ 422,802	473	\$ 19,907	1	\$ 11
July 2010	17,977	\$ 249,073	463	\$ 12,724	0	\$ 0
August 2010	17,670	\$ 275,825	442	\$ 13,937	0	\$ 0
September 2010	17,211	\$ 283,659	429	\$ 13,113	1	\$ 3
Total		\$8,108,682		\$197,733		\$420

Program Assessment Related To Excess Benefits

During its consideration of LD 813, the bill which gave rise to Chapter 97, the Committee discussed an error associated with oxygen pump benefits. The error resulted in some eligible customers receiving an oxygen pump benefit that exceeded the amount of the customer's entire electric bill. To address this issue, section 3 of Chapter 97 (codified at § 3214 (6) (C)) requires the Commission to provide an assessment of whether the oxygen pump benefit and the ventilator benefit cover only those electric charges directly related to use of an oxygen pump or ventilator by the program participants. The subsequent revision to Chapter 314 reduced the estimated daily and monthly kWh consumption amounts used to calculate the Oxygen Pump benefit in an effort to eliminate this problem. To further ensure that customers do not receive a benefit that exceeds a customer's total electricity usage, we also amended Chapter 314 to include language that prohibits an oxygen pump or ventilator benefit from exceeding the customer's total electricity usage. These changes appear to have resolved the problem.

SUMMARY OF COMMISSION RULEMAKINGS

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

This amendment adds Dark Fiber Providers to the list of classes of telephone utilities exempt from portions of 35-A MRSA §§ 504(2), 901-904, 907, 908, 910, 911, 1101, and 1103.

Chapter 316, Long-Term Contracting and Resource Adequacy

This amendment has been provisionally adopted to reflect several statutory changes. These rules are major substantive and will be forwarded to the Legislature.

Chapter 324, Small Generator Interconnection Procedures

This Chapter establishes uniform standards and procedures for small generator interconnections to utility systems.

Chapter 325, Community-Based Renewable Energy Pilot Program

This Chapter establishes requirements, standards and procedures to implement the community-renewable energy pilot program.

Chapter 326, Green Power Offer

This Chapter establishes requirements, standards and procedures and a competitive bidding process to implement the green power offer program for residential and small commercial electricity customers.

Chapter 421, Safety and Operation Standards for Liquefied Petroleum Gas (LPG) Distribution Systems

This Rule establishes safety and operation requirements and enforcement procedures for Liquefied Petroleum Gas Distribution Systems.

Chapter 660, Consumer Protection Standards for Water Utilities

This Rule establishes the minimum standards for the provision of service and the administration of credit and collection programs by water utilities. These rules govern granting and denying service, credit and deposit practices, billing, disconnection, customer complaint procedures and methods of obtaining waivers from this Rule. This rulemaking also repealed Chapter 81 and 86.

Chapter 895, Underground Facility Damage Prevention Requirements

This amendment has been provisionally adopted based on stakeholder comments and the Commission's experience administering the rule. It includes changes to notice and mapping requirements.

Chapter 930, Solar and Wind Energy Rebate Program

This amendment establishes performance standards for the solar and wind energy rebate program. It also establishes a simple payback calculation to be used by applicants.

RULES TRANSFERRED TO EFFICIENCY MAINE TRUST

Public Law 2009, Chapter 372, section C-2(5) provides that on July 1, 2010, all rules adopted by the Public Utilities Commission, pursuant to 35-A MRSA §§ 3210(5); 3211-A; 3211-C; 4711 and 35-A, Chapter 95, are deemed rules of the new Efficiency Maine Trust and continue in effect until amended or rescinded by the Efficiency Maine Trust. The following rules were transferred to the Trust:

Chapter 312, Voluntary Renewable Resource, Research and Development Fund (3210(5))

Chapter 380, Electric Energy Conservation Programs (3211-A)

Chapter 381, Selection of Conservation Program Services Providers (3211-A)

Chapter 480, Natural Gas Conservation Program (4711)

Chapter 930, Solar and Wind Energy Rebate Program (3211-C)

2010 REPORTS TO THE LEGISLATURE

The Commission submitted the following reports to the Legislature in 2010:

- RGGI Price Impacts Report 1/11/10
- On-Bill Financing Report 1/19/10
- New Renewable Resource Portfolio Requirement Report 1/19/10
- Report on Revolving Loan Funding Including Loans for Geothermal Heating Systems 2/1/10
- 2009 Annual Report 2/1/10
- Optimum PSAP Configuration Assessment Report 2/1/10
- Building Energy Efficiency and Caron Performance Ratings Report 2/1/10
- Dig Safe Report 2/1/10
- Green Power Options Report 2/1/10
- New Line Extension Construction Practices Report 2/22/10
- Community-Based Renewable Energy Pilot Program Interim Progress Report 2/22/10
- Expanding Access to Residential Energy Programs Report 4/5/10
- Report on Review of Certification Requirements For Installation of Solar PV Systems 4/5/10
- Annual RPS Report 4/21/10
- Resource Adequacy Plan Report 5/6/10
- Report on Grants to Public Educational and Municipal Entities For Feasibility Studies of Renewable Energy Projects 5/6/10
- Annual Report on Alternative Forms of Regulation of Telephone Utilities 9/1/10
- PSAP Reconfiguration Report 11/01/10

FISCAL INFORMATION

The Commission is required by 35-A MRSA § 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. All references in this section are to fiscal years -- July 1 to June 30.

In FY2010, the Commission regulated 570 utilities with gross revenues of approximately \$1 billion, enforced Maine's underground facilities damage prevention law, managed the state-wide Enhanced 9-1-1 (E9-1-1) system, and oversaw the programs of Efficiency Maine and the State Energy Program.

The Emergency Services Communications Fund (E9-1-1)

This fund had an unencumbered balance of \$3,689,078 and an encumbered balance of \$1,443,796 brought forward from FY2009. \$8,952,851 was expended in FY2010. An unencumbered balance of \$1,428,579 and an encumbered balance of \$1,416,820 were brought forward to FY2011. The surcharge collected in FY2010 was \$6,798,439.

PUC Regulatory Related Accounts

Regulatory Fund

The authorized Regulatory Fund assessment for FY2010 was \$7,419,695. An unencumbered balance of \$3,314,104 and encumbrances of \$227,740 were brought forward from FY2009. The Commission spent \$7,250,558 in FY2010.

An encumbered balance of \$363,702 and an unencumbered balance of \$3,453,604 were brought forward to FY2011. The encumbered balances generally represent ongoing contracts.

Reimbursement Fund

In FY2010, the Commission collected \$92,376 in filing fees, \$170 in copying fees and \$260,520 in fines. An unencumbered balance of \$2,010,527 and no encumbrances were brought forward from FY2009. During FY2010, \$203,430 was expended. An encumbered balance of \$107,113 was brought forward to FY2011. An unencumbered balance of \$469,854 was brought forward to FY2011.

Miscellaneous Fund

An unencumbered balance of \$14,064 and no encumbrances were brought forward from FY2009. The balance of \$14,064 was transferred to the Reimbursement Fund. During FY2010, \$0 was received and \$0 was expended.

Education Fund

An unencumbered balance of \$748 was brought forward from FY2009. \$0 was expended in FY2010, and \$748 was the unencumbered balance brought forward to FY2011.

Damage Prevention Grant 2010

During FY2010, the Commission received a Damage Prevention Grant from US DOT Pipeline and Hazardous Materials Safety Administration in the amount of \$45,000. In FY2010, \$0 was expended, leaving an unencumbered balance of \$45,000 brought forward to FY2011.

PUC Regulatory Related Accounts – ARRA

Smart Grid Resiliency

In FY2010, the Commission was awarded a Recovery Act – Energy Assurance Planning State of Maine grant from the Federal Department of Energy. The total amount of the grant is \$320,789 with a period of August 12, 2009 to August 14, 2012. In FY2010, \$39,555 was expended.

State Electricity Regulators

In FY 2010, the Commission was awarded a State Electricity Regulators assistance grant from the Federal Department of Energy. The total amount of the grant is \$783,554 with a grant period of November 1, 2009 to October 31, 2012. In FY2010, \$2,058 was expended.

PUC Energy Division (Efficiency Maine & State Energy Program)

PL 2009, Chapter 372 established the Efficiency Maine Trust. Responsibility for the programs and positions under Efficiency Maine and the State Energy Program were transferred to the Trust on July 1, 2010.

Efficiency Maine Conservation Administration Fund

This fund had an unencumbered balance of \$226,979 and an encumbered balance of \$19,156 brought forward from FY2009. \$950,659 was expended in FY2010.

Efficiency Maine Conservation Program Fund

This fund had an unencumbered balance of \$271,176 and an encumbered balance of \$2,534,109 brought forward from FY2009. \$16,487,270 was expended in FY2010.

State Energy Fund

This fund receives grants from the Federal Department of Energy. In FY2010, \$557,205 was expended on energy conservation programs.

State Energy Fund Revolving Loans Fund

\$76,242 was expended in FY2010.

Solar Rebate Program

An unencumbered balance of \$217,072 and an encumbered balance of \$62,497 were brought forward to FY2010. \$179,275 was expended in FY2010.

Renewable Resource Fund

An unencumbered balance of \$137,269 and an encumbered balance of \$57,588 were brought forward to FY2010. \$307,854 was expended in FY2010.

General Fund Account (Wind Power)

Resolve Chapter 226 provided one-time general funding for small wind power generators.

An encumbered balance of \$37,848 was brought forward for use during FY2010. During FY2010, \$26,000 was expended.

Maine Energy Conservation Board Fund

An unencumbered balance of \$2,829 and an encumbered balance of \$36,267 were brought forward to FY2010. During FY2010, \$100,049 was expended.

Energy and Carbon Savings Trust (ECST) Fund

An unencumbered balance of \$8,179,849 and an encumbered balance of \$500,000 were brought forward for use during FY2010. During FY2010, \$951,883 was expended.

PUC Energy Division (Efficiency Maine & State Energy Program) - ARRA

State Energy Program Formula Grants Fund

In FY2010, the Commission was awarded a Recovery State Energy Program grant from the Federal Department of Energy. The total amount of the grant is \$27,305,000 with a grant period of April 30, 2009 to April 30, 2012. In FY2010, \$1,966,742 was expended.

Solar Rebate Program Fund

Pursuant to PL 2009, Chapter 88, \$500,000 of the ARRA State Energy Program Formula grant is to be used to increase funding for the solar and wind rebate program for the two-year period during which the federal funds are available. In FY2010, \$396,516 was expended.

State Energy Program Block Grants Fund

In FY2010, the Commission was awarded a Recovery Act - State of Maine Energy Efficiency and Conservation Block grant from the Federal Department of Energy. The total amount of the grant is \$9,593,500 for the grant period November 13, 2009 to November 12, 2012. In FY2010, \$11,531 was expended.

Appliance Rebate Program

In FY2010, the Commission was awarded a State Energy Efficient Appliance Rebate Program grant from the Federal Department of Energy. The total amount of the grant is \$1,263,000 for the grant period August 24, 2009 to February 17, 2012. In FY2010, \$0 was expended.

The Budget in Perspective

Table 1 details the Commission's FY11 Expenditure plan.

The Regulatory Fund Assessment in Perspective

Table 2 details the most recent ten years of Regulatory Fund assessments from Annual Reports filed by the utilities with the Commission. They include revenues for the previous year ending December 31.

Calculations are made to determine what percentage of the revenues reported by regulated utilities will produce the amount authorized by statute. The derived factors that will raise the authorized amount are applied against the reported revenues of each utility.

Under 35-A MRSA § 116, on May 1 of each year an assessment notice 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.

The total assessment for FY2010 was \$7,419,695. The assessment breakdown by utility sector was: Electric – \$4,058,810; Telecommunications - \$2,283,569; Natural Gas - \$652,872; Water - \$424,444 and Water Common Carrier -\$0.

Table 1**FY2011 Work Program**

Regulatory Fund	
Position Count	(56.25)
Personal Services	6,263,905
All Other	1,965,668
Capital	0
Total	8,229,573
Commission Reimbursement Fund	
All Other	50,000
Commission Miscellaneous Fund	
All Other	15,000
Commission Consumer Education Fund	
All Other	0
Commission Damage Prevention	
All Other	50,000
Oversight and Evaluation Fund	
All Other	500
Emergency Svcs. Comm. (E-911)	
Position Count	(5)
Personal Services	490,048
All Other	8,399,352
Capital	0
Total	8,889,400
Smart Grid Resiliency (ARRA)	
All Other	*202,740
State Electricity Regulators (ARRA)	
Position Count	(2) Limited Period
Personal Services	0
All Other	224,954
Capital	6,800
Total	**231,754

*Financial Order SS#6115 F11

**Financial Order SS#6114 F11

Table 2

Commission Regulatory Fund Assessments for the Past Ten Years Table 2								
Year	Electric	Telecom	Water	Gas	Water Carriers	Total Utilities	Amount Billed	Amount Authorized
	Revenues	Revenues	Revenues	Revenues	Revenues	Revenues		
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
2001	1,181,804,581	521,331,046	95,682,346	36,311,777	3,123,023	1,838,252,773	4,918,000	4,918,000
2002	547,912,962	500,763,978	98,835,956	55,824,836	3,521,316	1,206,859,048	5,236,000	5,236,000
2003	535,509,552	538,050,538	101,802,792	53,466,479	3,713,543	1,232,542,904	5,505,000	5,505,000
2004	524,156,143	508,708,861	105,043,583	64,913,705	3,823,145	1,206,645,437	5,505,000	5,505,000
2005	511,898,621	479,535,534	66,382,651	107,317,453	2,809,273	1,167,943,532	5,505,000	5,505,000
2006	531,365,202	492,780,390	110,130,702	71,921,808	2,949,997	1,209,148,099	5,505,000	5,505,000
2007	493,598,549	436,922,435	111,089,598	66,028,479	3,655,720	1,111,294,781	7,647,403	7,647,403
2008	475,656,450	425,737,517	115,900,129	73,573,876	-0- *	1,090,867,872	7,172,489	7,172,489
2009	411,688,463	385,333,830	119,538,309	75,026,949	-0-*	991,587,551	7,419,695	7,419,695

*Revenues not included in assessment calculation.

CURRENT COMMISSIONERS' BIOGRAPHIES

Jack Cashman became Chair of the Commission in July 2010. He was appointed to the Maine Public Utilities Commission in August 2008. At the time of his nomination, Commissioner Cashman was the Senior Economic Adviser to Governor John Baldacci. He served as the Commissioner of the Department of Economic and Community Development from 2003 to 2007. Commissioner Cashman had previously been involved in commercial insurance and real estate sales and real estate development. He served in the Maine House of Representatives from 1982 to 1992 and the Old Town City Council from 1977 to 1983. He received a Bachelor of Arts in Public Administration from the University of Maine, Orono, in 1973. His term expires in March 2011.

Vendean Vafiades was first appointed to serve as Commissioner on the Maine Public Utilities Commission in January 2007 and then reappointed in March of that year. From 1997 until her appointment, Commissioner Vafiades served as a judge on the District Court, and was appointed as the Chief Judge in 2002. Commissioner Vafiades received her Juris Doctor from the University of Maine School of Law in 1985. Commissioner Vafiades also served as a Chief Deputy Attorney General and Counsel to the University of Maine System. Her term expires in March 2013.

David Littell was appointed to the Maine Public Utilities Commission in September 2010. Until this appointment, he served as the Commissioner of the Maine Department of Environmental Protection for five years starting in 2005, and served two earlier years as Deputy Commissioner. Commissioner Littell was an attorney at Pierce, Atwood from 1992-2003, the last four years as partner. From 1994-2004, he was an intelligence officer in the United States Navy Reserves and resigned as a lieutenant commander in 2004. Commissioner Littell received his Juris Doctor from Harvard Law School in 1992 and his A.B. from Princeton University's Woodrow Wilson School of Public and International Affairs in 1989. His term expires in March 2015.

PAST COMMISSIONERS

1915 – 2010

Benjamin F. Cleaves	1915-1919*	David Moskovitz	1984-1989*
William B. Skelton	1915-1919	Kenneth Gordon	1988-1993*
Charles W. Mullen	1915-1916	Elizabeth Paine	1989-1995
John E. Bunker	1917-1917	Heather F. Hunt	1995-1998
Herbert W. Trafton	1918-1936	William M. Nugent	1991- 2003
Charles E. Gurney	1921-1927*	Thomas L. Welch	1993-2005*
Albert Greenlaw	1924-1933	Stephen L. Diamond	1998-2006
Albert J. Stearns	1928-1934*	Sharon M. Reishus	2003-2010*
Edward Chase	1934-1940	Kurt Adams	2005-2008*
Frank E. Southard	1935-1953*		
C. Carroll Blaisdell	1937-1941		
James L. Boyle	1941-1947		
George E. Hill	1942-1953		
Edgar F. Corliss	1948-1954		
Sumner T. Pike	1954-1955*		
Frederick N. Allen	1954-1967		
Richard J. McMahon	1955-1961		
Thomas E. Delahanty	1955-1958*		
David M. Marshall	1958-1969*		
Earle M. Hillman	1962-1968*		
John G. Feehan	1968-1977*		
Leslie H. Stanley	1970-1976		
Peter Bradford	1971-1977*		
	1982-1987		
Lincoln Smith	1975-1982		
Ralph H. Gelder	1977-1983*		
Diantha A. Carrigan	1977-1982		
Cheryl Harrington	1982-1991		

*Chairman

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.

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We welcome feedback about ways to improve next year's report. Send your comments to Karen Geraghty at 207-287-3831 or email to karen.geraghty@maine.gov.

This Annual Report was published by the Maine Public Utilities Commission.
This publication is printed under appropriation # 014-65A-0184-0