# STATE OF MAINE
# PUBLIC UTILITIES COMMISSION


## 2021 Annual Report

February 1, 2022

# Maine Public Utilities Commission

**Chairman Philip L. Bartlett II**
**Commissioner Randall D. Davis**
**Commissioner Patrick J. Scully**


**26 Katherine Drive, Hallowell, Maine 04347**
**18 State House Station**
**Augusta, Maine 04333-0018**
**Tel: 207-287-3831**
**Fax: 207-287-1039**
**TTY: 711**

**Website: http://www.maine.gov/mpuc/**

**Consumer Assistance Hot Line: 1-800-452-4699**
**E-Mail: maine.puc@maine.gov**


**The Commission does not discriminate in employment or in the provision of services because of race, creed, national origin, sex, political affiliation, religion, ancestry, disability, or sexual orientation. The Commission will provide reasonable accommodation for access to services.**

Call 207-287-3831 or Maine Relay 711

# Table of Contents

## Commissioners' Letter

This report provides an overview of the work conducted by the Maine Public Utilities Commission (Commission) in 2021 administering the laws concerning public utilities in Maine.

Much of the work this past year was focused on keeping utility rates reasonable while recognizing necessary and important investments in both electrical and water infrastructure. The Commission notes that the Government Evaluation report sent to the Energy, Utilities and Technology Committee on November 1, 2021 details these challenges and includes a section on how the Commission holds utilities accountable to deliver reliable, safe, and reasonably priced utility services.

In June, the Commission approved an additional seven renewable energy projects for long-term contracts as required by the Maine Legislature. Bids ranged from 2.8-3.9 cents/kwh for these solar and wind projects and bidders estimate that these projects will reduce greenhouse gas emissions by approximately 260,000 tons per year.

The Commission completed an entire revamp of its website in October with a primary goal of making data more readily available to Maine consumers. In addition, the Commission is actively using Facebook and Twitter to continue our ongoing efforts to improve transparency and educate consumers.

The Executive Summary of the report is detailed on page 2 and highlights the more noteworthy cases and activities that occurred during calendar year 2021.

The Commission has a very dedicated and talented group of employees. In addition to their hard work for the people of Maine, we are proud to report that our employees exceeded the Commission goal for the Maine State Employees Combined Charitable Appeal for the fifth consecutive year.

In all aspects of its work, the Commission continues to exercise its regulatory and public policy responsibilities diligently to ensure that utility services for Maine consumers are provided at rates that are just and reasonable and consistent with good utility practice. We look forward to working with the Legislature this year on utility issues.

With regards,

| *Philip L. Bartlett II* | *Randall D. Davis* | *Patrick J. Scully* |
|---|---|---|
| *Chairman* | *Commissioner* | *Commissioner* |

### Commissioners

**Philip L. Bartlett II**
Chair

**Randall D. Davis**
Commissioner

**Patrick J. Scully**
Commissioner

---

### Division Directors

Derek Davidson
Consumer Assistance and Safety

David Braley
Telephone and Water

Faith Huntington
Electric and Gas

Maria Jacques
Emergency Services Communication Bureau

Harry Lanphear
Administration

Elizabeth Wyman
Legal

# 2. EXECUTIVE SUMMARY

This section highlights some of the more noteworthy cases and activities in 2021.

| Topic | Description |
|---|---|
| Long-Term Renewable Solicitation | In June 2021, the Commission approved seven renewable energy projects for long-term contracts as required by the Legislature. Bids ranged from 2.8-3.9 cents/kwh for these solar and wind projects. See details here: https://www.maine.gov/mpuc/electricity/rfps/class1a2021/ Bidders estimate these projects will reduce greenhouse gas emissions by approximately 260,000 tons per year. |
| Standard Offer Price Increase | After two years of declining prices, standard offer supply prices increased significantly in 2022 due to the cost of natural gas used for generation. The bids were received in response to the Commission's annual standard offer RFP for electricity supply. Maine residential and small business consumers saw increases averaging about $30 a month beginning January 1, 2022. |
| CMP Investigation | The Commission launched an investigation into CMP's management practices, ordering CMP to submit a performance plan on November 30, 2021. This plan was required to detail concrete actions for ensuring that CMP's fundamental operational needs are being met at higher levels of management and leadership, and that any systemic problems at that higher level of management are actively and promptly remediated to avoid negatively affecting the distribution operating company. The plan submitted by CMP is under review. |
| 207 Area Code | The Commission opened an investigation into the growth of numbering resources and number forecasting practices of Verizon Wireless. Upon review of requests from Verizon from January 2020 through June 18, 2021, the Commission formally questioned the Company's forecasting process for numbering resources. The Commission remains vigilant in working closely with all telephone providers who request new blocks of numbers. Due to these efforts, the exhaust date for the "207" area code has been extended to the first quarter of 2025. The Commission has also made filings with the FCC in an effort to change numbering practices to further extend the life of the 207 area code. |
| Gas Safety and Dig Safe | The Pipeline and Hazardous Materials Safety Administration (PHMSA) conducts annual evaluations of the pipeline safety programs for all states that have agency certification. PHMSA's 2020 evaluation, for calendar year 2019, resulted in a perfect score of 100%. This was the sixth year in a row that Maine's program has received a perfect score. In 2021 PHMSA gave the Commission a score of 98.5%. Maine's Damage Prevention Program also received perfect scores from PHMSA from 2019-2021. |

| Topic | Description |
|---|---|
| Competitive Electricity Providers | The Commission conducted detailed investigations of three Competitive Electricity Providers in 2021 for consumer-related issues. Electricity Maine was fined $500,000 and required to end door-to-door marketing. Town Square Energy and Clearview Electric agreed to stop door to door marketing for two years. |
| Grid Modernization | The Commission is actively engaged with issues related to the influx of distributed generation projects looking to interconnect with Maine's grid as well as expected increased electrification of our heating and transportation sectors since the enactment of P.L. 2019, Ch. 478, the magnitude of projects proposing to be constructed in Maine has exceeded that of even some of New England's more populous states. In turn, the need to accelerate the modernization of Maine's electric grid infrastructure to ensure its compatibility with new generation technology and improve its capacity to transmit electricity bi-directionally has become critical. Recognizing the urgency of this issue, the Commission initiated an investigation in Docket No. 2021-00039 regarding the design and operation of Maine's electric distribution system. The Commission engaged a consultant to conduct a comprehensive evaluation which will be completed in 2022. |
| 911 Crisis Protocols | During the 2021 Maine legislative session, L.D. 1306, Resolve, To Facilitate the Inclusion of Crisis Response Services in Emergency Services Offered through the E-9-1-1 System, was enacted as Resolve 2021, Chapter 29. The Resolve directed the Commission to research and review protocols and procedures necessary to deliver crisis response services under the State's E-9-1-1 system and to submit a report on or before February 1, 2022 to the Committee outlining necessary protocols and procedures including recommendations needed to implement those protocols and procedures. |
| Service Quality Metrics | Work to develop new service quality metrics for transmission & distribution utilities began in late 2020. The Commission is analyzing seven metric categories: a. Service Reliability, Quality and Storm Restoration; b. Customer Service; c. Field Services; d. Affordability and Cost Control; e. Distributed Energy Resource (DER) Interconnection and Deployment; f. Grid Modernization and Technologies and g. Energy and Environmental Policies. Work is expected to be completed over the next several months on an initial set of metrics in many of these areas. |
| New Website | Commission staff, in conjunction with InforME, launched a new website in October 2021. The site is designed to be more visually pleasing and intuitive while serving the general public, Legislature, and regulated utility community by providing electronic complaint filing, utility case filings, case monitoring, access to Consumer Assistance bulletins, latest news, and access to live and recorded Commission proceedings. |

# 3. ORGANIZATION OVERVIEW

The 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 and public utilities, while also helping achieve reductions in state greenhouse gas emissions.

The Commission, created by the Maine Legislature in 1913, has broad powers to regulate public utilities in Maine including electricity, telephone, water, and gas providers. 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 authority over rates and service of ferry transportation in Casco Bay.

Like a court, the Commission adjudicates cases and may take testimony, subpoena witnesses and records, issue decisions or orders, and holds public and evidentiary hearings. The Commission encourages participation by all affected parties, including utility customers. The Commission also conducts investigations and rulemakings, 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 Energy, Utilities and Technology, and confirmed by the full Senate, for staggered terms of six years. The Governor designates one Commissioner as Chairman. The Commissioners make all final Commission decisions by public vote and action of the majority.

The legislature authorized an additional six positions effective October 18, 2021, increasing the Commission's staff from 66.5 to 72.5. This includes accountants, engineers, lawyers, financial analysts, technical analysts, consumer specialists, administrative and support staff. The Commission is divided into six operating areas according to industry area or function.

**The Telephone and Water Division** and the **Electric and Gas Division** staff conduct technical and financial investigations and analyses of telephone, water, electric and gas utility operations, analyze applications by utilities to issue securities, advise the Commissioners on matters of rate base, revenues, expenses, depreciation, cost of capital, engineering, rate design, energy science, statistics and other technical elements of these utility areas. Staff also conduct various supply procurement processes, including standard offer electricity supply service.

**The Emergency Services Communication Bureau** manages the statewide Enhanced 911 system, including program development and implementation. The statewide 911 system is the component of the emergency response system that delivers 911 calls and displays the telephone number and physical location of the caller at one of Maine's 24 Public Safety Answering Points (PSAPs).

**The Consumer Assistance and Safety Division (CASD)** provides information and assistance to utility customers to help them resolve disputes with utilities. The CASD 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 CASD also educates the public and utilities about consumer rights and responsibilities, evaluates utility compliance with state statutes and Commission rules, and oversees gas safety regulation and enforcement as well as underground facilities damage prevention.

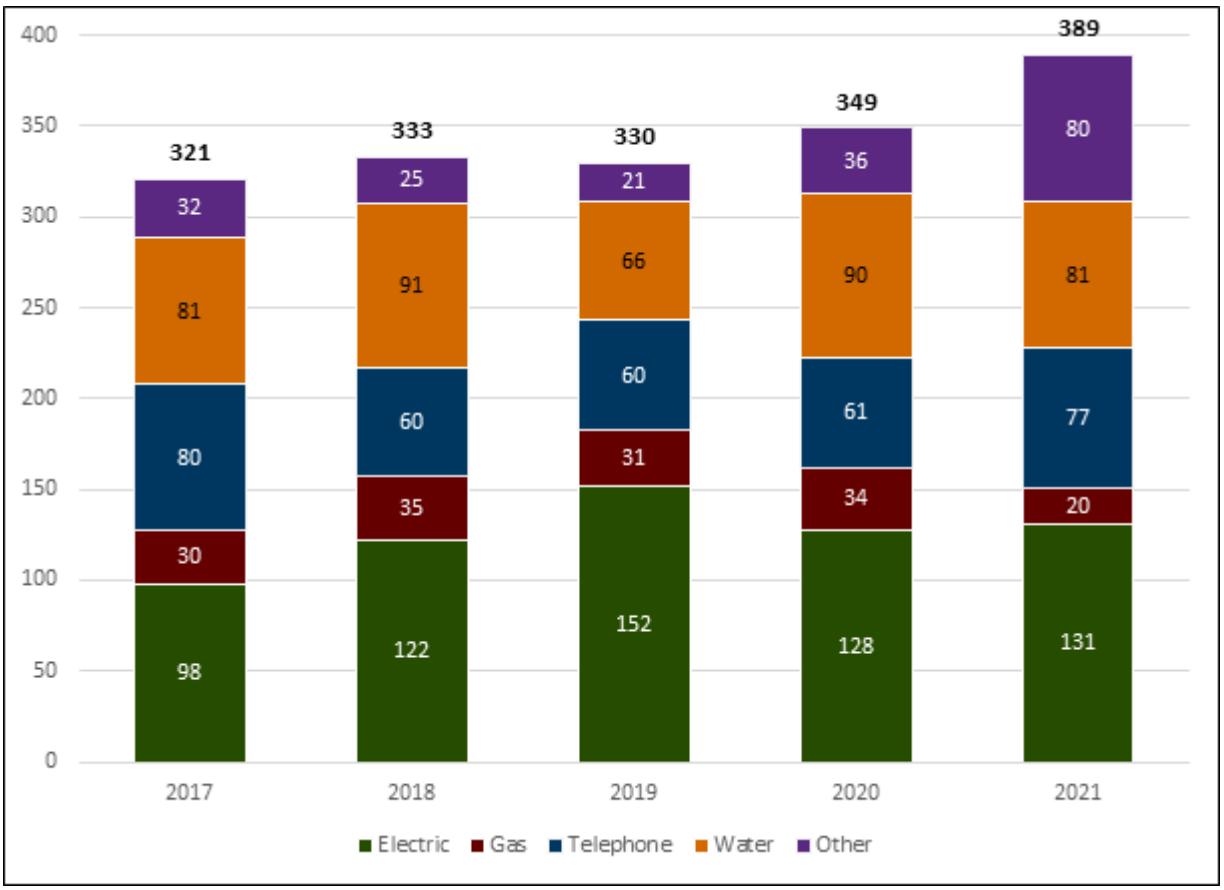
**The Legal Division** provides hearing officers in cases before the Commission and assists in preparing and presenting Commission testimony on legislative proposals. This division represents the Commission before federal and state appellate and trial courts, and various regional and federal administrative 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, legislative analysis and the Commission's facilities. This division also oversees information technology including the Commission's Case Management and Consumer Complaint System.

**Efficient Case Management**

The Commission handles an average of 344 cases a year. A detailed analysis shows that half of the telephone cases have been resolved within one month; half of the electric and "all other" industry cases are resolved within the first two months; and half of gas industry cases are resolved within three months.

**Chart 1 – Commission Cases by Industry**



# 4. TELECOMMUNICATIONS

The Commission regulates Provider of Last Resort (POLR) service, which is offered by Maine's incumbent local exchange carriers (ILECs) and provides consumers with the option of receiving basic telephone service at a flat rate within a basic calling area. POLR service also provides access to emergency services, operator services, long-distance service, directory assistance, and a toll limitation option for low-income customers.[1] Figure 1 on the following page shows the service territories of the POLR service providers in Maine.

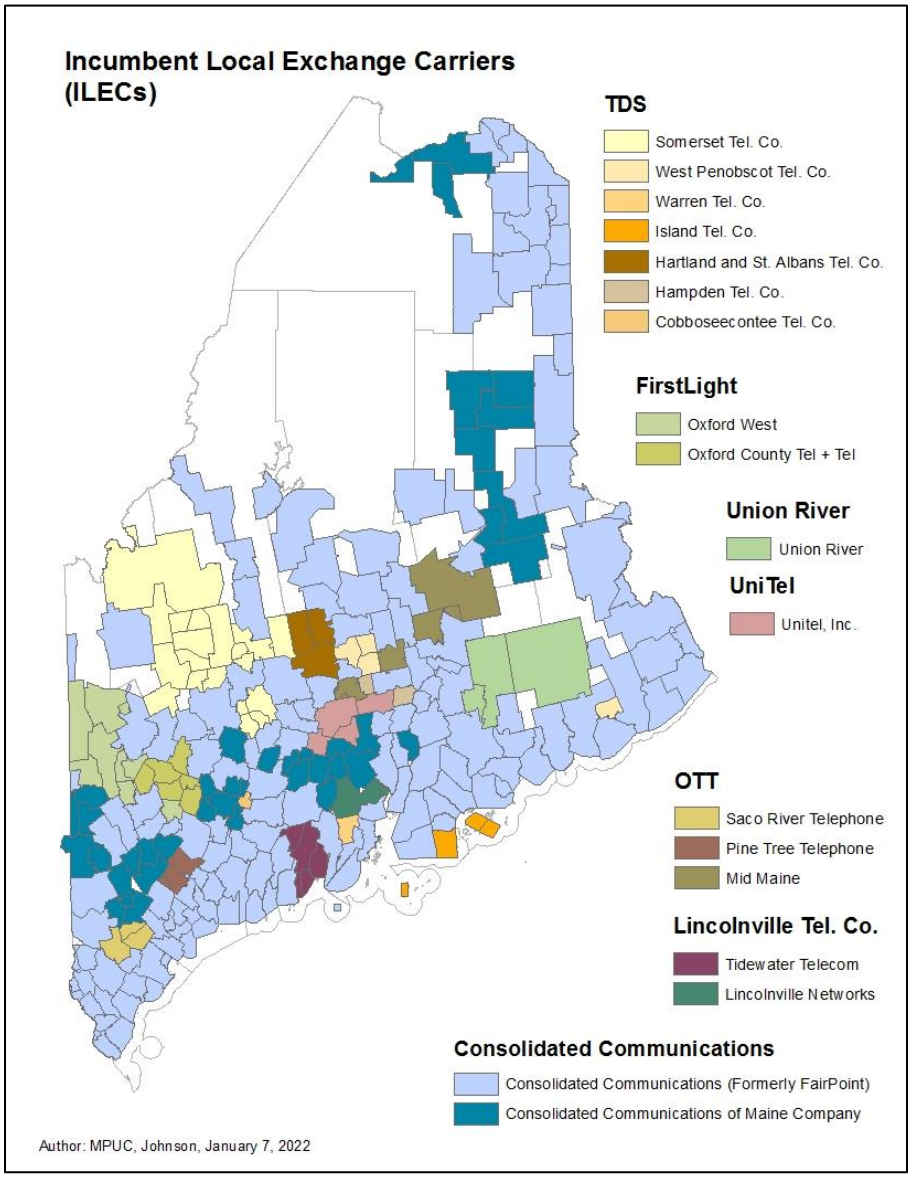
The 127th Maine Legislature enacted legislation in 2016 that removes the obligation to provide POLR service in 22 municipalities. The process to remove the obligation began in the summer of 2016 and was completed in 2018.[2] The Commission must include in its Annual Report, through 2022, information related to which municipalities have had the POLR obligation lifted, any municipalities where the Commission approved the discontinuance, reduction or impairment of service, and complaints the Commission may have received regarding the costs of or a lack of access to reliable basic telephone service in those municipalities.

The Commission also has jurisdiction over the enforcement of certain provisions of Federal telecommunications statutes related to wholesale telephone services and the interactions between competitive providers of telecommunications services. The Commission has the authority to certify competitive local exchange carriers (CLECs) who wish to operate in Maine but does not regulate their service. The Commission has no regulatory authority over wireless (*i.e.*, cellular), VoIP voice services, or Internet/Broadband service.

[1] POLR service provides access to these services, but any other charges, *e.g.* long-distance charges, are not included in the flat rate.

[2] The 22 municipalities are: Portland, Lewiston, Bangor, South Portland, Auburn, Biddeford, Sanford, Scarborough, Gorham, Waterville, Kennebunk, Cape Elizabeth, Old Orchard Beach, Yarmouth, Bath, Westbrook, Freeport, Brewer, Kittery, Windham, Brunswick, and Augusta.

**Figure 1 – Incumbent Local Exchange Carriers**




The telecommunications industry in Maine is impacted by increasing competition and other factors, resulting in the reduction of ILEC access lines and POLR service subscribers. There has been a noticeable reduction of POLR service subscribers in recent years and only about 11% of ILEC customers opt for POLR service. If a POLR customer adds an advanced service such as voice mail or a broadband bundle, they are no longer considered a POLR customer.

Consumers can obtain long distance service from a variety of sources, including VoIP technology offered by cable television providers, mobile wireless service, and cable for traditional wireline service.

Table 1 shows historical data for both ILEC access lines and POLR service customers.

### Table 1 – ILEC and POLR Access Line Summary

| | ILEC Data | | | | | POLR Data | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Telephone Company | 2008 Access Lines | 2019 Access Lines | 2020 Access Lines | Change 2019-2020 | Change 2008-2020 | 2014 | 2019 | 2020 | Change 2019-2020 | Change 2014-2020 |
| Consolidated Communications of Maine Company* | 47,914 | 16,494 | 15,406 | -7% | -68% | 5,354 | 2,457 | 2,215 | -10% | -59% |
| Consolidated Communications | 411,345 | 123,620 | 111,925 | -9% | -73% | 24,488 | 7,045 | 6,093 | -14% | -75% |
| UniTel Co. | 4,386 | 2,816 | 2,855 | 1% | -35% | 428 | 224 | 203 | -9% | -53% |
| Union River | 1,260 | 1,086 | 1,161 | 7% | -8% | 1,048 | 1,084 | 1,159 | 7% | 11% |
| Cobboseecontee Tel & Tel Co. | 645 | 235 | 216 | -8% | -67% | 77 | 43 | 36 | -16% | -53% |
| Hampden Telephone Co. | 2,857 | 1,404 | 1,338 | -5% | -53% | 314 | 174 | 164 | -6% | -48% |
| Hartland & St. Albans Telephone Co. | 3,659 | 2,027 | 2,071 | 2% | -43% | 441 | 233 | 230 | -1% | -48% |
| Island Telephone Co. | 620 | 514 | 531 | 3% | -14% | 209 | 162 | 150 | -7% | -28% |
| Somerset Telephone Co. | 10,509 | 6,843 | 7,020 | 3% | -33% | 1,586 | 1,050 | 1,000 | -5% | -37% |
| Warren Telephone Co. | 1,528 | 610 | 581 | -5% | -62% | 184 | 85 | 77 | -9% | -58% |
| West Penobscot Telephone Co. | 2,207 | 1,611 | 1,638 | 2% | -26% | 282 | 181 | 169 | -7% | -40% |
| Lincolnville Networks | 1,794 | 1,494 | 1,561 | 4% | -13% | 154 | 126 | 130 | 3% | -16% |
| Tidewater Telecom | 10,261 | 6,011 | 6,025 | 0% | -41% | 1,070 | 639 | 588 | -8% | -45% |
| Mid-Maine Communications | 5,228 | 1,784 | 1,627 | -9% | -69% | 1,343 | 278 | 254 | -9% | -81% |
| Pine Tree Tel & Tel Co. | 5,373 | 1,576 | 1,346 | -15% | -75% | 1,802 | 553 | 487 | -12% | -73% |
| Saco River Tel. & Tel Co. | 7,079 | 2,174 | 1,992 | -8% | -72% | 1,723 | 557 | 521 | -6% | -70% |
| Oxford West Telephone Co. | 6,373 | 2,602 | 2,432 | -7% | -62% | 4,348 | 2,517 | 2,350 | -7% | -46% |
| Oxford Telephone Co. | 5,595 | 2,051 | 1,881 | -8% | -66% | 3,666 | 2,033 | 1,864 | -8% | -49% |
| Total Retail Lines | 528,633 | 174,952 | 161,606 | -8% | -69% | 48,517 | 19,441 | 17,690 | -9% | -64% |

*Consolidated Communications of Maine Company includes the former Consolidated ILECs:
China Telephone, Northland Telephone Co., Community Service Telephone Co., Sidney Telephone Co.
Maine Telephone Co., and Standish Telephone Co.

## KEY EVENTS

### 207 Area Code Exhaustion

On September 8, 2021, the Commission closed an investigation into assigned 207 area code thousand-number blocks to determine which of those blocks are required to be donated by carriers to the numbering pool pursuant to 47 C.F.R. § 52.20. This effort resulted in the return of more than 600,000 numbers to the numbering pool from unused or slightly used blocks.

In addition, the Commission worked with carriers to return two 10,000-number blocks of NXX Codes. NXX Codes identify the carrier. These efforts have kept the overall utilization rate of

the 207 area code to just 37%. Despite these efforts, Maine's only area code is running out of these larger NXX Codes, which are needed when thousand-number blocks run out in a rate center.

The Commission has taken several steps to work with carriers to improve their forecasting and has petitioned the FCC to permit a pilot that would allow carriers to use individual numbers rather than large blocks. Due to these efforts, the exhaust date for the 207 area code has been extended to the first quarter of 2025.

**Maine Telecommunications Education Access Fund (MTEAF)**

The Commission administers the MTEAF, which provides funding that allows Networkmaine (an entity within the University of Maine System) to operate the Maine School and Library Network (MSLN). The MSLN provides qualified schools and libraries in the State with high-speed Internet access, content databases, search capabilities, content filtering, and training. The MTEAF collects funds from voice network service providers operating in the State. In 2021, the Commission approved a budget for the MTEAF 2021/22 fiscal year of $3.6 million.

**Maine Universal Service Fund**

Pursuant to 35-A M.R.S. §7104 and Chapter 288, the Commission administers the Maine Universal Service Fund (MUSF), which supports universal service and reasonable rates. The MUSF distributes approximately $7.4 million annually to ensure that POLR service is available in all areas of the State at reasonable rates by providing support from the MUSF to eligible providers.

The MUSF also provides support for the Telecommunications Relay Services (TRS), Communications Equipment Fund (CEF), Blind and Visually Impaired News Access Fund, and the Public Interest Payphone (PIP) program.

TRS allows deaf, hard-of-hearing and speech impaired persons to place and receive voice telephone calls with the assistance of a third-party intermediary. The Commission, by statute, must establish funding support for these services, including related outreach programs, within the MUSF[3] to ensure the affordability of TRS throughout the State.

The TRS Advisory Council (Council) implements the Maine TRS program as certified by the FCC. The Council submits an annual budget of projected costs to the Commission, not to exceed $600,000, and the Commission transfers the funds quarterly to the Council fund. In 2021, the Commission transferred $371,696 from the MUSF to the Council as requested. The Council is also required to submit an annual report to the Commission by December 1.

Title 35-A M.R.S § 7104(5) requires the Commission to transfer $85,000 annually from the MUSF to the CEF, which is administered by the Bureau of Rehabilitation Services within the Department of Labor (the Bureau). The CEF is used by the Division of Deaf, Hard of Hearing and Late Deafened within the Bureau to purchase, lease, distribute, upgrade, install, maintain, repair, administer, and train on the use of specialized customer communications equipment for deaf, hard of hearing, late deafened or speech impaired persons and persons with disabilities. In addition, the Bureau has requested and received an additional $100,000

[3] 35-A M.R.S. § 7104(7)

for the last 11 years for the CEF because it did not receive adequate funds from federal or other sources.

In 2019, the Maine Legislature established the Blind and Visually Impaired News Access Fund pursuant to 35-A M.R.S. §7104(9) within the Maine State Library for access to a news service provided by a national federation for blind and visually impaired persons. The Commission is required to annually transfer $40,000 from the MUSF for this program.

The Commission oversees the installation of Public Interest Payphone (PIP) sites across Maine. There were no new requests for PIPs in 2021 and no requests to remove an underutilized PIP. The annual cost of the program, which currently includes 33 PIPs, is approximately $28,000 and is funded by the Maine Universal Service Fund (MUSF).[4]

**Lifeline**

The federal Lifeline program provides a monthly benefit to reduce or eliminate the cost of a monthly phone or Internet bill for those who qualify. One benefit is available per household and may be applied to either phone or Internet service. To participate, consumers must have an income at or below 135% of the federal poverty guidelines, or must participate in a qualifying state, federal or tribal assistance program.

**Telephone Exemptions**

In accordance with statutory changes enacted by the 125th Maine Legislature, the Commission may grant exemptions from certain portions of Title 35-A to POLR service providers. The Commission received no requests for exemptions from POLR service providers in 2021.[5]

[4] The Commission is required to report on this information pursuant to 35-A M.R.S. § 7508(4).
[5] The Commission is required to report on this information pursuant to 35-A M.R.S. § 120(5).

# 5. ELECTRIC

## THE ELECTRIC INDUSTRY IN MAINE[6]

There are two components of electricity service in Maine: **delivery** and **supply**. Delivery includes transmission, distribution, and customer-related items such as metering and billing. Delivery encompasses high-voltage transmission and lower-voltage distribution systems, including the construction, operation, and maintenance of those facilities. Delivery is considered a monopoly service and is fully regulated.

Supply includes the production and provision of electric energy and capacity. Supply is not considered a monopoly service and is provided by various entities operating in regional and state wholesale and retail markets with less regulation and oversight.

There are approximately 268 licensed CEPs that supply about 46% of Maine's retail electricity. The remaining usage is supplied by the suppliers selected by the Commission to provide default or "standard offer" service. T&D rates have 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), which are the high voltage transmission lines that serve as the backbone of the New England system. Transmission rates are regulated by the Federal Energy Regulatory Commission (FERC) jurisdiction and have increased significantly over the last 10 years for both CMP and Versant. For CMP and Versant's Bangor-Hydro District, these increases are due largely to major transmission system upgrades throughout New England. Under the ISO-NE tariff, costs of Pool Transmission Facilities (PTF) projects in New England are shared among all New England states in proportion to load, so that Maine customers pay 8%-9% of the cost of regional PTF projects regardless of where they are physically located. A significant factor in the recent increase in Versant's Maine Public District transmission rates is the loss of Houlton Water Company's load from the Maine Public District's transmission system.[7]

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 costs include the few remaining net, above-market costs for generation obligations that utilities incurred prior to industry restructuring, including expenses associated with prior nuclear power arrangements.

Stranded costs also include more recent net costs from newer contracts authorized pursuant to specific statutory provisions, such as the long-term contracting statute (35-A M.R.S. §

[6] In addition to reporting on the electric industry, this section includes the Commission's Reports on Electric Restructuring required pursuant to 35-A M.R.S. § 3217, Electric Incentive Ratemaking required pursuant to 35-A M.R.S. § 3195(5) and Smart Grid Infrastructure pursuant to 35-A M.R.S. § 3143.

[7] Houlton Water Company transferred to taking service from the New Brunswick Power electric system in May 2020.

3210-C), the Community-based Renewable Energy Pilot Program statute (35-A M.R.S. § 3601-3609), and unallocated language, Section A-6, of the Ocean Energy Act (Public Law 2009, c. 615), and Net Energy Billing Tariff Program. Stranded costs for CMP and Versant residential customers are currently modest, ranging from a negative $0.2 per kWh to $0.1 per kWh.

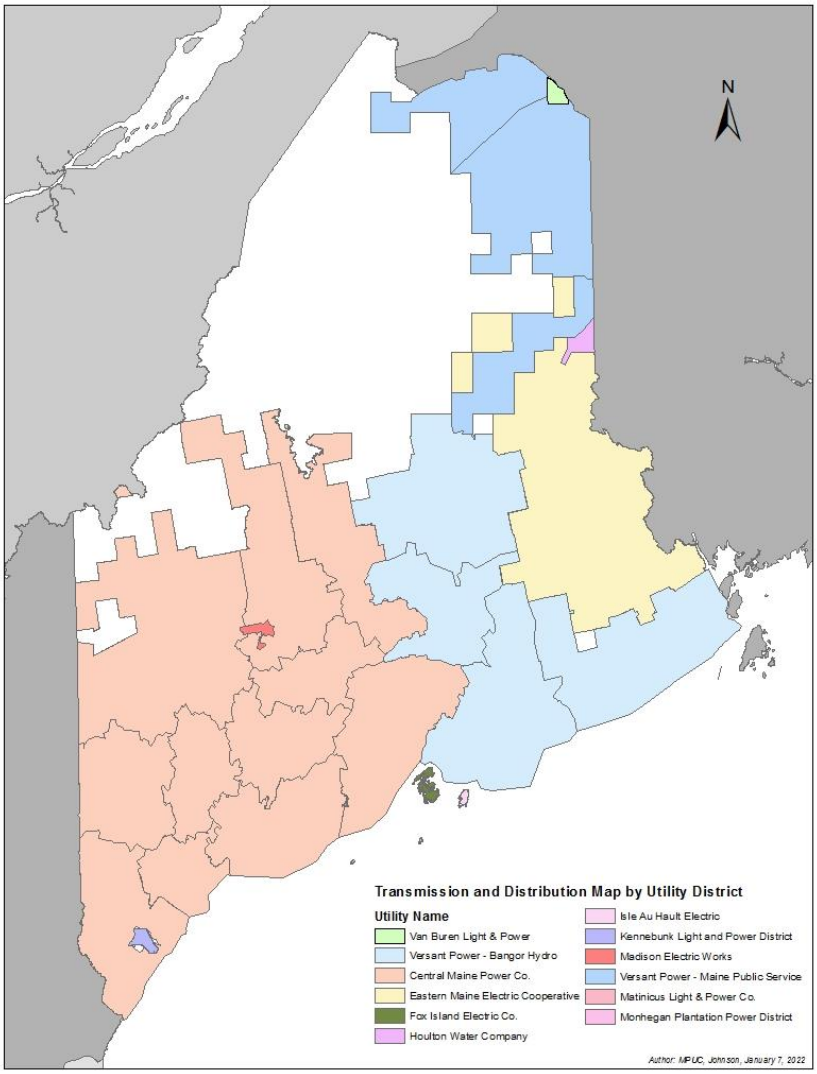
Most of Maine is part of the regional bulk power and wholesale market systems that are operated and administered by the New England Independent System Operator (ISO-NE). The exception to this is northern Maine, which is not directly interconnected with the ISO-NE system. Northern Maine is interconnected to the New Brunswick Power system, and has its own system administrator, the Northern Maine Independent System Administrator (NMISA).

Electricity use by Maine consumers is currently about 12 million megawatt hours (MWh) per year, with a peak demand of about 2,000 MW. The total nameplate generation capacity of in-state plants is in the range of 4,500 MW. These plants operate in response to the ISO New England's dispatch instructions which at times may require them to operate at full output and at others, to not operate at all.

The Commission regulates the operations and rates of the Maine T&D utilities, except for transmission rates, which are regulated by the FERC. The Commission licenses retail electricity suppliers and marketers, and generally oversees the Maine retail market. The Commission also administers competitive procurement processes for standard offer service and administers other power supply procurement processes pursuant to specific statutory direction and authority. Finally, the Commission monitors regional wholesale markets and bulk power and transmission systems, including the ISO-NE and NMISA systems, and advocates for Maine consumers in regional forums and before the FERC.

There are 11 T&D utilities in Maine: two investor-owned utilities (IOUs) and nine consumer-owned utilities (COUs). The IOUs, Central Maine Power Company (CMP) and Versant Power, serve about 95% of the total state load. Figure 4 below shows the geographic areas each utility serves.

**Figure 2 – T&D Service Areas**

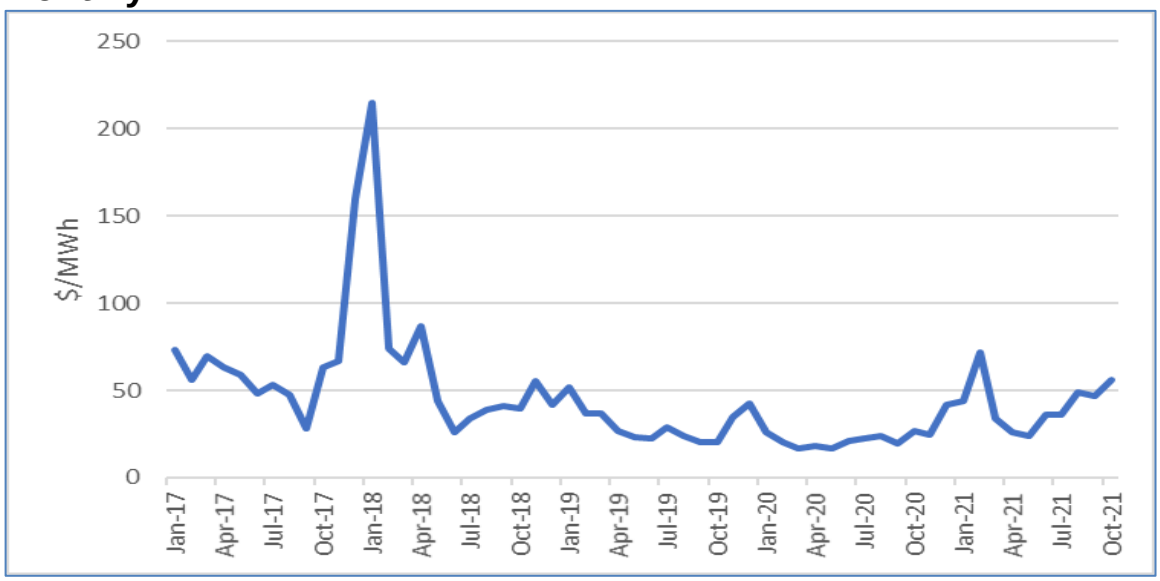



## MARKET TRENDS AND CONSUMER PRICES

### Wholesale Energy Market

Regional wholesale energy prices in the ISO-NE Real-Time market during the 12-month period ending October 31, 2021 averaged $40.7/MWh, about 71% higher than prices during the prior 12-month period. From December 2020 – February 2021, prices averaged $52/MWh, which is about 73% lower than the prior winter period. The monthly average energy prices in the ISO-NE Real-Time market over the last several years are shown in the chart below. Extraordinarily high prices seen in the December 2017 to January 2018 time period coincided with an extremely cold period of weather.

## Chart 2: ISO-NE Real-Time Locational Marginal Prices (LMP): Average Monthly




**Wholesale Capacity Market**

In addition to energy, electricity supply prices include a component for capacity – the amount of power a resource can deliver to the system. Capacity prices change annually on June 1 and are set three years in advance of when they will be in effect.

Capacity prices are set through annual Forward Capacity Auctions administered by ISO-NE. For the period June 1, 2020, through June 1, 2021, the capacity price was $5.30/kW-month. For the period beginning June 1, 2021, and extending to June 1, 2022, the capacity price is $4.63/kW-month. Historic Capacity Market clearing prices are shown in the chart below.

## Chart 3: Historic Forward Capacity Auction Clearing Prices

**Retail Supply Prices and Standard Offer Procurement**
In 2021, the Commission accepted bids and set new Standard Offer electricity supply rates for residential and business customers of CMP and Versant Power. Residential customers who receive standard offer service saw an increase of about $30 a month effective January 1, 2022.

The new Standard Offer supply rates were set though a competitive bid process conducted by the Commission, as required by Maine law. The increases reflect prevailing energy market conditions, including those in the regional electric power market in which prices are strongly influenced by natural gas.

These increases apply to customers who do not purchase electricity from a competitive supplier of their choosing and instead receive Standard Offer Supply by default.

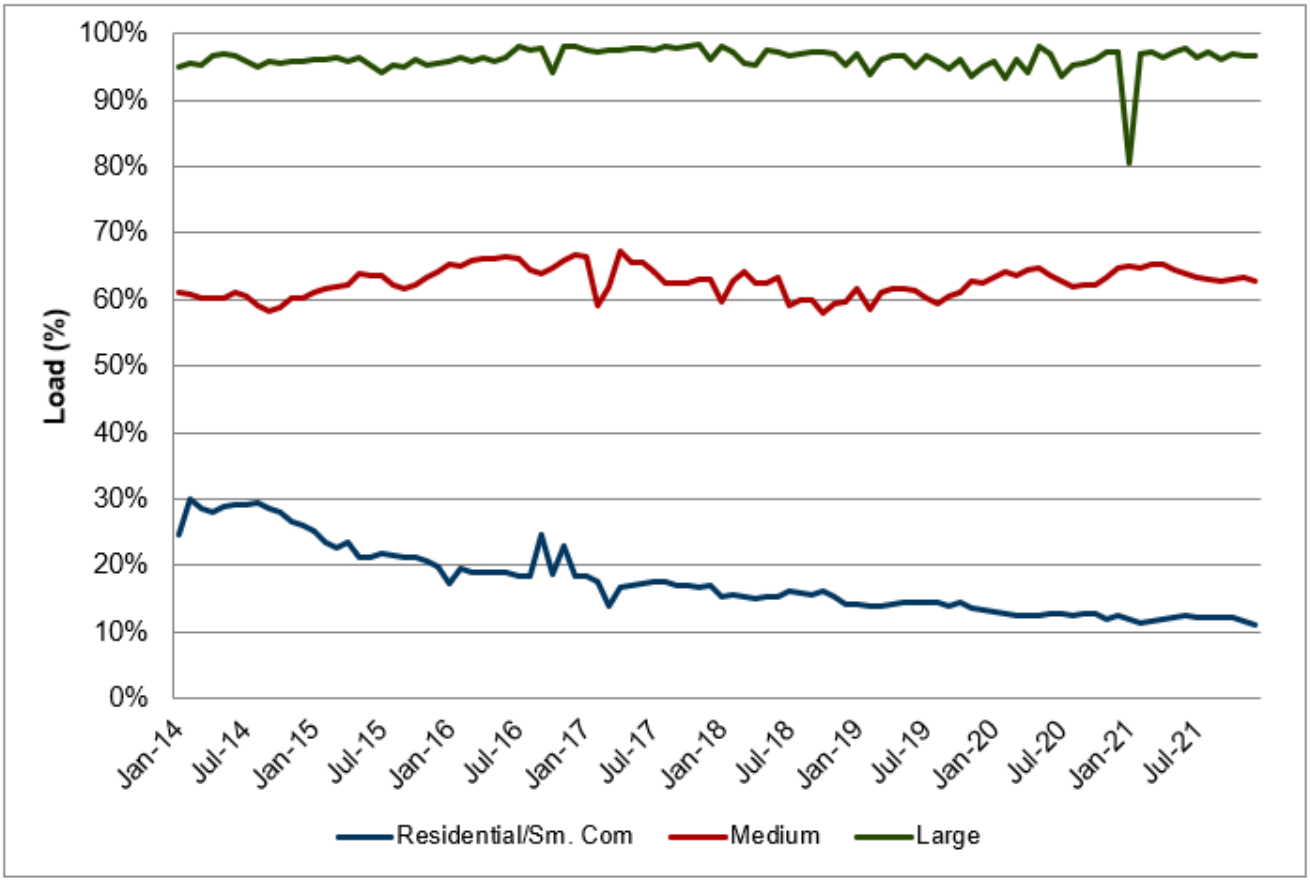
The new Standard Offer electricity supply rates reflect a similar trend experienced in other energy sectors as well. The table below shows how the Standard Offer price increase compares with increases in natural gas, oil, and wholesale electric markets during the same month the previous year.

**Table 2**

| | | |
|---|---|---|
| Natural Gas | 94.80% | Increase Oct. 2020-Oct. 2021 |
| Heating Oil | 121.70% | Increase Oct. 2020-Oct. 2021 |
| Wholesale Electricity | 126.3% | Increase Nov 2020-Nov 2021 |
| Standard Offer | 77-88% | Increase Nov 2020-Nov 2021 |

**Retail Supply Market Activity**
Since March 2000, consumers in Maine have had the option of selecting their electricity supply products and suppliers. For many years there was a robust market throughout most of Maine for medium and large commercial and industrial (C&I) customers, but virtually none for residential and small commercial customers. Beginning in 2012, however, the percentage of residential and small commercial customers served by a CEP increased significantly, peaking at 35% in mid-2013. Since that time, the amount of residential and small commercial supply served by CEPs has declined gradually to its current level of about 11%. Chart 4 below shows the migration patterns by sector.

**Chart 4 – Load Served by Competitive Electric Providers, Jan. 2014 – July 2021**




In 2020 retail competition remained weak in northern Maine due to its electrical isolation from a functional wholesale market. This isolation has hindered the retail market from developing in this part of the state since retail access began in 2000.

**Utility Delivery Service Rates**

Delivery service rates include distribution, transmission, stranded cost, and Efficiency Maine Trust assessment components. Current retail rates for Maine residential consumers for all electric utilities in Maine are summarized in Table 3 below.

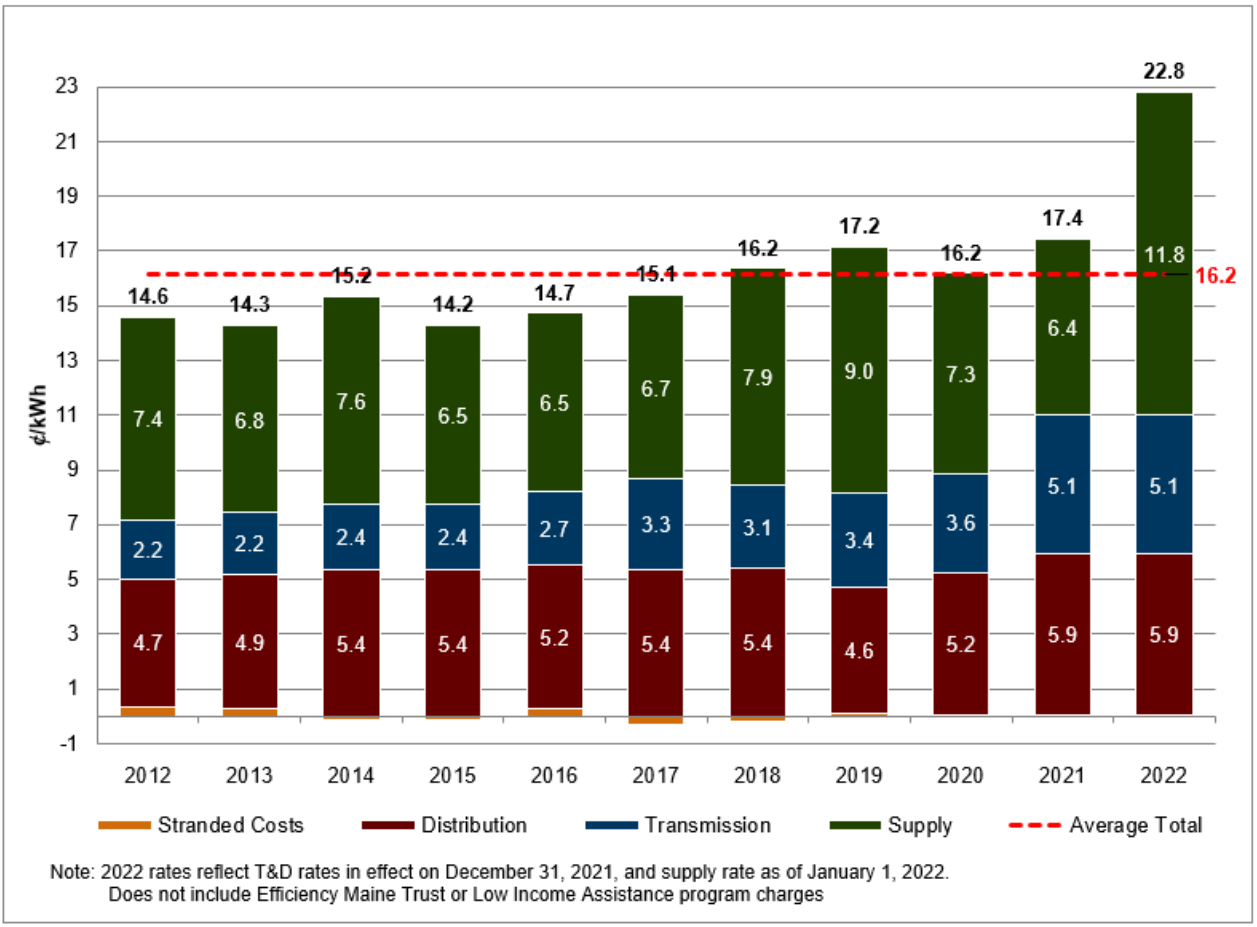
## Table 3 – Residential Electricity Rates

| RESIDENTIAL ELECTRICITY RATES IN MAINE[1] | | | | | | | |
|---|---|---|---|---|---|---|---|
| | % of State Residential Load | kWh | Delivery Rate T&D ¢/kWh | Delivery Rate Stranded Cost ¢/kWh | Delivery Rate Total Delivery ¢/kWh | Standard Offer Rate ¢/kWh | Total Rate ¢/kWh |
| **INVESTOR-OWNED UTILITIES** | | | | | | | |
| Central Maine Power | 79.6% | 3,957,695,000 | 9.4 | 0.1 | 9.4 | 11.8 | **21.2 ¢/kWh** |
| Versant Power - BHD | 12.9% | 639,905,091 | 11.5 | 0.1 | 11.6 | 11.7 | **23.3 ¢/kWh** |
| Versant Power - MPD | 3.9% | 194,466,683 | 9.1 | 0.2 | 9.3 | 11.1 | **20.4 ¢/kWh** |
| **COOPERATIVES & MUNICIPAL-OWNED UTILITIES** | | | | | | | |
| Eastern Maine Electric Cooperative | 1.2% | 58,508,275 | 10.7 | N/A | 10.7 | 6.6 | **17.3 ¢/kWh** |
| Houlton | 0.6% | 32,185,706 | 5.1 | N/A | 5.1 | 6.6 | **11.8 ¢/kWh** |
| Van Buren | 0.2% | 7,872,728 | 5.3 | N/A | 5.3 | 6.8 | **12.1 ¢/kWh** |
| Kennebunk Light & Power | 1.1% | 52,563,917 | Rate components not readily available | | | | **13.3 ¢/kWh** |
| Madison Electric Works | 0.4% | 18,206,463 | 3.7 | N/A | 3.7 | 11.9 | **15.5 ¢/kWh** |
| Matinicus | 0.0% | 205,426 | Exempt from Standard Offer requirements | | | | **50.2 ¢/kWh** |
| Monhegan | 0.0% | 318,501 | Exempt from Standard Offer requirements | | | | **69.1 ¢/kWh** |
| Fox Island | 0.1% | 7,093,790 | 20.3 | N/A | 20.3 | 12.6 | **33.0 ¢/kWh** |
| Isle au Haut | 0.0% | 176,242 | Rate components not readily available | | | | **47.3 ¢/kWh** |
| **STATE AVERAGE** | **100.0%** | **4,969,197,822** | | | | | **21.3 ¢/kWh** |

*1. Central Maine Power, Versant Power - Bangor Hydro District and Versant Power - Maine Public District information based on residential rates in effect as of 1/2022. Consumer-owned utilities' information based on 2020 annual reports, page 50 (filed in 2021). Rate components not readily available for some consumer-owned utilities.*

Chart 5 provides a year-by-year price comparison by component for CMP residential customers. Over the 11-year period shown in Figure 8, distribution rates have been relatively stable, while transmission rates have been increasing. As noted above, the significant increase in 2022 is due to the standard offer supply rate increasing significantly.

**Chart 5 – CMP Historical Prices by Component**




## MAJOR CASES, ISSUES AND PROCEEDINGS

### CMP Summary Investigation into Management Practices

In September 2021, the Commission initiated a summary investigation of management issues concerning CMP as described in the management audit report filed in Docket No. 2018-00194 on July 12, 2021. The Commission directed CMP to file by November 30, 2021 a plan for addressing the matters and concerns raised in that report. CMP filed the report, which includes significant changes in its management structure. The Commission will determine the additional procedural steps necessary to fully assess the plan and ensure that it addresses the performance issues that have been identified and determine if any additional action is necessary.

**CMP Rate Case**
In July 2021, the Commission approved a distribution rate increase for customers of CMP. The distribution rate increase primarily reflects recovery of a portion of the costs related to the five major storms and 16 small storms that occurred in 2020. The balance of storm costs will be recovered in future years.

Transmission rates for CMP customers also increased on August 1. Transmission rates are determined by rates set by formula and approved by the Federal Energy Regulatory Commission (FERC). A major driver of CMP's transmission rates is Maines share of regional system costs that are allocated to all New England states.

For residential customers, this transmission rate increase accounts for a 9% increase in the total bill and the distribution rate increase and other changes account for the remaining 2.5% increase in the total bill. For a typical residential customer using 550 KW of electricity each month, the combined impact on the total monthly bill was an increase of about 11.5% or $9.90, effective August 1, 2021. The impact to the transmission and distribution only portion of the average customer bill is an increase of 19.18%.

**Versant Power Rate Case**
In October, the Commission rejected Versant Power Company's proposed increase of $21.48 million in distribution rates, instead approving an increase of $15.4 million per year, effective November 1, 2021. This amounts to an increase of about 17.5% in distribution rates and about 7% or $5.50 on the total average residential customer bill, based on 550 KW of electricity usage.

The new rate includes storm recovery costs from major storm events, an increase in vegetation management costs to help improve reliability, meter replacements and other upgrades to improve customer service and enhance the reliability of the electric distribution system.

This distribution rate increase was applied evenly across all rate classes and rate elements in both Versant's Maine Public District and its Bangor Hydro District.

**Service Quality**

The Commission is conducting a comprehensive review of service quality metrics in Docket 2020-00316. The purpose of this review is to explore whether performance metrics and incentives that have been used historically, most notably for reliability and customer service, could and should be improved and expanded to include other aspects in these two areas as well as to encompass other areas of utility performance, such as price levels, transparency, and furtherance of state policy goals. Upon completion of this work, the Commission will inform the Energy Utilities and Technology Committee of the results and the steps planned to improve service quality.

The Commission requires major utilities to report on and meet certain Service Quality Indices (SQIs) to hold utilities accountable for providing responsive and reliable service for customers. For example, the service quality metrics for Versant were recently reviewed and

established as detailed in Table 4 below. The first two benchmarks, Customer Average Interruption Duration Index (CAIDI) and System Average Interruption Frequency Index (SAIFI) are directly related to reliability. CMP also provides reporting on metrics, including calls answered and billing accuracy.

**Table 4 Service Quality Metrics for Versant Power**

| Service Quality Metrics for Versant Power |
|---|
| •CAIDI benchmarks. 2.43 in year 1 with a 2% annual improvement. |
| •SAIFI benchmarks. 2.64 in year 1 with a 3% annual improvement. |
| •Call Answer benchmark 80% within 30 seconds |
| •Call Abandonment benchmark 7%. |
| •Bill Error Rate not to exceed .4% |
| •If benchmarks are not met, penalties are imposed and returned to ratepayers through a reduction in distribution rates. |

**Renewable Energy Procurement**

The Commission approved an additional seven renewable energy projects in June for long-term contracts as required by the Maine Legislature. The projects approved include six new solar projects and one existing wind project, all of which are or will be located within the State. The full list is located here: https://www.maine.gov/mpuc/regulated-utilities/electricity/rfp-awarded-contracts/class1a2021

Initial prices range from 2.8 cents to 3.9 cents per kWh. Bidders estimate these additional projects will reduce greenhouse gas emissions by approximately 260,000 tons per year, create 175 full-time equivalent jobs during the construction phase and 14 full-time equivalent jobs in each year of the operations phase, and contribute millions of dollars to Maines economy over the 20-year contract period.

The projects receiving an award were evaluated based on the following requirements and objectives, as required by statute: A weight of 70% given to benefits to Maine ratepayers; A weight of 30% given to benefits to the Maine economy resulting from the resource, including but not limited to: a. Capital investments; b. Payments for the harvest of wood fuel; c. Employment; d. Payments to a host community e. Excise, income, property and sales taxes paid; f. Purchase of goods and services; g. Avoided emissions resulting from operation of the resource.

**Net Energy Billing and Distributed Generation Procurement**

On July 1, 2021, the Legislature enacted *An Act to Amend State Laws Relating to Net Energy Billing and the Procurement of Distributed Generation*, P.L. 2021 Ch. 390 (LD 936). This Legislation amended section 3482(1) of Title 35-A to provide that the Commission "may not procure distributed generation resources in the shared distributed generation and commercial or institutional distributed generation market segments using the targets and procurement

methods described in this chapter." In light of this legislation, the Commission suspended the Procurement Announcement in Docket No. 2021-00108.

One aspect of this law that is generating significant attention at the Commission is the provision (added as 35-A M.R.S. §3209-A(7)) allowing all developers who are unable to meet the law's eligibility requirements to petition the Commission for a good-cause exemption due to external delays outside of the entity's control.

On July 21, 2021, the Commission issued a Notice Regarding Amendments to the NEB Law to address inquiries regarding how certain provisions in the legislation will be interpreted and how requests for relief will be handled. The Notice clarified that interested persons may file requests for advisory rulings and confirmed the Commission will conduct fact-findings to determine whether petitioners could reasonably have been expected to meet the requirements of the statute without external delays. The Commission also developed a process to accept DEP and other permitting certifications. The Commission is currently aware of 29 projects seeking a good cause exemption and is considering each on a case-by-case basis.

Commercial NEB Projects account for approximately 60% of total NEB costs. Pursuant to 35-A M.R.S. § 3209-B(5) "The tariff rate must equal the standard offer service rate established under section 3212 that is applicable to the customer receiving the credit plus 75% of the effective transmission and distribution rate for the class that includes the smallest commercial customers of the customer's investor-owned transmission and distribution utility."

The Commercial Tariff with impact of new standard offer rates is as follows:

- CMP: 12.5 cents/kwh to about 19.3 cents/kwh
- Versant: 14.3 cents/kwh to about 21.3 cents/kwh

**Grid Modernization**

The Commission initiated an investigation in Docket No. 2021-00039 regarding the design and operation of Maine's electric distribution system. The Commission engaged a consultant to conduct a comprehensive examination, particularly with respect to system design and operation to accommodate Distributed Energy Resources (DER), electrification in certain end-use sectors such as heating and transportation, and other potential changes.

The consultants are Electric Power Engineers (EPE) and GridStrategies, LLC. EPE's examination will focus on the engineering and technical aspects of the Investigation and GridStrategies will focus on stakeholder issues. Among the confirmed stakeholders are the Chairs and Leads of the EUT Committee, AARP, Aroostook Energy Association, Conservation Law Association, Eastern Maine Electric Cooperative, Governor's Energy Office, Efficiency Maine Trust, Industrial Energy Consumer Group, ISO-New England, Maine Renewable Energy Association, Northern Maine Independent System Administrator, and Revision Energy. Several additional stakeholders have been invited to participate, including the Office of the Public Advocate and the Chamber of Commerce. The focus is on the distribution systems of Maine's Investor-owned T&D Utilities, CMP and Versant Power. This work is expected to be completed in the first part of 2022.

**Northern Maine Renewable Energy and Transmission Project RFP**
During its 2021 session, the Legislature enacted an Act To Require Prompt and Effective Use of the Renewable Energy Resources of Northern Maine, P.L. 2021, Chapter 380 (Act). The purpose of the Act is to "remove obstacles to the use of and to promote development of the substantial renewable energy resources in northern Maine".

The Act directs the Commission to approve a contract or contracts for selected transmission line and generation proposals.

In November 2021, the Commission issued a Request for Proposals for development and operation of a high voltage transmission line and qualified renewable energy generation projects to transmit electricity from Northern Maine to the Independent System Operator of New England (ISO-NE) system.

**Electricity Maine**
In February 2021, the Commission finalized its ongoing investigation of Electricity Maine, in which the company engaged in conduct in violation of 35-A M.R.S. § 3203 and Chapter 305 of the Commission's Rules, both of which govern the retail competitive sale of electricity in Maine. The Commission ordered a penalty of $500,000 and revoked Electricity Maine's authority to engage in door-to-door marketing. The Commission also revoked for one-year Electricity Maine's authority to conduct marketing via phone or internet.

The Commission has discretion as to how administrative penalty funds are used. Given ongoing concerns about door-to-door marketing activities by CEPs and others, as well as customer confusion about who is providing electricity supply, the Commission directed Staff to explore ways that these administrative penalty funds can be used to support customer education on the issues brought to light in the Electricity Maine case. The Commission has engaged the services of Broadreach Public Relations and its partners to conduct a survey of electric utility customers' understanding of electric supply options. The Commission and Broadreach will utilize the market research findings to develop and execute a public information and outreach campaign.

## REGIONAL MATTERS

The Commission participates in electricity-related regional and national matters in four ways. First, the Commission participates directly in electricity market rule development and transmission system and reliability planning at stakeholder meetings of the ISO-NE and participates as a party in proceedings at the FERC.

Second, the Commission may join other state commissions in participating in federal advocacy, through the National Association of Regulatory Utility Commissioners (NARUC) or the New England Conference of Public Utility Commissioners (NECPUC).

Third, the Commission Chair currently represents Maine on the New England States Committee on Electricity (NESCOE), established by FERC to advise and advocate on behalf of the six New England states in RTO issues.

Finally, individual commissioners participate in regional and national activities (such as the Regional Greenhouse Gas Initiative) and various committees of NARUC that may have an impact on utilities or utility customers in Maine. The Chairman serves on the RGGI Board of Directors and its Executive Committee. Summarized below are the major regional matters that the Commission was involved in during 2021.

**The Future Grid**

The retirement of aging fossil and nuclear-fueled power plants, rapidly advancing and commercialization of renewable generation and energy storage technologies, and aggressive low-to-no carbon public policies are spurring a nation-wide reexamination of the electric power industry. In New England, Maine's Governor joined four other New England governors in calling for a revised partnership with ISO-New England to help advance State policies. The Governors' Statement is available at: (http://nescoe.com/wp-content/uploads/2020/10/Electricity_System_Reform_GovStatement_14Oct2020.pdf).

The Governors' statement was followed closely by a more detailed "Vision Statement" by NESCOE, calling for significant changes in three core segments of New England's energy system: Wholesale Electricity Market Design, Transmission System Planning, and ISO-NE Governance.

Read the Vision Statement at this link: (https://nescoe.com/resource-center/vision-stmt-oct2020/#:~:text=October%202020%20%E2%80%93%20The%20New%20England,system%3A%20Wholesale%20Electricity%20Market%20Design).

Finally, ISO-NE and the NEPOOL stakeholders are involved in an in-depth examination of how electricity market rules and transmission planning may need to adapt to the changing grid. A summary of these efforts can be found on the ISO webpage: https://www.iso-ne.com/committees/key-projects/new-englands-future-grid-initiative-key-project/. In addition, ISO-NE in coordination with the states has contracted with the Electric Power Research Institute (EPRI) to examine the impacts of extreme weather on the New England grid. The Commission is extensively involved in each of these efforts.

## ELECTRIC RESTRUCTURING ACTIVITY IN OTHER STATES

The Restructuring Act directs the Commission to report activities in other states associated with changes in the regulation of electric utilities. Fully implemented restructured markets remain primarily concentrated in the northeast and mid-Atlantic states. State-by-state data are provided at this link:
http://www.eia.gov/electricity/policies/restructuring/restructure_elect.html

Data sources:
LMP data: https://www.iso-ne.com/isoexpress/web/reports/pricing/-/tree/monthly-lmp-indices
FCM data: https://www.iso-ne.com/about/key-stats/markets#fcaresults

## RENEWABLE PORTFOLIO STANDARD (RPS)

Several changes to Maine's renewable portfolio requirements were made in 2019, which included creating a new Class IA renewable resource portfolio requirement, a new thermal renewable energy resource requirement and applying a 300% multiplier to the output of generators fueled by municipal solid waste in conjunction with recycling in Class II. The Commission adopted routine technical changes in late 2019. The Class II 300% multiplier provision was a major substantive change and required legislative approval under 5 M.R.S. §§ 8071-8072. In compliance with these provisions, the Commission submitted the provisionally adopted rule to the Legislature for approval. On March 17, 2020, Resolve, Regarding Legislative Review of Portions of Chapter 311: Portfolio Requirement, a Major Substantive Rule of the Public Utilities Commission, became effective.

A 2020 rulemaking proceeding (Docket No. 2020-00212) resulted in changes to Chapter 311 to implement the new thermal energy credit portfolio requirement.

**Chart 6** provides the resource mix used by suppliers to meet the Class 1 RPS in 2020.

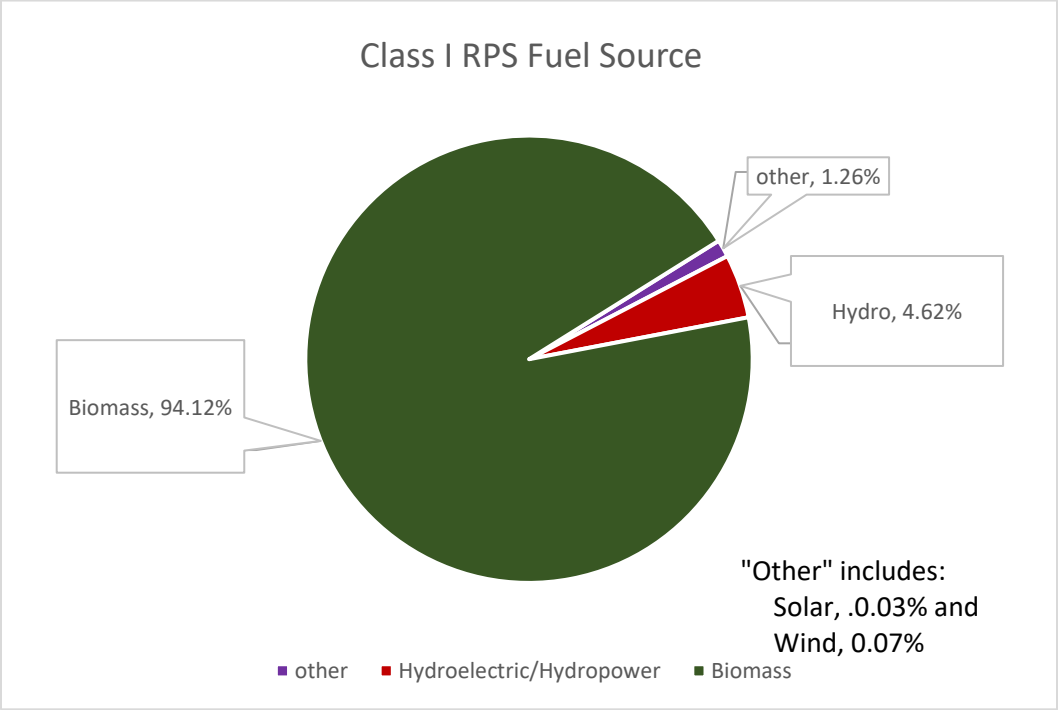
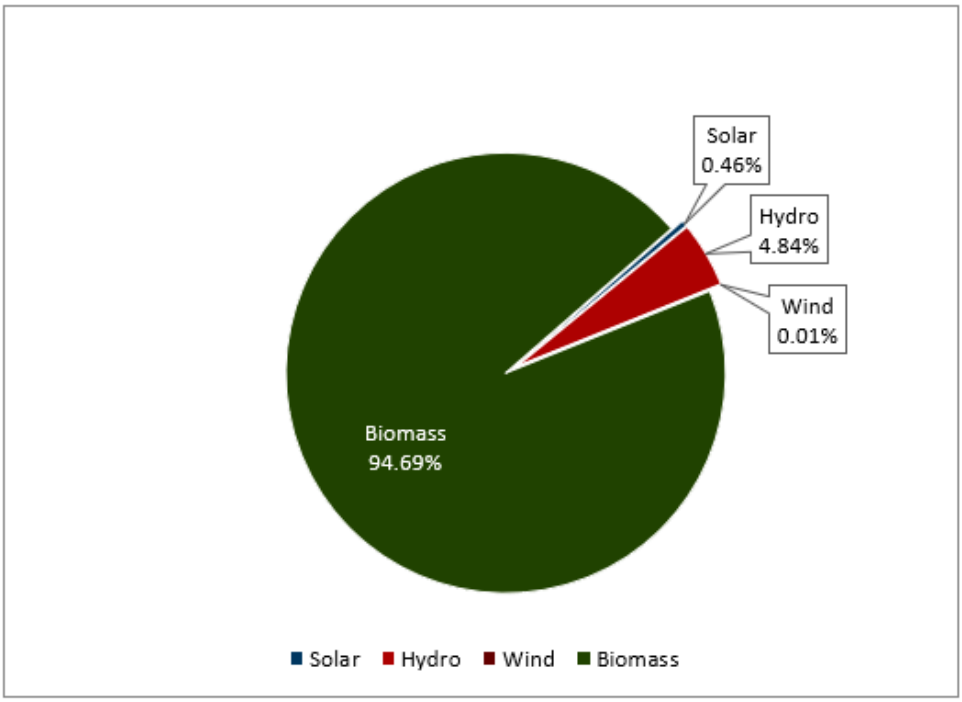


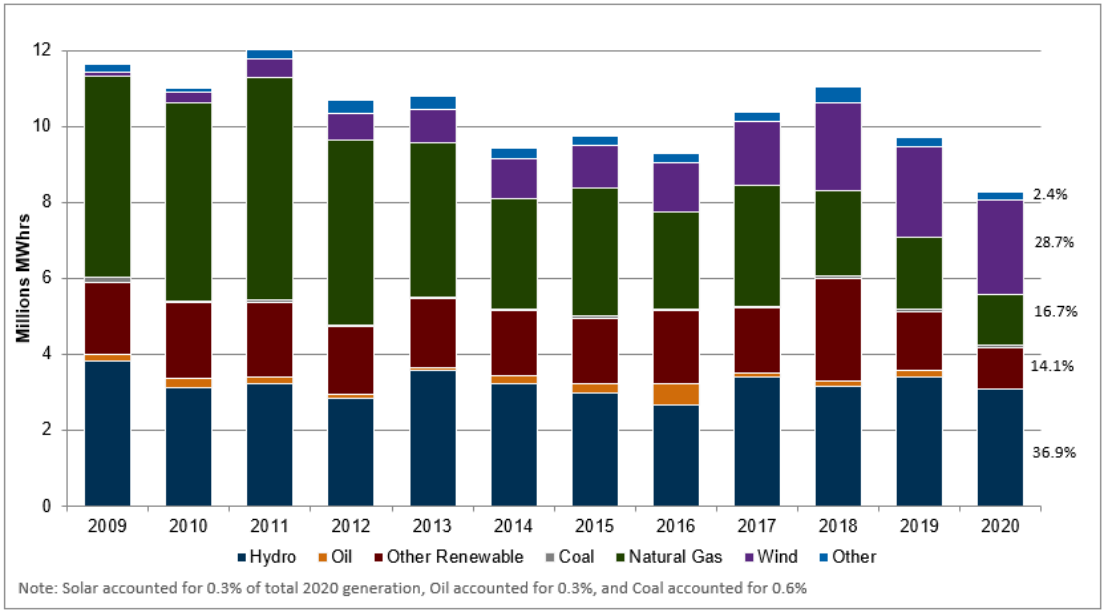
**Chart 7** provides the resource mix used by suppliers to meet the new Class 1A RPS in 2020.




**In-State Generation Resources**
There is approximately 4,500 MW of generating capacity located in Maine. These plants operate in response to the ISO New England's dispatch instructions which may require them to operate at full output or not at all. A complete list of generating plants in Maine is available through:

ISO-NE: http://www.iso-ne.com/genrtion_resrcs/snl_clmd_cap/index.html
NMISA: http://www.nmisa.com/

**Chart 8 – Electricity Generation by Fuel**




The fuel sources of electricity produced in Maine in 2020 (the most recent EIA data available) are shown in Chart 8 above. About 80% of electricity produced in Maine in 2020 came from renewable resources.

## RATE ADJUSTMENT MECHANISMS

The Commission is authorized by statute[8] to adopt rate adjustment mechanisms, such as multi-year rate plans and the decoupling of utility profits from sales through revenue reconciliation. Significant developments must be included in the annual report.

CMP is operating under a rate adjustment mechanism through which its rates are adjusted annually through a revenue decoupling mechanism and a provision to reflect costs of significant weather events. These rate adjustment mechanisms were approved by the Commission in June 2016. In the pending CMP rate case discussed above, the Commission is considering changes to certain provisions of CMP's rate adjustment mechanism.

On October 18, 2021, as part of Versant's Distribution Rate Case, the Commission approved establishment of a revenue-decoupling mechanism (RDM) and determine that the ratemaking treatment of the impact of the net energy billing kilowatt-hour credit program will be determined in a separate investigation that was ordered to be opened promptly upon closure of this docket. Versant's first RDM adjustment filing will be April 1, 2023.

[8] 35-A M.R.S. § 3195

# 6. NATURAL GAS

## THE NATURAL GAS INDUSTRY IN MAINE

Natural gas service in Maine is comprised of delivery and supply service. Local delivery service is provided by Maine local distribution companies (LDCs) at rates and terms regulated by the Commission. Interstate pipeline companies provide transportation of natural gas from supply producing regions, such as Canada and the Marcellus Shale, at rates and terms regulated by the FERC. Natural gas supply is provided for some customers by an LDC and for others by non-utility suppliers or marketers. Business customers have the option of purchasing their gas supply from a non-LDC supplier or marketer.

Prices for supply from the LDCs are set by Commission-approved cost-of-gas charges, which reflect the actual costs incurred by an LDC for natural gas as well as for upstream transportation and storage arrangements. The supply prices of non-utility suppliers and marketers are not regulated.

The Commission also regulates sales, acquisitions or mergers among corporations owning LDCs doing business in the State. In addition, the Commission oversees the safety aspects of LDC operations and facilities and certain propane facilities (See Section 8). Finally, in areas of the natural gas industry where federal agencies have jurisdiction over issues that affect Maine consumers, the Commission actively monitors federal proceedings and participates as warranted.

There are four natural gas LDCs authorized to provide service in Maine. Northern Utilities, Inc. d/b/a Unitil (Northern) serves customers in the south-central Maine area, primarily in greater Portland/South Portland/Westbrook, greater Lewiston/Auburn, Biddeford/Saco and Kittery. Maine Natural Gas Corporation serves customers in the Windham, Gorham, Brunswick, Freeport, Bath, Topsham and Augusta areas. Bangor Gas Company, LLC serves customers in the greater Bangor area. Summit Natural Gas of Maine (SNG-Maine or Summit) serves customers in the Kennebec Valley area as well as in the municipalities of Yarmouth, Cumberland, and Falmouth.

Table 5 below provides a summary of how many customers each LDC has served over a period of five years. The chart is based on the average number of customers each year.

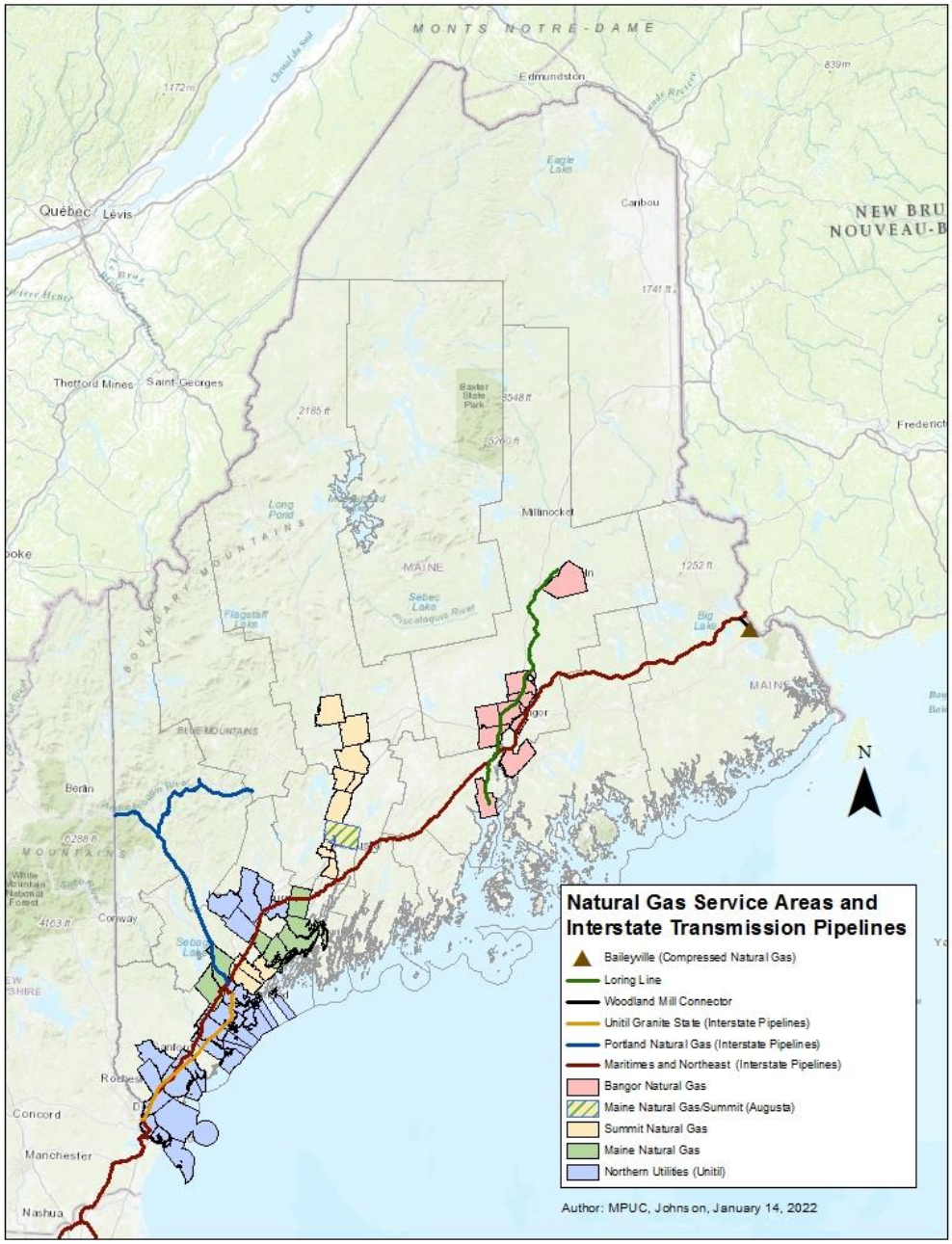
**Table 5 - Natural Gas LDC Customers[9]**

| Company | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Bangor Natural Gas | 6,003 | 6,260 | 6,505 | 6,899 | 7,226 |
| Maine Natural Gas | 4,485 | 4,645 | 4,831 | 5,003 | 5,201 |
| Summit Natural Gas | 2,579 | 3,136 | 3,504 | 3,545 | 3,893 |
| Northern Utilities | 31,209 | 31,633 | 32,199 | 32,871 | 32,135 |
| **Total** | **44,276** | **45,674** | **47,039** | **48,318** | **48,455** |

There are three FERC jurisdictional interstate pipelines with facilities located in Maine: Maritimes & Northeast Pipeline, Portland Natural Gas Transmission System (PNGTS), and Granite State Gas Transmission, an affiliate of Northern. Figure 3 below provides a map of the LDC service areas and interstate pipelines located in Maine.

[9] As of 2020, the utility annual reports were used as the source of this information, which may differ slightly from current customer numbers. These numbers are considered approximate for the purposes of this report.

**Figure 3-Natural Gas Pipelines and LDC Service Areas**




## MARKET TRENDS AND CONSUMER PRICES

In past years, New England wholesale natural gas prices have been volatile and have deviated significantly from the rest of the country, particularly during cold winter weather. This year in particular, natural gas prices have increased significantly due to high demand and other factors. This is consistent with increases in other energy sectors as well, including heating fuel and gasoline.

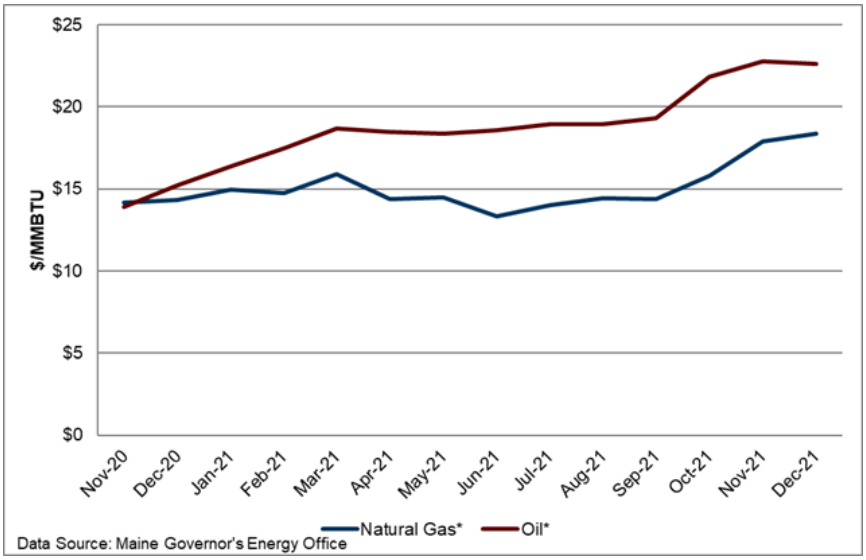
Table 6 below provides the current average retail residential natural gas rates for each of the four Maine LDCs, and a comparison to rates a year ago.

**Table 6 – Comparison of LDC Residential Rates**

| Local Distribution Company | 2020 Rates ($/dth)* | | | % Change from 2018* |
|---|---|---|---|---|
| | Distribution Rate | Cost of Gas Rate | Total Rate | |
| Bangor Natural Gas Company | $4.87 | $5.66 | $10.53 | -12% |
| Maine Natural Gas Company | $9.60 | $5.25 | $14.84 | -15% |
| Summit Natural Gas | $12.56 | $5.63 | $18.19 | -17% |
| Northern Utilities | $9.22 | $5.65 | $14.87 | -4% |
| * From LDC Annual Reports filed with MPUC. | | | | |

Chart 9 below provides a comparison of natural gas and home heating oil prices from November 2020 through December 2021.

**Chart 9 – Prices in Maine, Home Heating Oil vs. Natural Gas Delivered to the Home**




## MAJOR CASES, ISSUES AND PROCEEDINGS

### Bangor Natural Gas Reorganization

On January 25, 2021, Bangor Natural Gas (Bangor Gas) filed a petition requesting Commission approval of a proposed reorganization, pursuant to 35-A M.R.S. § 708, in which its managing owner, Hearthstone Utilities, Inc. (HUI), would be acquired by the Ullico Infrastructure Fund (UIF). In its petition, Docket 2021-00019 Bangor Gas requested approval of a transaction in which HUI and HUI's subsidiaries will become wholly-owned subsidiaries of Ullico Infrastructure Hearthstone Holdco, LLC (UIHH), a corporation created by UIF for the specific purpose of acquiring the intermediate holding company parent of Bangor Gas, GEP Bison Holdings, Inc. (GBH) and its subsidiaries.

Bangor Gas and the Office of the Public Advocate, the only parties to this proceeding, filed a Stipulation. The Parties provided Staff their proposed Stipulation for comment prior to filing it with the Commission. Staff did not object to approval of the proposed Stipulation. The memorandum supporting the Stipulation stated that the Stipulation will provide immediate and long term qualitative and quantitative benefits to ratepayers.

The Commission's Order concluded that the Stipulation provides a number of qualitative benefits that show the reorganization is in the interest of ratepayers. In particular, the enhanced protections and commitments regarding the effects of the large amount of acquisition debt, limitations on dividends, costs associated with the reorganization, and local control, directly address the financial, rate increase, and governance risks of the proposed reorganization and thereby address the statutory requirements that the Commission find net benefits. The commitments to maintain compliance with previously-approved service quality standards (with penalties), prior ring-fencing and regulatory commitments, new financial and affiliate reporting, as well as acknowledgement of the Commission's authority to modify its approval in this proceeding based on the final orders issued in other jurisdictions, if warranted, also contribute to regulatory and service continuity that is in the interest of ratepayers.

**Bangor Natural Gas Rate Case**

On January 29, 2021, Bangor Gas Company filed a Notice of Intent to file for an increase in its natural gas delivery rates. Bangor Gas intended to request an increase of $2.9 million in its natural gas delivery revenues (an overall 24.2% increase), which would have produced a 43.8% increase in monthly delivery rates for the average residential customer. Bangor Gas based its proposed increase on a return on equity of 10.85%. The Company has been operating under an Alternative Rate Plan since 2014 and was requesting the establishment of cost-based rates, to include new commercial rates for customers taking either sales or transportation service.

On December 17, 2021, pursuant to MPUC Rules, ch. 110, § 8(E)(1),1 Bangor Gas submitted a voluntary withdrawal of its petition for a rate increase. In its withdrawal, among other things, Bangor Gas maintained that because no final Commission order would be issued in this docket, no rate case filing stay would be triggered by the Commission's Order approving the stipulation in Bangor Natural Gas Company, Application for Approval of Reorganization Sale of GEP Bison Holdings to Ullico Infrastructure Hearthstone Holdco & Request for Limited Exemption for Incidental Creation of Potential Affiliated Interest Pursuant to 35-A M.R.S. §§ 707, 708, Docket No. 2021-00019, Order Approving Stipulation and Reorganization at 24-25 (July 28, 2021). Nonetheless, the Company stated that it would honor a voluntary stay out for a period of three years from the date of its letter of withdrawal. To the extent that there may be disagreement with Bangor Gas about its interpretation of the reorganization case stay-out condition, that issue would properly be the subject of Docket No. 2021-00019. It is not further addressed in this docket.

**Unitil CIS Investigation**
Northern Utilities, Inc. d/b/a Unitil, implemented a new customer information system (CIS) over a period of several years. In July 2019, Northern filed a request under 35-A M.R.S. § 307 for an increase in its base rates that included $36.8 million for this CIS. In its decision, the Commission could not find that the utility had met its burden to show that the investment was prudent, and thus allowed only a portion of the full cost in rates. To help fully address the question of whether the implementation was prudent, the Commission initiated an audit of the implementation under 35-A M.R.S. § 113.

The audit, conducted by Liberty Consulting, examined all aspects of Unitil's CIS implementation and is being used to provide a basis upon which the Commission may decide the prudence of these expenditures. This case is expected to conclude over the next few months.

**Bangor Gas Supply Procurement Audit**
On November 19, 2020, the Commission initiated a summary investigation, pursuant to 35-A M.R.S. § 1303(1)(C), to examine the gas supply resource procurement and management practices of three natural gas distribution utilities – Bangor Gas, Maine Natural Gas Company, and Summit Natural Gas Company of Maine, Inc. – to take place sequentially over a period of three years.

After reviewing responses to a Request for Proposals, the Commission selected and retained The Liberty Consulting Group (Liberty) to conduct the remaining audits, beginning with Bangor Gas. Liberty delivered its final report regarding Bangor Gas to the Commission on December 14, 2021.

The Commission issued a procedural order seeking comments on the report by January 28, 2022, as well as any suggested further processfor consideration of the Report, its recommendations, or to follow- p on Bangor Gas's actions to implement the recommendations in this Report. The Commission expects to schedule a conference for Liberty's presentation of the Report at a future date.

## 35-A M.R.S. § 4706 REQUIRED REPORTING

**Alternative Rate-Making Mechanisms**
The Commission is authorized by statute[10] 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 adopt multi-year ratemaking plans with mechanisms for future rate changes, reconcile costs and revenue, index revenues or rate changes, establish financial incentives, streamline regulation or deregulate services when not required to protect the public interest, approve rate flexibility programs and modify cost-of-gas adjustment requirements. The Commission must report any significant developments with respect to action or proposed action by the Commission in its annual report.

[10] 35-A M.R.S. § 4706

In 2016, the Commission approved alternative rate plans for Augusta and Non-Augusta customers of Maine Natural Gas. Summit Natural Gas Company and Bangor Natural Gas Company continued to operate pursuant to previously established multi-year rate plans, however Bangor Gas' ARP was set to expire at the end of 2021. The Company's withdrawal from its rate case raised questions about the effect of the expiration of its ARP. Bangor Gas and interested parties submitted comments on January 7, 2022 in the matter. The Commission is currently reviewing the information the comments and will then determine next steps.

**Low-Income Assistance Programs**

Section 4706-B requires the Commission to report on low-income assistance programs offered by LDCs. In 2021, Northern Utilities continued to provide a discount of 30% of total service charges to low-income residential customers. Maine Natural Gas and Bangor Gas continued to provide qualifying, low income customers with a 28% discount on delivery charges (excluding the cost of gas). Summit Natural Gas recently filed a request to create a low-income assistance program that would also have a 28% discount on delivery charges. That case is currently pending with the Commission. Summit also continues to offer higher levels of conversion incentives to low-income residential customers.

# 8. GAS SAFETY

## GAS SAFETY REGULATION AND ENFORCEMENT IN MAINE

The Commission regulates natural gas service reliability and ensures compliance with safety standards for 1,382 miles of natural gas distribution mains, 84 miles of intra-state transmission pipelines (including the five-mile private pipeline operated by Woodland Pulp, LLC), and 39,485 services. These facilities were in service throughout Maine as of December 31, 2020, as noted in the operators' annual reports to the U.S. Department of Transportation's Pipeline and Hazardous Material Safety Administration (PHMSA) filed March 15, 2021. In addition, the Commission enforces safety standards for approximately 590 Liquid Propane Gas (LPG) distribution facilities that provide LPG service to multi-unit housing complexes, commercial buildings, and other facilities where LPG system failures would likely impact large numbers of people.

The Commission derives its authority for safety oversight from both state and federal laws. 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 and intrastate transmission facilities within the State.

The Commission is also a certified agent for PHMSA. In this role, the Commission ensures that intrastate natural gas transmission and distribution systems comply with federal pipeline safety standards and corresponding state regulations through operator inspections. Additionally, the Commission investigates natural gas safety incidents and pursues enforcement actions for violations of the federal or state safety regulations.

PHMSA conducts annual evaluations of the pipeline safety programs for all states which have agency certification. PHMSA's 2021 evaluation, for calendar year 2020, resulted in a score of 98.5% for the Commission's pipeline safety program. This follows six years in a row that Maine's program received perfect scores. The staff strives to improve the program's score based on feedback provided by the PHMSA evaluation.

PHMSA requires that each certified state actively participate in the National Association of Pipeline Safety Representatives (NAPSR). The Commission's Gas Safety Manager served a three-year term as NAPSR's Treasurer, and as Secretary, Vice-Chair, Chair, and Past Chair from 2016 through 2020. The Gas Safety staff is currently active on multiple NAPSR and PHMSA/NAPSR committees. In addition, all State and Federal Pipeline Safety Inspectors are required to complete an extensive training program at PHMSA's Training and Qualification Center in Oklahoma City. One of the Commission's Gas Pipeline Safety Inspectors is an Associate Instructor in PHMSA's Welding and Welding Inspection Course.

In 2021 the gas safety staff spent 265 inspection person days conducting inspections and compliance audits of LPG and natural gas facilities (see explanation of "inspection person days" in the footnote to Table 7 below). The purpose of the inspections and audits was to determine whether operators complied with the design, construction, operating, and maintenance requirements of the Commission's safety rules and federal regulations. Approximately 89 inspection days were devoted to LPG operations and 176 inspection days

involved natural gas operations. Table 7 below shows the various types of inspections completed by the gas safety staff over the past five years.

**Table 7 – Natural Gas and Propane Inspection Data**

| | Inspection Person Days* | | | | |
|---|---|---|---|---|---|
| **Inspection Type – Natural Gas** | 2017 | 2018 | 2019 | 2020 | 2021 |
| Operating Procedures & Records | 46.5 | 46 | 32 | 37.5 | 50.5 |
| Construction & Related Records | 88 | 77 | 102 | 74 | 53 |
| Integrity Management Programs | 1 | 3 | 8 | 10 | 6.5 |
| Operator Qualification Programs | 25 | 19 | 12 | 16.5 | 13 |
| Accident or Incident Investigations | 1 | N/A | N/A | N/A | N/A |
| Damage Prevention | 7.5 | 8 | 1.5 | 4.5 | 5.5 |
| Public Awareness Programs | 4.5 | 7 | 1.5 | 6 | 12 |
| Drug & Alcohol Testing Programs | 1.5 | 8 | 1 | 1.5 | 6.5 |
| Compliance Follow-Up | 19.5 | 24 | 17 | 32 | 23.5 |
| Operator Training | 5.5 | 4 | 0.5 | 2 | 6 |
| **Inspection Type - Propane** | | | | | |
| Procedures & Records | 43 | 46 | 36 | 27 | 75.5 |
| Operator Qualification Programs | N/A | 1 | N/A | 3 | ** |
| Accident or Incident Investigations | N/A | 3 | N/A | 1.5 | N/A |
| Integrity Management Programs | N/A | N/A | N/A | N/A | ** |
| Damage Prevention | N/A | N/A | 1 | 1 | 0.5 |
| Compliance Follow-Up | 5 | 17 | 7.5 | 15.5 | 3 |
| Operator Training | 3 | 3 | 1 | 3 | 10 |
| # of Facilities Inspected (not Inspection Person Days) | 143 | 149 | 106 | 94 | 88 |

* An “inspection person day” is defined by PHMSA as all or part of a day spent by pipeline safety staff in on-site evaluation of an operator’s system to determine compliance with Federal or State pipeline safety regulations; or in on-site investigation of a pipeline incident; or in training of an operator.

** Integrity Management and Operator Qualification inspections were conducted in conjunction with inspections of the Operating and Maintenance Procedures and Records.

Many of the LPG inspections conducted in 2021 resulted in required corrective actions to bring facilities, procedures, or record keeping into compliance. Most of these corrective actions were handled through informal proceedings, without notices of probable violations (NOPVs) or civil penalties. However, NOPVs were issued to two LPG operators in 2021:

- Failure to follow company procedures and failure to ensure personnel were properly qualified. Recommended penalty: $7,000; and
- Failure to have and follow company procedures, failure to ensure personnel were properly qualified, and failure to register facilities with the MPUC. Recommended penalty: $10,000.

Inspections of natural gas operators also resulted in some required corrective actions which were handled through informal proceedings. However, one NOPV was issued to a natural gas operator in 2021:

- Failure to expose existing underground facilities and provide adequate clearance between those facilities when installing natural gas facilities by trenchless technology. Recommended penalty: $25,000.

On November 29, 2021, the Commission approved a Consent Agreement with Summit Natural Gas of Maine to close out a December 21, 2017 NOPV for failure to expose an existing underground facility and provide adequate clearance between that facility when installing natural gas facility by trenchless technology. The Consent Agreement, which followed an extensive review of field conditions and records by Summit, included a penalty of $150,000.

**2021 Construction**

The four natural gas utilities in Maine added a total of 30.9 miles of new mains and 1,402 new services. A breakdown, by utility, is shown in Table 8.

**Table 8 - 2021 Natural Gas Expansion**

| Utility | Mains (miles) | | Number of Services | |
|---|---|---|---|---|
| | Added in 2021 | Total Installed | Added in 2021 | Total Installed |
| Bangor Natural Gas | 11.9 | 342.7 | 360 | 7,018 |
| Maine Natural Gas | 5.9 | 231.0 | 175 | 5,103 |
| Summit Natural Gas of Maine | 11.1 | 234.1 | 425 | 5,108 |
| Unitil (Northern Utilities) | 2.0 | 604.7 | 442 | 23,658 |
| **Totals:** | **30.9** | **1,412.5** | **1,402** | **40,887** |

The expansion information in Table 8 was provided by each utility. Total mains and services were calculated by adding each utility's stated 2021 expansion to the length of main and services they reported in their Gas Distribution System Annual Report to the Pipeline and Hazardous Materials Safety Administration for Calendar Year 2020.

**Cast Iron and Bare Steel Replacement Program**

In 2010, the Commission approved a 14-year replacement program for Northern Utilities' cast iron and bare steel facilities. The program is intended to improve the safety of the system and increase capacity to serve the Portland area.

In 2021, Northern retired 9.15 miles of cast iron main, 1.24 miles of bare/unprotected steel main, and 0.72 miles of plastic pipe on its low-pressure system. The cumulative totals are: 45.62 miles of cast iron retired, 12.21 miles of bare/unprotected steel retired, and 10.47 miles of plastic pipe retired.

In 2010, approximately 70 miles of cast iron and 10.1 miles of bare steel mains were identified for replacement. Since then, an additional 2.6 miles of bare steel was discovered, bringing the total to 12.6 miles of bare steel to be replaced. In 2021, Northern expected to retire an additional 10.89 miles of cast iron and bare/unprotected steel mains.

# 9. DIG SAFE

## UNDERGROUND FACILITY DAMAGE PREVENTION AND ENFORCEMENT

The Damage Prevention section of the Consumer Assistance and Safety Division (CASD) is charged with enforcing Maine's underground facilities damage prevention law, called "the Dig Safe Law" (23 M.R.S. § 3360-A). This law is intended to prevent damage to underground utility facilities such as gas lines, water lines, or underground telecommunications and electric cables resulting from excavation.

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. Most facility operators, such as large utilities, can be notified using the Dig Safe System. Excavators can access the Dig Safe System online at www.digsafe.com, or by calling 1-800-DIGSAFE or 811.

Excavators must also notify facility operators who are not members of the Dig Safe System, such as municipalities and smaller utilities. To help excavators identify the non-member operators that own underground facilities near their intended excavation site, the Commission maintains the OKTODIG program, a database of non-member operators. Excavators can access this program by calling 1-800 OKTODIG or online at ww.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 Dig Safe law and Chapter 895, the Commission performs regular training programs. The Commission also provides public education materials on its website to improve awareness among private property owners of the importance of preventing damage to underground facilities.

In 2017, the U.S. Department of Transportation's Pipeline and Hazardous Material Safety Administration (PHMSA) began evaluating States' damage prevention programs to determine whether each State adequately enforces its damage prevention laws and regulations. A finding of "inadequate" enforcement by PHMSA could result in PHMSA enforcement of Federal Damage Prevention standards in that state and the state losing a portion of its Gas Safety Program funding. PHMSA completed its review of Maine's Damage Prevention Program in July of 2021 and for the third year in a row the Program received a perfect score.

## INDUSTRY TRENDS

A review of Table 9 below shows that the overall number of damage incidents experienced in 2021 decreased from 2020, with most incidents involving telecommunications facilities. This figure also includes some miscellaneous incidents which is why the subcategories do not add to the total.

The Commission conducts an on-site investigation for each incident as soon as possible, in many cases on the same day, to determine the cause of the incident and to assess the risks to people and underground facilities. Based on this investigation, the Commission determines any appropriate response to the incident, such as training or the assessment of a financial penalty for the violator.

**Table 9 – Summary of Dig Safe Activity**

| Metric | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Reported Total Incidents | 300 | 349 | 349 | 313 |
| Reported Electric Incidents | 59 | 74 | 47 | 58 |
| Reported Gas Incidents | 62 | 60 | 39 | 54 |
| Reported Telecom Incidents | 110 | 80 | 88 | 68 |
| Reported Water Incidents | 22 | 45 | 30 | 33 |
| Reported Sewer Incidents | 10 | 13 | 30 | 24 |
| Reported CATV Incidents | 49 | 44 | 36 | 45 |
| Excavator Violations | 73 | 61 | 74 | 81 |
| Operator Violations | 85 | 78 | 118 | 59 |
| Penalties Assessed | $272,500 | $180,000 | $245,000 | $188,500 |
| Penalties Waived with Training | $27,500 | $20,500 | $42,000 | $40,500 |
| Penalties Not Waived | $245,000 | $159,500 | $203,000 | $148,000 |

**Public Awareness, Training and Education**

The Commission continues to strongly support and promote education and training to reduce and prevent damage incidents involving underground facilities and ensure the safety of residents and property located near those facilities. Maine's Underground Damage Prevention Rule (Chapter 895) allows the Commission to require an excavator or member operator who has violated the rule to attend an educational training program. Often, this training is offered in lieu of a financial penalty. In addition, the Commission encourages excavators and operators to periodically attend training sessions to ensure that they are up to date on the most recent technological and regulatory developments relating to underground facilities damage prevention.

The Commission also works with and supports training offered by the New England Committee of Managing Underground Safety Training (MUST), which includes Maine Dig Safe members, excavating contractors and underground facility location workers. Due to the Covid-19 pandemic, MUST suspended its 2021 training sessions. The Commission also conducts its own training sessions, both at the Commission's offices as well as by request at excavator and operator locations. In 2021, the Commission completed 12 different training sessions that were attended by 212 people.

**Public Outreach Campaign**

In the fall of 2021, The Commission worked with Broadreach Public Relations and its partners to develop two Dig Safe videos. One was targeted toward homeowners who may be engaging in do-it-yourself home projects to advise them that they need to call Dig Safe at

least three days prior to projects that involve digging when using mechanical devices, even if it is on private property. The second video targets excavators and their clients who are engaging in digging projects.

The videos are available at:
Excavators: https://vimeo.com/647859880
Homeowners: https://vimeo.com/665643772

Given the warmer weather and a seasonal uptick in digging projects heading into winter, a targeted campaign was launched in November using a mix of programmatically targeted digital, streaming TV and social media. The campaign delivered an estimated 134,000 impressions and 70,841 completed videos. Another campaign will launch in the spring when digging projects increase again.

# 10. WATER AND WATERBORNE TRANSPORTATION

## THE WATER INDUSTRY IN MAINE

The 152 water utilities in Maine include both investor and consumer-owned organizations. Consumer-owned water utilities are water departments or districts, which are municipal or quasi-municipal entities governed by municipal officials or elected or appointed boards of trustees. Water utilities, whether investor-owned or consumer-owned, are created by private and special laws (charters) enacted by the Legislature. These charters establish corporate (territorial) limits, grant powers, define authority and responsibilities and specify other provisions and criteria which govern the administration and operation of the water utility.

The Commission is charged with oversight of the rates and services of water utilities. In 2021, the Commission received 80 new water cases as compared to 90 in 2020. A variety of cases were processed by the Commission, including rate cases, issue of securities, revisions of non-rate-related terms and conditions, infrastructure surcharge filings, and other requests.

The Department of Health and Human Services' Drinking Water Program regulates water quality through the administration of the Federal Safe Drinking Water Act. The Department of Environmental Protection also oversees some water utility issues such as regulations protecting water sources.

## KEY EVENTS

### 2021 Drought

Over the past several years, drought conditions have directly impacted water utilities in Maine, including several small utilities like Stonington, Dover Foxcroft and South Berwick.

The Commission made emergency changes to its rules governing water utilities to allow utilities to take emergency or extraordinary measures to require conservation and other efforts if a drought becomes more severe or other supply emergencies develop.

### The Maine Water Company Rate Change

In March 2021, the Maine Water Company filed an Application for Rate Change Pertaining to the Biddeford & Saco Division (Division), requesting that the Commission approve a revised tariff schedule which represented an overall rate increase of 77.5%. The Company proposed that the rate increase be implemented over a three-year period. The proposed rate increase was made necessary due to the construction of a new water treatment facility to replace the existing facility which has been in service since 1884. The new facility is a significant investment for the Division and would result in an increase to rate base from approximately $32 million to $95 million.

In conjunction with the 77.5% rate increase, the Company proposed a "Rate Smoothing Mechanism" or "RSM" to "smooth" the bill impact of the rate increase, which would go into effect July 1, 2021. The Commission approved the RSM as well as an accounting order establishing a regulatory liability account in which to maintain funds collected through the

RSM surcharge, referred to as the Rate Smoothing Mechanism Account, or RSMA, after finding it was in the best interest of customers.

## INDUSTRY TRENDS

### Aging Water Infrastructure and Costs

Water utilities in Maine and across the Nation are confronted with the urgent need to replace water infrastructure that is at or will soon reach the end of its useful life. Much of the infrastructure currently used to deliver water service flows through pipes that were installed in response to growth and economic development in the late 1800s through the post-World War II period. A significant portion of system components, including piping, are becoming antiquated at approximately the same time.

The Maine Drinking Water Program estimates that over the next 20 years, an investment of approximately $1.3 billion is needed to fund water infrastructure replacement in Maine. The cost associated with replacing this infrastructure for water utilities nationally is estimated at $385 billion. In 2021, the Commission approved filings from water utilities related to infrastructure investment totaling almost $77 Million.

Water utilities can recover the cost of new infrastructure through rates over the life of the plant and consumer-owned water utilities are also able to include in rates the full debt repayment for such projects. However, water infrastructure is expensive and the pumping and treatment facilities necessary to serve a hundred customers are roughly the same cost as those needed to serve a thousand customers. Due to the cost and scope of water systems, replacement of water infrastructure can present significant financial challenges to water utilities and in some cases can drive substantial rate increases to water utility customers. Also, small water utilities run by volunteer boards and trustees are often reluctant to increase rates, compounding this challenge.

### Rate Adjustment Mechanism for Water Utilities

Statute provides that the Commission may establish or authorize a reasonable rate-adjustment mechanism to decouple water utility revenues from water utility sales through revenue reconciliation when changes in sales are due to a change in the number of customers or a change in the volume of consumption. Section 6102-A(2) requires the Commission to include in its annual report pursuant to § 120 rate information regarding any adjustments requested and those granted. No rate adjustment mechanisms were requested or granted in 2021.

### Waterborne Transportation in Casco Bay

Pursuant to 35-A, M.R.S., 5101-5111, and Chapters 510, 520, and 560 of the Commission's rules, the Commission regulates the provision of ferry, charter, water taxi, and unscheduled freight services between Peaks Island, Great Diamond Island, Little Diamond Island, Long Island, Chebeague Island, Cliff Island, and the mainland of Cumberland County.

No person, other than Casco Bay Island Transit District (CBITD), which was created by Private and Special Law 1981, c. 22, may provide ferry service within this regulated territory of Casco Bay without obtaining a certificate of public convenience and necessity from the

Commission. Further, no person may provide charter, water taxi, or unscheduled freight service within this regulated territory without obtaining authorization from the Commission.

The Commission did not receive any applications to provide charter, water taxi, and unscheduled freight services in Casco Bay in 2021. The Commission approved a CBITD request to implement a pass system that allowed early boarding for Island residents on a trial basis for the summer of 2021. Should the program prove successful CBITD is expected to seek approval to continue it going forward.

# 11. EMERGENCY SERVICES COMMUNICATION BUREAU

## 911 SERVICES IN MAINE

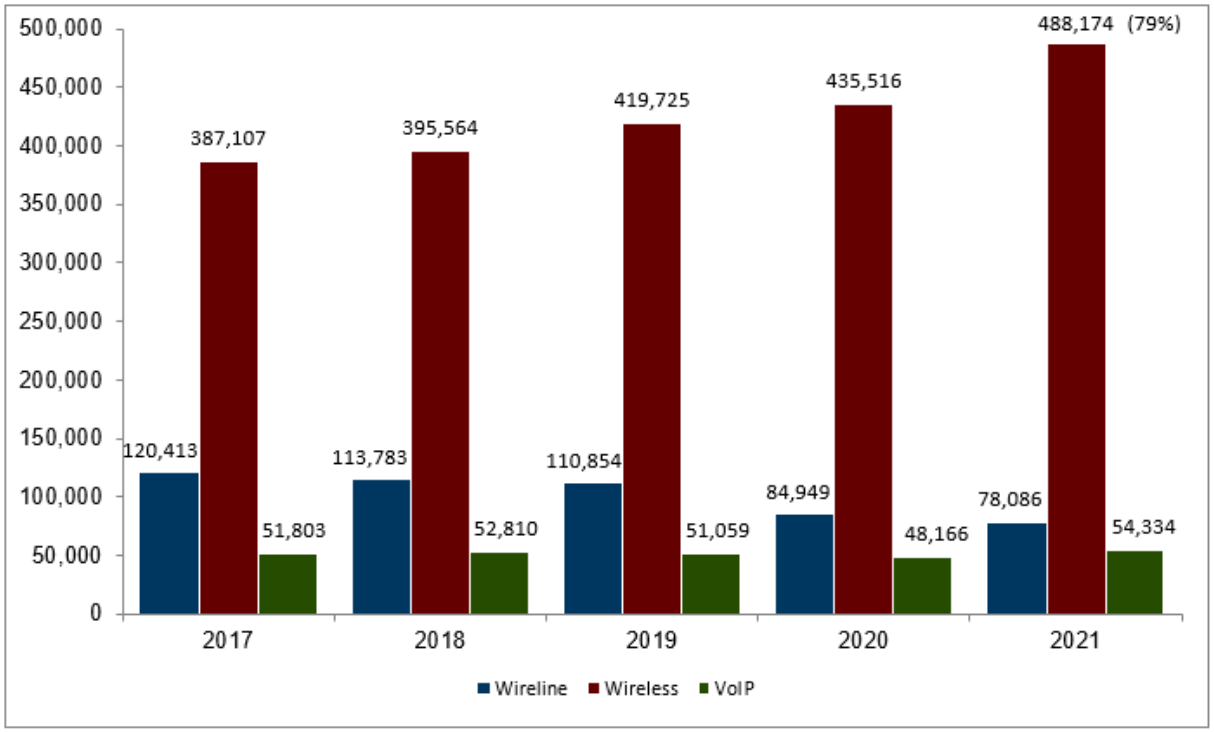
The Emergency Services Communication Bureau (ESCB) manages the statewide 911 system, which is the component of the emergency response system that delivers 911 calls and displays the telephone number and physical location of the caller at one of Maine's 24 Public Safety Answering Points (PSAPs). The ESCB is funded by the E911 surcharge which is assessed on all wireline, wireless (prepaid and postpaid) and VoIP service.

## INDUSTRY TRENDS

In Maine and the nation, wireless phones have accounted for the largest portion of payments of the E911 surcharge. Fees collected from wireline phones continue a downward trend. Overall, however, this program has adequate funding. The Commission will review the surcharge again in 2022 to determine the appropriate surcharge to meet operational needs and continue to spend down the reserve balance to an adequate level.

In 2021, 79 percent of all calls to 911 came from wireless phones. See Chart 10.

**Chart 10 - 911 Calls**



## KEY EVENTS

### 911 Crisis Response Services

In 2020, policy makers began discussing the benefits of crisis response services responding to certain calls to 9-1-1 rather than police, fire, or emergency medical services. Certain community programs or pilot programs are exploring this issue. Crisis response services means services offered to individuals experiencing mental health emergencies, emergencies relating to substance use disorder or other emergencies for which fire, emergency medical or police services are determined not to be required.

During the 2021 Maine legislative session, L.D. 1306, Resolve, To Facilitate the Inclusion of Crisis Response Services in Emergency Services Offered through the E-9-1-1 System, was enacted as Resolve 2021, Chapter 29. The Resolve directed the Commission to research and review protocols and procedures necessary to deliver crisis response services under the State's E-9-1-1 system and to submit a report on or before February 1, 2022 to the Legislature's Joint Standing Committee on Energy, Utilities and Technology outlining necessary protocols and procedures and including any recommendations needed to implement those protocols and procedures.

The Commission conducted a request for proposals to perform this work and has selected Mission Critical Partners, an industry leader in this field. Work has begun on this project and the Commission will involve all appropriate stakeholders as it conducts this important work.

### 911 System

In January 2020, the Commission executed an extension of the Next Generation 911 (NG911) contract with Consolidated Communications for an additional term that ends in 2025. The amendment provides for a system refresh of all hardware and software which was completed in January 2021.

In 2021, the Commission issued an RFP to hire a consultant to help define the future technical needs of the system after conducting a Next Generation maturity assessment of Maine's system. 9-1-1 Authority LLC was awarded the contract. An RFP for NG911 services reflecting these needs will likely be issued in late 2022.

### 911 Federal Grant

The Commission received a $680,741 Federal Grant from the U.S. Department of Transportation and Department of Commerce to improve 911 location information in Maine. Maine was one of 34 states to receive federal funding to advance the development of Next Generation (NextGen) 911 systems. The project involves bringing the underlying geographic information system up to current industry standards in order to more accurately route wireless 911 calls and locate callers. Funding is contingent on the State's ability to annually certify that it has not misappropriated 911 surcharge throughout the grant period. The Commission requested proposals from vendors to review and improve the Geographic Information System data currently used by the 911 system. DataMark was awarded the contract and began work in August 2020. The data is being reviewed on a PSAP-by-PSAP basis and is expected to be completed by March 2022. As of yearend, about 60% of the population is benefiting from the upgraded GIS data.

**Call Taker and Dispatch Training**
The ESCB offers a variety of courses to ensure that 911 call takers and dispatchers have all the necessary skills to handle emergency calls. The number of persons trained in most courses increased in 2021.The increases in students reflect the hiring and retention challenges being experienced at PSAPs across the state.

**PSAP Audits**
Annual audits are typically conducted in person at all 24 PSAPs. However, due to COVID-19, virtual audits were performed at all PSAPs. The purpose of the audits is to ensure laws, rules and required policies and procedures are followed and that any deficiencies identified previously were resolved.

The audit included operation or policy changes initiated as a result of the CoVID pandemic. PSAPs went into lockdown, requiring essential communication personnel only in their dispatch area. Cleaning practices were increased at the beginning and end of shifts. Some centers installed temporary partitions in between dispatch consoles.
ESCB rules require PSAPs to answer all calls in ten seconds or less 90% of the time. This data is measured on an annual basis. All but two PSAPs, Portland PD and Waldo RCC, met this requirement for 2021. See Table 10 below.

**Table 10 – 2021 PSAP Call Center Efficiency**

| PSAP | Incoming 911 Calls - 2021 | % Calls Answered ≤ 10 seconds | Avg Ring Duration (seconds) |
|---|---|---|---|
| Androscoggin RCC | 15,079 | 95.1% | 6 |
| Biddeford PD | 24,671 | 97.4% | 5 |
| Brunswick PD | 14,805 | 98.7% | 4 |
| Cumberland RCC | 37,211 | 92.7% | 6 |
| DPS Bangor | 11,385 | 96.9% | 9 |
| DPS CMRCC | 47,741 | 90.2% | 8 |
| DPS Houlton | 30,263 | 98.2% | 5 |
| Franklin RCC | 12,844 | 97.5% | 5 |
| Hancock RCC | 19,131 | 98.5% | 5 |
| Knox RCC | 15,297 | 97.5% | 5 |
| Lewiston Auburn RCC | 47,616 | 95.4% | 5 |
| Lincoln RCC | 15,958 | 99.0% | 3 |
| Oxford RCC | 27,285 | 98.5% | 5 |
| Penobscot RCC | 69,578 | 90.0% | 6 |
| Piscataquis RCC | 6,655 | 97.0% | 5 |
| Portland PD | 62,535 | 76.7% | 8 |
| Sagadahoc RCC | 14,412 | 99.3% | 3 |
| Sanford PD | 30,954 | 98.1% | 5 |
| Scarborough PD | 17,569 | 98.2% | 4 |
| Somerset RCC | 42,280 | 98.8% | 4 |
| Waldo RCC | 12,734 | 89.3% | 7 |
| Washington RCC | 12,130 | 98.0% | 5 |
| Westbrook RCC | 16,604 | 97.7% | 4 |
| York PD | 15,857 | 95.5% | 5 |
| **Total Calls** | **620,594** | 93.6% | **6** |

# 12. CONSUMER ASSISTANCE

The Consumer Assistance section of the Consumer Assistance and Safety Division (CASD) is the Commission's primary link with utility customers. The CASD 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 CASD is responsible for educating the public and utilities about consumer rights and responsibilities and other utility-related consumer issues, for investigating and resolving disputes between consumers and utilities, and for evaluating utility compliance with State statutes, Commission rules and the utility's Terms & Conditions for service. The Commission also uses information about consumer contacts with the CASD and other CASD data as a basis for enforcement actions, Commission investigations and in other Commission proceedings.

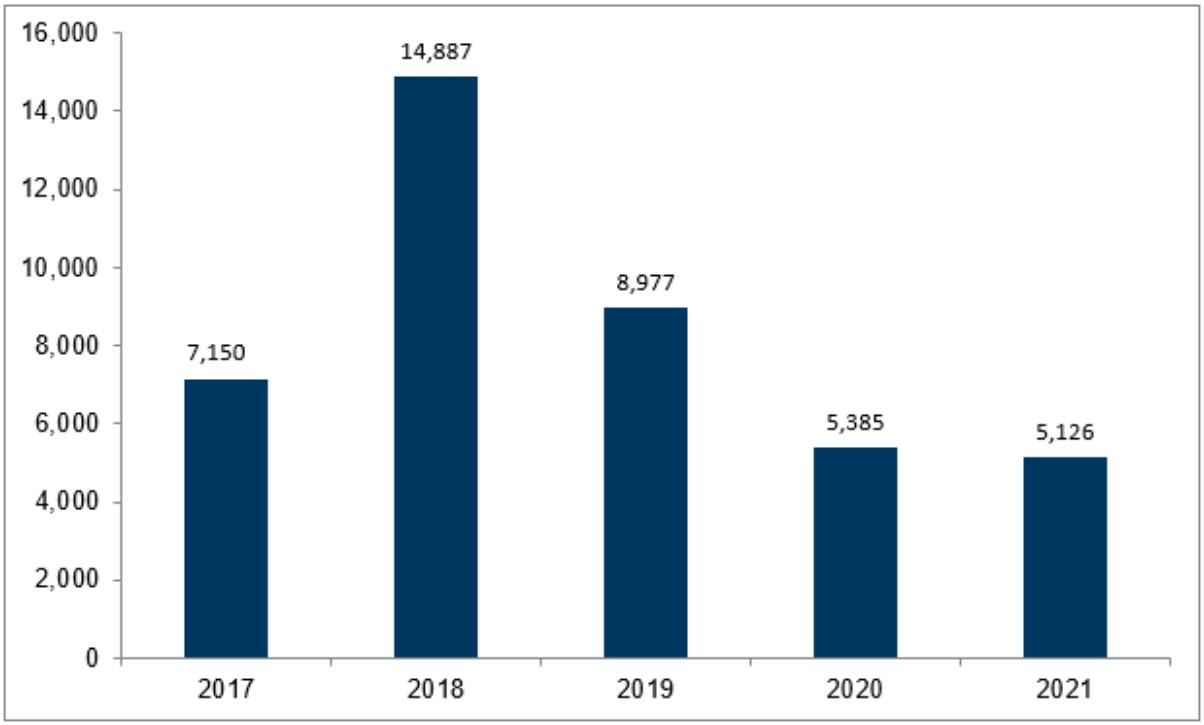
**Public Education**

Due to the ongoing challenges of the pandemic as well as the rising cost of energy and the ongoing complaints surrounding Maine's Investor-owned electric utilities, the Commission has worked to provide information regarding consumer assistance programs and customer choices via social media. In October, a market research survey was conducted to provide key insights and information on electric utility customer thinking, understanding and behaviors related to electricity, suppliers, usage, needs, confusion, etc. to better develop a targeted customer education campaign about electricity supply choice. The Commission is working to develop a customer education campaign to begin in 2022.

**CASD Contacts**

The CASD tracks its contacts with both consumers and utilities, as detailed in Chart 11 below. Contacts take several forms, such as the general 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 utility requests for waivers of Commission rules. The CASD recorded 5,126 consumer contacts in 2021, as compared to 5,385 consumer contacts in 2020.

**Chart 11 – CASD Contacts 2017 – 2021**




**Consumer Complaints**

As shown in Chart 12 below, the CASD received 830 complaints in 2021. This is an increase over the 759 complaints received in 2020. The number of complaints received in 2020 was lower than normal due to the disconnection moratorium that was in place most of that year due to the Covid-19 pandemic.

**Chart 12 - Consumer Complaints 2017 – 2021**

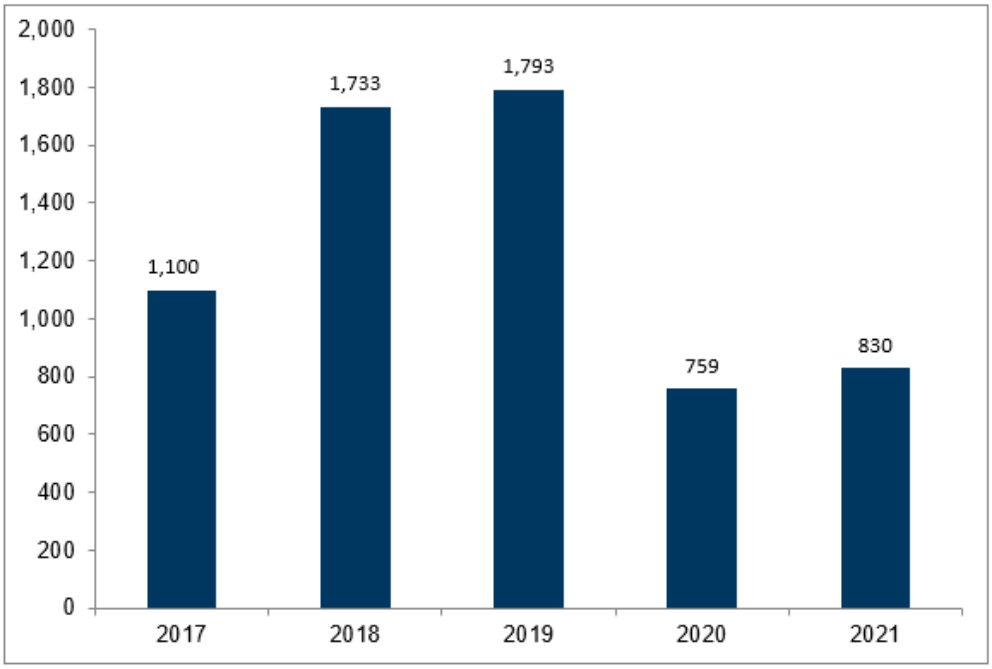
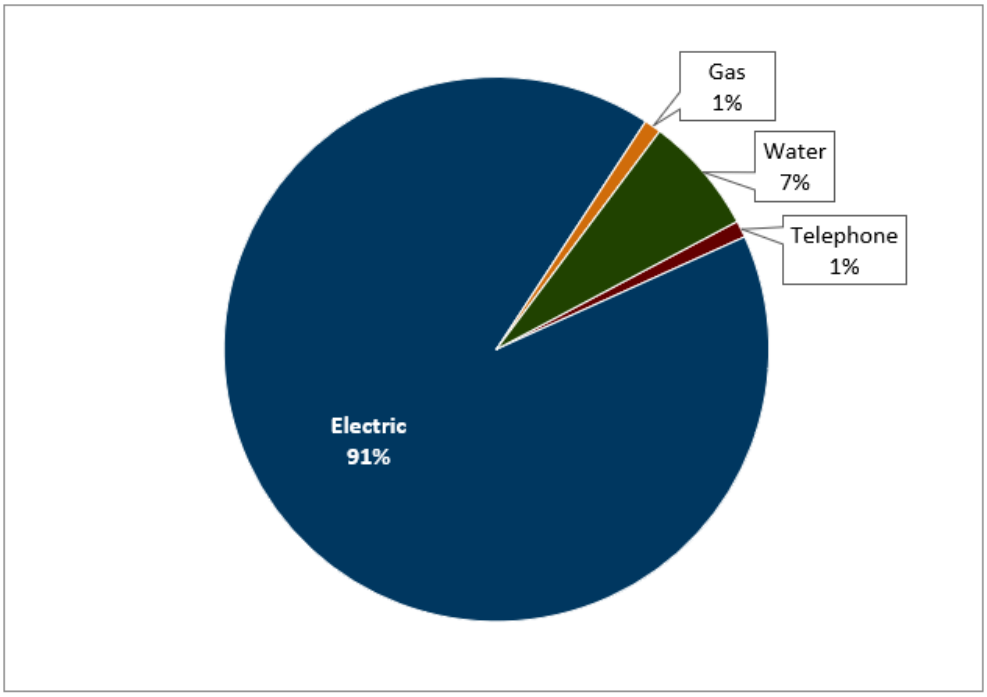



Chart 13 below breaks down complaints received by utility industry. Figure 18 shows that electric complaints represented 91% of complaints received by the CASD in 2021.

**Chart 13 - Complaint Type in 2021**




**Refunds to Consumers**

The CASD often obtains credits or refunds for customers as part of its resolution of customer complaints against utilities. In 2021, the CASD obtained $75,085 in refunds to customers.

## LOW INCOME PROGRAMS

### Electric Low-Income Assistance and Oxygen Pump/Ventilator Programs Pursuant to 35-A M.R.S. § 3214(6)

The Commission is required by 35-A M.R.S. § 3214(6) to report annually the results of the Low-Income Assistance Program (LIAP) and Oxygen Pump/Ventilator benefits to the Utilities and Energy Committee. The report must include the number of participants in each program and amounts paid each month. It must also include an assessment of the effectiveness of the oxygen pump and ventilator benefit in covering only those electric charges directly related to use of an oxygen pump or ventilator.

**Table 11 – Program Statistics based on quarterly reports from electric utilities**

| Month | LIAP Program | | Oxygen Program | | Ventilator Program | |
|---|---|---|---|---|---|---|
| | Number of Participants | Benefit Amount | Number of Participants | Benefit Amount | Number of Participants | Benefit Amount |
| Oct 2020 | 593 | $115,759 | 185 | $8,304 | 0 | $0 |
| Nov 2020 | 3,743 | $768,339 | 241 | $12,702 | 0 | $0 |
| Dec 2020 | 6,056 | $601,895 | 342 | $9,049 | 0 | $0 |
| Jan 2021 | 9,021 | $923,343 | 406 | $20,256 | 1 | $255 |
| Feb 2021 | 11,570 | $750,925 | 512 | $12,030 | 1 | $0 |
| Mar 2021 | 13,757 | $728,135 | 794 | $16,636 | 2 | $153 |
| Apr 2021 | 15,247 | $510,223 | 1283 | $6,707 | 2 | $0 |
| May 2021 | 13,967 | $196,985 | 1579 | $13,308 | 2 | $0 |
| Jun 2021 | 16,289 | $151,200 | 1893 | $13,180 | 3 | $255 |
| Jul 2021 | 16,555 | $188,517 | 2197 | $11,156 | 0 | $0 |
| Aug 2021 | 16,726 | $114,064 | 2502 | $14,077 | 0 | $0 |
| Sep 2021 | 24,908 | $2,787,220 | 2821 | $11,806 | 0 | $0 |
| **Total** | | **$7,836,605** | | **$149,211** | | **$663** |

# 13. SUMMARY OF LAW COURT APPEALS

Unlike most governmental agencies, the adjudicatory process utilized by the Commission is comparable to that of a court proceeding. Recognizing this unique aspect of the Commission's adjudicatory decision-making process, Title 35-A provides that appellate jurisdiction to review final Commission decisions, except for rulemakings, resides exclusively with the Law Court. This differs from the process for judicial review that applies to most governmental agencies where appeals are taken, in the first instance, to Superior Court. The following provides a summary of the cases appealed to the Law Court that involve the Commission.

**Complaint Regarding Disconnection Notices**
On January 13, 2021, the Commission dismissed a ten-person complaint regarding the issuance disconnection notices by Central Maine Power Company. The Commission found the complaint to be without merit because the disconnection notices complied with the applicable statutes, orders, and rules. The customers appealed the decision. On October 12, 2021, the Law Court affirmed the Commission's decision stating that the complaint alleged no conduct in violation of the Commission's order or the applicable statutes or regulations and that the Commission did not err or abuse its discretion in dismissing the complaint.

**General Marine Billing Dispute with Portland Water District**
On May 27, 2020, the Commission issued an Order upholding the Consumer Assistance and Safety Division's decision that General Marine Construction Corporation's (GMCC) connection of water service was done without authorization or permission of the Portland Water District and that the resulting make-up bill was correctly calculated. GMCC appealed the decision to the Law Court and the case is currently pending.

# 14. FISCAL INFORMATION

The Commission is required by 35-A M.R.S. §120 to report annually to the Joint Standing Committee on Energy, Utilities and Technology on its planned expenditures for the fiscal 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 FY2021, the Commission regulated electric, gas, telephone, water and water common carrier utilities, enforced Maine's underground facilities damage prevention law, and managed the state-wide E911system.

The Commission operates with two main programs and funds: The Emergency Services Communications Fund and the Regulatory Related Funds as detailed below.

**The Emergency Services Communications Fund (E911)**

This fund had an unencumbered balance of $10,354,335 and an encumbered balance of $1,498,912 brought forward from FY2020. $7,122,239 was expended in FY2021. An unencumbered balance of $10,231,464 and an encumbered balance of $1,376,039 were brought forward to FY2022. The surcharge collected in FY2021 was $5,794,191. The prepaid wireless fees collected in FY2021 were $991,379.

**PUC Regulatory Related Accounts**

**Regulatory Fund**
The authorized Regulatory Fund assessment for FY2021 was $9,400,542. An unencumbered balance of $3,459,364 and an encumbered balance of $293,003 were brought forward from FY2020. The Commission spent $9,130,904 in FY2021.

An unencumbered balance of $4,022,768 and an encumbered balance of $400,873 were brought forward to FY2022. The encumbered balances generally represent ongoing contracts.

**Reimbursement Fund**
In FY2021, the Commission collected $400 in filing fees and returned $17,849.56 to Central Maine Power of unused filling fees as required per docket 2017-00232 NECEC New England Clean Energy Connect Project. Also, the Commission collected $8,235 in copying fees and $745,500 in fines. An unencumbered balance of $602,970 and an encumbered balance of $0 were brought forward from FY2020. During FY2021, $0 was expended. An unencumbered balance of $1,339,256 and an encumbered balance of $0 were brought forward to FY2022. In October 2021, the Commission transferred $250,000 to the Governor's Energy Office in accordance with Public Law 2021, Chapter 398 to fund one limited period position. A second transfer for $250,000 for the same purpose will take place in Fiscal Year 2023.

## The Budget in Perspective

In June 2021, the Legislature approved the Commission's biennial budget. Table 12 details the Commission's FY22 expenditure plan including position count, based on original work program.

**Table 12 - FY2021 Work Program**

| **Regulatory Fund** | |
|---|---|
| Position Count | **57.5** |
| Personal Services | 7,916,853 |
| All Other | 3,225,034 |
| Capital | 0 |
| **Total** | **11,141,887** |
| **Commission Reimbursement Fund** | |
| All Other | **50,000** |
| **Commission Damage Prevention** | |
| Position Count | **0** |
| Personal Services | 58,934 |
| All Other | 1,066 |
| Capital | 0 |
| **Total** | **60,000** |
| **Oversight and Evaluation Fund** | |
| All Other | **252,660** |
| **Prepaid Wireless Fee Fund** | |
| All Other | **1,994,049** |
| **Emergency Services Comm. Bureau (E-911)** | |
| Position Count | **9** |
| Personal Services | 973,485 |
| All Other | 6,297,577 |

| | |
|---|---|
| Capital | 0 |
| **Total** | **7,271,062** |

## The Regulatory Fund Assessment in Perspective

Table 13 below details the most recent five 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 M.R.S. § 116, on May 1 of each year the Commission sends an assessment notice to each utility with a July 1 due date. Funds derived from this assessment are used during the fiscal year beginning July 1. The total assessment for FY2021 was $9,400,542 which includes a special assessment due to the Legislature passing two laws in 2019: Public Law 2019, Chapter 478 for $734,983 and Public Law 2019, Chapter 477 for $300,000 for a combined total of $1,034,983.

Assessment breakdown by utility sector is described below in Table 14.

**Table 13 - Regulatory Fund Assessments for the Past Five Years**

| Year | Electric Revenues | Telecom Revenues | Water Revenues | Gas Revenues | Water Carriers Revenues | Total Utilities Revenues | Amount Billed |
|---|---|---|---|---|---|---|---|
| 2016 | 437,109,981 | 216,779,664 | 139,657,025 | 162,171,917 | 4,346,891 | 960,065,388 | 7,573,098 |
| 2017 | 425,200,389 | 210,006,436 | 145,601,635 | 139,015,634 | 5,418,336 | 925,242,160 | 7,573,098 |
| 2018 | 424,462,677 | 200,597,876 | 146,728,469 | 148,263,936 | 4,565,770 | 924,618,728 | 7,573,098 |
| 2019 | 432,019,555 | 198,012,954 | 173,111,963 | 172,002,568 | 6,037,222 | 981,184,262 | 8,957,718 |
| 2020 | 440,030,482 | 153,789,147 | 162,436,723 | 147,950,803 | 6,037,000 | 910,244,155 | 9,400,542 |

**Table 14 – Total Assessment by Utility Sector**

| Sector | Assessment |
|---|---|
| Electric | 6,404,568 |
| Telecommunications | 658,912 |

| | |
|---|---|
| Natural Gas | 1,592,661 |
| Water | 744,147 |
| Water Common Carrier | 254 |
| **Total** | **9,400,542** |

# 15. COMMISSIONERS' BIOGRAPHIES

**Philip L. Bartlett II**, J.D., was appointed to the Maine Public Utilities Commission in June 2019 by Governor Janet Mills. Prior to his appointment, he practiced law with Scaccia, Bartlett & Chabot. He also served in the Maine Senate from 2004 to 2012 and was elected by his peers to serve as Senate Majority Leader from 2008 to 2010. Bartlett chaired the Energy, Utilities and Technology Committee as well as the Joint Select Committee on Maine's Energy Future and he served on the Government Oversight Committee, Natural Resources Committee and Labor Committee. He taught micro and macroeconomics at the collegiate level. Chairman Bartlett holds a juris doctorate degree from Harvard Law School. He completed his undergraduate work at Tufts University, where he graduated Summa Cum Laude majoring in Economics and Political Science. His term expires in March 2025.

**Randall D. Davis** was appointed to the Maine Public Utilities Commission in September 2017 by Governor Paul R. LePage. Prior to his appointment, he served as the area operations manager for energy at Sappi's Somerset Mill in Skowhegan, where he has worked since starting with the company in 1978. During his career at Sappi, he was promoted numerous times to management positions overseeing various aspects of the manufacturing process. Prior to his tenure at Sappi, Commissioner Davis was a systems engineer for Exxon Chemical working in New Jersey, Louisiana, Texas and England until his decision to return to Maine. Commissioner Davis graduated from the University of Maine in 1976 with a Bachelor of Science in Chemical Engineering. His term expires in March 2023.

**Patrick J. Scully, Esq.** was appointed as Commissioner to the Maine Public Utilities Commission in June 2021 by Governor Janet Mills. Prior to his appointment, Scully was employed with Berstein Shur, where he spent his 36-year career as a municipal, energy and utility regulatory attorney. He was named CEO of the firm in January 2014 and retired at the end of 2019. He has a BA degree from Dartmouth College with a major in Biology and Environmental Studies and he earned his JD degree, magna cum laude, from the University

of Maine School of Law. He is recognized by Best Lawyers in America and Chambers USA for his energy law and administrative law work and is AV-rated by Martindale-Hubbell. His term expires in March  2027.

# 16. PAST COMMISSIONERS

## 1915 – 2021

| | | |
|---|---|---|
| * | Benjamin F. Cleaves | 1915-1919 |
| | William B. Skelton | 1915-1919 |
| | Charles W. Mullen | 1915-1916 |
| | John E. Bunker | 1917-1917 |
| | Herbert W. Trafton | 1918-1936 |
| * | Charles E. Gurney | 1921-1927 |
| | Albert Greenlaw | 1924-1933 |
| * | Albert J. Stearns | 1928-1934 |
| | Edward Chase | 1934-1940 |
| * | 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 |
| * | David Moskovitz | 1984-1989 |
| * | Kenneth Gordon | 1988-1993 |
| | Elizabeth Paine | 1989-1995 |
| | Heather F. Hunt | 1995-1998 |
| | William M. Nugent | 1991-2003 |
| * | Thomas L. Welch | 1993-2005 |
| | | 2011-2014 |
| | Stephen L. Diamond | 1998-2006 |
| * | Sharon M. Reishus | 2003-2010 |
| * | Kurt Adams | 2005-2008 |
| | Vendean Vafiades | 2007-2012 |
| * | Jack Cashman | 2008-2011 |
| | David P. Littell | 2010-2015 |
| | Carlisle J.T. McLean | 2015-2017 |
| * | Mark A. Vannoy | 2012-2019 |
| | R. Bruce Williamson | 2015-2021 |

*** Denotes Chairman**