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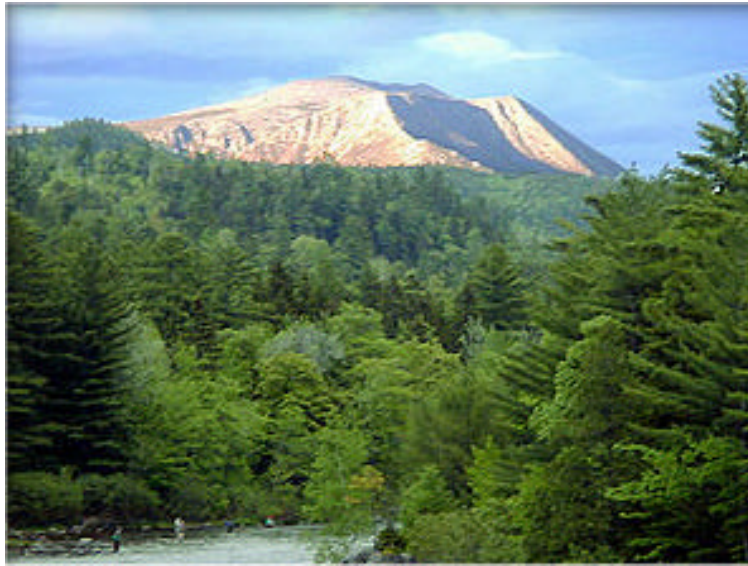
2002

Annual Report of the Public Advocate – July 1, 2001 to June 30, 2002

Maine Office of the Public Advocate

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STATE OF MAINE
Office of Public Advocate



Annual Report
July 1, 2001 to June 30, 2002

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I. INTRODUCTION: 20 YEARS OF ADVOCACY FOR MAINE'S CONSUMERS

The Public Advocate Office began operations in 1982 in order to give consumers their own voice in utility-related proceedings at the Public Utilities Commission, at federal agencies and State courts. In more than twenty years, the office has consistently pressed for lower utility bills for consumers and improved quality of service from utilities. These objectives have not changed materially over the years, but the settings in which the Office's personnel operate have changed considerably and the tasks we perform have also evolved.

In the year just passed, for example, office personnel continued to expand their focus from in-state proceedings at the Maine Public Utilities Commission (PUC) and Legislature to regional bodies such as ISO-New England, the New England Power Pool, and beyond New England to the Federal Energy Regulatory Commission (FERC) and the Federal Communications Commission (FCC) in Washington. Whereas the number of hours directed to out-of-state advocacy at the federal or regional level were negligible in the 1980's and 1990's, they since have expanded considerably. For the year just past, consumer advocacy at the FERC, the FCC, Congress and regional bodies in New England accounted for fully 13% of all hours recorded by office staff for specific projects, with the remaining 87% of hours corresponding to consumer complaints, legislative inquiries and PUC proceedings. In 2001, the percentage of hours devoted to federal and regional advocacy came to less than 6% with 94% of hours expended on in-state efforts. In one year the doubling of office effort on projects at the regional or federal level illustrates an important change in the regulation of utility service in Maine. Increasingly, the prices for key portions of telephone, electricity and natural gas service are furnished by competitive wholesale markets instead of being set by the Maine PUC.

In our view this shift from the regulation of monopolies to the interaction of market forces often carries with it as much disruption as promise for many retail consumers in Maine. However, it unquestionably has compelled the Public Advocate Office to pursue opportunities outside of Maine's borders for ratepayer savings or improvements in service to Maine consumers. As noted in prior Annual Reports, this trend has continued and grown from prior years. Public Advocate Ward continues to serve as a member of ISO-New England's Advisory Committee, of the North American Electric Reliability Council (NERC) and its Market Interface Committee and as President of the National Association of State Utility Consumer Advocates (NASUCA) - the national lobbying arm for 44 consumer advocate agencies in 41 states and the District of Columbia. The Office also has secured Maine's membership on the Retail Electric Quadrant of the North American Energy Standards Board (NAESB), the fledgling standard setting body for commercial protocols in the nation's energy markets. Senior Office Staff also have pursued important roles beyond Maine's borders. Senior Counsel Wayne Jortner has been nominated to fill a consumer slot on the Universal Service Administrative Corporation (USAC), overseeing the collection and allocation of FCC-approved surcharges supporting low-income, telemedicine, library Internet and related federal programs. During 2001-02 Senior Counsel Eric Bryant has been an active participant in the New England Demand Response Initiative (NEDRI), a collaborative effort involving PUC Commissioners, electric industry representatives, environmentalists and proponents of energy conservation in regional wholesale power markets.

Between July 2001 and June 2002 the office scored several notable victories for Maine's utility consumers. As a result of the PUC's adoption of three separate agreements governing the recovery of so-called Stranded Costs by Central Maine Power (CMP), Bangor Hydro-Electric (BHE) and Maine Public Service (MPS), rates for all three utilities were set at a level \$4,654,000 lower than they otherwise would have been in the absence of our advocacy. The savings in stranded cost corresponded to an insurance premium refund that Maine Yankee's insurer remitted to Maine Yankee as a result of the termination of operations at that nuclear unit. Over CMP's, BHE's and MPS' initial objections, we successfully negotiated a flow through of the refund, respectively, to retail customers. Further savings in 2001/2002 resulted from our success in negotiating a six-year Alternative Rate Plan with Bangor Hydro that is expected to result in a 12% reduction in distribution rates by 2007 and caused BHE to withdraw a pending request at the PUC for a \$6.4 million increase in rates. Finally the Office negotiated settlements in two small telephone cases netting reductions of \$557,000 from requested levels. Each of these savings when added to efforts over the 20 years of the Office's existence, come to \$221 million, as described in greater detail in Attachment I. This \$221 million total includes litigated outcomes involving no other party, and as well as multi-party settlements in which the office successfully negotiated with other interveners a PUC-approved outcome. When only litigated cases are considered, the office was responsible for a 20-year total of consumer savings amounting to \$113,108,000 million, as shown in Attachment I.

Attachment II provides the breakdown of time by major project area on a cumulative basis for the year as of June 30, 2002. That breakdown complies with the record-keeping mandate of 35-A M.R.S.A. Section 116(8) and indicates that more than 77% of all non-administrative effort at the office in 2001/2002 was directed to PUC proceedings, 4.4% going to FERC and FCC cases, with 7.6% going to consumer complaints and inquiries and less than 1% to matters pertaining to Maine's membership in the Texas Low-Level Radioactive Waste Compact.

Attachment III provides a summary of bills in the Second Session of the 120th Maine Legislature and records both the office's general recommendation and final legislative action on each bill. The Public Advocate's recommendation, as initially presented in written testimony, corresponded to the final decision of the Legislature in 69% of the cases in which we sponsored written testimony.

Attachment IV provides in graphic form a tabulation of monthly performance indicators for the 2001/2002 year, identifying the number of newsletters mailed to consumers, the number of interventions in PUC or FERC proceedings, the number of contacts with residential consumers and the number of filings the office made in 2001/2002 at the PUC or FERC. As was the case in the immediately prior year, the office has been shouldering an increasing workload due to the restructuring of Maine's regulated industries. This pattern of increased levels of effort is demonstrated in Attachment IV.

Attachment V provides a summary of the results of a survey conducted in May 2002 when the office mailed a postcard survey to 15,000 Maine citizens and businesses that had contacted the office in the previous year requesting assistance in a utility matter. The purpose of the survey is to ascertain the extent of satisfaction with the office's efforts on the part of people requesting our

assistance. Nearly 75% of the survey respondents (numbering 3320) judged the services they received from the office as excellent.

Attachments VI and VII provide a representation of the extent of consumer choice in retail electric markets in Maine from June 2000 to June 2002, and a comparison of total residential prices for electricity in Maine today compared to 1999 – prior to electric restructuring.

It is our privilege and responsibility to represent the interests of Maine’s utility consumers in formal proceedings at the PUC, the FCC, FERC and appellate courts and in informal efforts at consumer education during a period of industry restructuring. The current Public Advocate – Stephen G. Ward – is appointed by the Governor and is subject to legislative confirmation. Currently four lawyers, an economist, and three support personnel comprise the Public Advocate’s small but experienced staff. It is our pleasure to respond to inquiries from the public by phone or at our Hallowell office, at any time. In particular, it will be our pleasure to respond to requests for speaking engagements from business, community or service groups in Maine over the coming year on topics related to utility service.

Public Advocate Publications: July 2001 – June 2002

- 1. August 2001: Public Service Announcement, Cable TV outlets – “Ratewatcher Guide”**
- 2. October 2001: Electricity Shopping Guide, Volume 5**
- 3. December 2001: Column, “After Enron’s Collapse, An Enhanced Role for Market Oversight?” LEAP Letter, Vol. 6, No. 6**
- 4. January 2002: Ratewatcher Phone Guide, Volume 9**
- 5. January 2002: Wholesale Electric Markets of New England and the Canadian Maritimes: “Maine in the Middle” – Frederick Woodruff, Energy Advisors**
- 6. February 2002: Op-Ed, Bangor Daily News, “After Enron’s Collapse ...”**
- 7. March 2002: Electricity Guide, Volume 6**
- 8. April 2002: Letter to the Editor, Kennebec Journal, “Electricity Conservation”**
- 9. June 2002: Ratewatcher Phone Guide, Volume 10**
- 10. June 2002: “Data Envelopment Analysis, Productivity at Bangor Hydro-Electric,” Ron Norton, Richard Silkman, Tom Sexton**
- 11. June 2002: Letter to the Editor, Kennebec Journal, “Electricity Conservation”**

Meetings: Out-of-State
July 2001 – June 2002

1. NEPOOL and ISO-NE Meetings

Steve Ward: 2/02, 4/02

Eric Bryant: 11/01, 2/02

Linda Lockhart: 3/02

*Julie Hashem: 8/03, 9/24, 10/12, 11/2, 12/7, 1/18, 1/24, 3/8, 4/5, 5/2-3,
5/13-15, 5/16, 6/21

2. New England Demand Response Initiative

Eric Bryant: 2/02, 5/02, 6/02

3. NASUCA Annual Conference and Mid-Year Meetings

Steve Ward: 11/01, 2/02, 6/02

Linda Lockhart: 6/02

Wayne Jortner: 6/02

Patty Moody: 11/01

Mary Campbell: 11/01, 6/02

4. Miscellaneous/Other

Steve Ward: Texas Compact/LLW – 10/02, 6/02

FERC – 10/01

NERC – 1/10/02, 5/02

Consumer Energy Council of America – 1/02, 5/02

Eric Bryant: Northeast Attorneys General Energy Mtg. – 11/01

Bill Back: Fed. Comm. Bar Association – 5/02

Wayne Jortner: Fed. Comm. Bar Association – 5/02

Northern Utilities – 3/19

Ron Norton: Micro Generation to Power Parks – 9/01

American Gas Association – 12/01

North American Productivity Workshop – 6/02

*Julie Hashem: FERC – 7/23-24, 8/7, 8/21-22, 8/26-28

NERTO – 3/20-21, 4/24-25, 5/29

OPA/AG Mtg. – 6/10

*An employee of the State Planning Office partially funded by the Public Advocate to represent Maine at NEPOOL and ISO-NE on regional electric issues.

II. CASE SUMMARY 2001-2002

Over the twelve months ending June 30, 2002 the Office was fully occupied with a series of regulatory proceedings in Maine at the Public Utilities Commission and in settings supervised by regional or federal authorities. This portion of the report provides a summary of these activities, by utility category: electricity, telephone, natural gas, water and disposal capacity for Maine Yankee's low-level radioactive waste. At year-end we had appeals pending at the Maine Supreme Court of two different PUC decisions, one involving Verizon's local rate and one involving Emera's affiliate selling power in this state.

A. ELECTRICITY CASES AT THE PUC AND FERC

1. Bangor Hydro Alternative Rate Plan: Beginning in August 2001, the Office was active in a series of PUC proceedings examining the management efficiency, rates and service quality of Bangor Hydro. These proceedings got underway with a Bangor Hydro (BHE) proposal that it be exempted from the 1997 Restructuring Act's requirement that electricity utilities no longer sell power supply services in Maine's retail market. BHE proposed instead that it be permitted to negotiate for Standard Offer service for all of its customers that would be bundled with transmission and distribution prices into a single retail rate. BHE's proposal was that its Standard Offer service be set at 5.5¢/kilowatt-hour, a significant reduction from 7.3¢ - the Standard Offer price set in March 2001 when energy markets nationally were abnormally high. As a result of this reduction, BHE attempted to disguise a substantial increase in distribution rates.

We successfully opposed Bangor Hydro's so-called "All-in Alternative Rate Plan" at the PUC on two grounds: first, that the 1997 Restructuring Act prohibits a utility from supplying electricity and, second, that wholesale prices were coming down at a rate that suggested that Standard Offer prices below 5.5¢ were entirely foreseeable. Following the PUC's rejection of the "All-in Rate Plan," Bangor Hydro turned its attention to the preparation of a rate increase filing for distribution service which it ultimately filed on October 19. That request for a \$6.4 million increase in rates triggered a formal PUC rate proceeding that was set for a final decision by July 2002. The Maine PUC's Advisory Staff responded to the rate increase filing with the announcement that it planned to undertake a formal investigation of the efficiency of BHE's management, in a management audit. Under Maine law, management audits are conducted by an independent firm hired by the Maine PUC and are paid for by the utility's ratepayers. In view of the fact that BHE charges the highest total rates for electric service among all on-shore utilities in Maine, the PUC's Advisory Staff anticipated, correctly in our view, that the savings identified by the auditors would almost certainly exceed the costs of the audit itself.

In late January, Bangor Hydro filed with the PUC a surprising request that the management audit not go forward for a 90-day period while BHE pursued with all interested parties the negotiation of an Alternative Rate Plan for distribution service. We opposed BHE's request even with BHE's concession that Bangor Hydro would suspend for the same 90-day period the schedule for the \$6.4 million rate request. Despite our objections, the PUC ordered Bangor Hydro to implement a 90-day "cooling-off" period and engage in negotiation over the design of an Alternative Rate Plan or ARP. Beginning with a meeting on February 15 among BHE, the Industrial Energy Consumer Group, the PUC's Advisory Staff and our office, there then ensued a

series of ten negotiation sessions with Bangor Hydro that ultimately concluded on April 25 with a successful outcome.

As designed during these negotiations, the ARP for Bangor Hydro established two major elements of oversight in BHE's retail operations: 1) a set of stringent service quality requirements, based on numerous measurements of BHE's performance in handling outages, restoring service and handling customer complaints, and 2) a set of agreed-to prices for retail distribution service that would remain in effect through December 31, 2007. The pricing provisions are expected to generate an approximate 12% reduction in BHE's distribution prices from those in place on December 31, 2001. The service quality requirements are backed by a set of penalties that BHE's owners must pay, as a credit on all customer bills, for annual performance that is sub-standard. These penalties can total \$840,000 per year. We regard these features of BHE's ARP as desirable from the perspective of BHE's customers and as generally superior to the comparable provisions of Central Maine Power's ARP that has been in place since 1995.

In late May we filed our Comments on the Examiner's recommendation in the Bangor Hydro rate case/Alternative Rate Plan case, along with a study of BHE management efficiency that was prepared by Ron Norton, our staff economist, along with Rich Silkman and a SUNY – Stonybrook economist named Tom Sexton. The Study provides support for our expectation that BHE's managers can reduce distribution prices by 12% over the next six years under the ARP Plan without cutting into service quality or maintenance requirements. That plan requires BHE to grant a cumulative 12% decrease in distribution rates (assuming 3% annual inflation) over the 2002 to 2007 period. The management efficiency study identified an 11% gap between Bangor Hydro and a peer group of utilities that operate "at the frontier of maximum management efficiency," with a 100% efficiency ranking. On June 6 the PUC unanimously approved the ARP Stipulation that we had negotiated in April. The first set of distribution price decreases under the plan will occur in July 2003.

Competition in Maine's Market for Retail Electricity

More than two years after Maine's market for retail electricity opened (in March 2000), substantial numbers of business customers currently receive their power supply from competitive providers. 99% of power sold to industrial customers in Maine Public's territory, for example, as of July 1, 2002 came from 37 licensed Competitive Electric Providers (CEP's). The comparable percentages for Bangor Hydro's and CMP's industrial customers as of July 1, 2002 were 39% and 80% respectively. In total, more than 8860 customers in Maine received power supply services from CEP's and not from Maine's Standard Offer. While this is a small percentage of total customers in the State (500,000 approximately), it does correspond to substantial percentage of electrical load in Maine, nearly 40%. At this level of total load, Maine ranks first nationally of all states that have opened retail markets for consumer choice.

Participation in competitive markets by residential customers, however, is quite low - less than 1% of customers for Bangor Hydro and CMP, for example. This is because the PUC-designated Standard Offer for electric service for residential service (at 4.95¢/kWh for CMP, 5.0¢/kWh for BHE and 5.7¢/kWh for MPS) is relatively low compared with wholesale market prices. Additionally, the residential standard offers represent an aggregation in which the provider has no marketing expenses. For both reasons, there are at present no competitive providers making inroads in the retail residential market for CMP and Bangor Hydro. In Maine Public's territory, 31% of all residential load is currently served by CEP's - which is a uniquely high level of competitive activity in Maine. It probably is the result of the fact that the leading CEP in Northern Maine, Energy Atlantic, is based in Presque Isle and therefore has a "home court advantage" relative to the Standard Offer provider, WPS Energy of Green Bay, Wisconsin.

Speaking Engagements
July 2001 – June 2002

July 16, 2001:	NARUC Panel: Electric Restructuring, Seattle – Steve Ward
July 25, 2001:	U.S. Senate Hearing: Electric Reliability, DC – Steve Ward
August 33, 3001:	UMA – Economics Class – Wayne Jortner, Ron Norton
October 16, 2001:	Citizen Group: Portland – Eric Bryant
October 23, 2001:	RN for Healthy Futures – Wayne Jortner
October 17, 2001:	FERC Roundtable: RTO Formation, DC – Steve Ward
November 15, 2001:	IECG: Brunswick – Eric Bryant
December 10, 2001:	Editorial Board Meetings, Portland – Steve Ward
January 25, 2002:	Ratewatcher Interview at Maine Public Radio Studios – Wayne Jortner
February 4, 2002:	Lion’s Club, Skowhegan – Wayne Jortner
February 8, 2002:	Editorial Board Meetings, Bangor – Steve Ward
February 21, 2002:	Retired Teachers Luncheon, Bath – Wayne Jortner
February 2002:	FERC Roundtable: Capacity Adequacy, DC – Steve Ward
February 2002:	Market Power Seminar, Albany – Steve Ward
May 11, 2002:	UMA – Economics Class – Wayne Jortner, Ron Norton
March 13, 2002:	Rotary Club, Camden – Wayne Jortner
May 15, 2002:	Maine Association of Retirees, Augusta – Steve Ward
May 16, 2002:	MTUG Panel, MTUG Trade Show, Portland – Wayne Jortner
June 11, 2002:	USAID Delegation from Botswana, Augusta – Wayne Jortner
June 16, 17, 2002:	Market Power Seminar, Austin – Steve Ward
June 17, 2002:	NASUCA Panel, Austin – Wayne Jortner
June 21, 2002:	DEA Analysis: Union College – Ron Norton

2. FERC’s Efforts to Establish Regional Transmission Organizations (RTO’s): In July 2001, a newly-appointed set of FERC Commissioners announced a very ambitious expectation: to establish through voluntary multi-party negotiations (so-called “directed mediation”) four Regional Transmission Organizations for the entire continental U.S. except for Texas and Alaska. With the goal of consolidating New England’s Independent System Operator (ISO-NE), the Mid-Atlantic Region and NY-ISO into a single RTO, FERC sought to eliminate major marketing bottlenecks and so-called “seams issues.” At the outset, there was a legitimate concern that the complexities of establishing a 12-state market structure were so time-consuming that it can only delay further the start-up of workable wholesale competition. There also was plenty of opposition, particularly in New York and Maryland, to the forced consolidation of regions. Nonetheless, we were somewhat optimistic about the future prospects in a 12-state RTO context: a large RTO region will, very likely, reduce opportunities for market power and price manipulation and also is likely to enhance loss-of-load reliability of electric supply in a technical sense.

The office immediately coordinated its involvement in FERC's RTO mediation process with consumer agencies in Rhode Island, Massachusetts, Connecticut, New Hampshire, and ultimately, Pennsylvania, Maryland, Delaware, the District of Columbia and New Jersey. In the process of bi-weekly conference calls among this group and its various consultants, we monitored the evolving positions of the negotiators at FERC and began to develop a common set of principles for ourselves. Under the name "Northeast Consumer Advocates," the group filed joint comments at FERC in November, December and January with respect to the market monitoring function of FERC-approved RTO's, the governance of an RTO and FERC's conduct of cost/benefit analyses testing the value of RTO consolidation. Additionally in April, the Northeast Consumer Advocates filed comments responding to a FERC Staff White Paper that is the basis for an upcoming Notice of Proposed Rulemaking on Standard Transmission Service and Wholesale Electric Market Design. The comments discussed a system of tradeable Financial Transmission Rights to deal with transmission congestion that has been proposed by the FERC Staff and also addressed proposals that for-profit independent transmission companies operate with complete independence from any generators or load-serving entities.

FERC's original intention of directing, through a mediation process, the consolidation of the Mid-Atlantic, New York and New England markets into a single Northeast RTO collapsed in the face of critical comment and outright opposition, particularly from state regulators. The Northeast Advocates offered formal comments during the mediation process on the importance of ensuring stakeholder input in the decisions of an RTO Board but fell well short of endorsing the PJM/ISO-NE/NY-ISO consolidation. Over the course of the 2001-2002 year, the Northeast Advocate collaboration did succeed in identifying where retail consumers' interests lie, compared with marketers, utilities and FERC's perceived self-interest.

The best example of such a development was an Albany workshop on market power issues (how a small number of generators and brokers can manage market opportunities to drive up prices

NORTHEAST CONSUMER ADVOCATES: 2001-2002 activity

August 2, 2001 – Conference Call
August 13, 2001 – Conference Call
August 20, 2001 – Conference Call
September 4, 2001 – Conference Call
September 5, 2001 – Conference Call
September 10, 2001 – Conference Call
October 5, 2001 – Conference Call
October 22, 2001 – Conference Call
October 29, 2001 – Conference Call
November 1, 2001 – Conference Call
November 7, 2001 – Conference Call
November 20, 2001 – Conference Call
November 27, 2001 – Conference Call
December 4, 2001 – Conference Call

January 3, 2002 – Conference Call
January 24, 2002 – Conference Call
January 30, 2002 – Conference Call
February 11, 2002 – Conference Call
February 15, 2002 – Conference Call
February 25, 26, 2002 – Workshop on
Market Power, Albany, NY
March 7, 2002 – Conference Call
March 20, 2002 – Conference Call
April 4, 2002 – Conference Call
April 5, 2002 – Conference Call
April 29, 2002 – Conference Call
May 22, 2002 – Conference Call
June 16, 17, 2002 – Workshop on Market
Power, Austin, TX

dramatically and artificially) that the Northeast Advocates convened in February. The Market Power Seminar was so successful that it was scheduled a second time in Austin, Texas - this time under the auspices of the National Association of State Utility Consumer Advocates for which Public Advocate Ward currently serves as President. At both seminars, four economists who specialize in wholesale electric issues made presentations and participated in interactive debate with the participants, with Public Advocate Ward serving as moderator. These seminars led to agreement on an eight-point policy statement on how best to protect consumers from the exercise of market power in energy markets in New York, New England and the PJM area.

3. Stranded Cost Cases: In July the PUC opened cases for each of three investor-owned electric utilities in order to examine and adjust their recovery of stranded costs. Stranded costs are the costs that utilities are authorized to recover from customers for past regulatory decisions, failed investments in generating units and other “above-market” expenses that were in rates prior to electric restructuring. Stranded costs will phase out of rates altogether, over time. We intervened and attended technical conferences at the PUC. In August we filed our comments, and the PUC Staff filed their Bench Analysis on unresolved issues in the stranded cost proceedings. Both our filing and the Staff filing focused on a limited set of potential adjustments to the utilities’ proposals for stranded cost recovery. Chief among these was a \$20 million refund to Maine Yankee from its insurance company, made upon Maine Yankee’s termination of active operations, which CMP, Bangor Hydro and MPS did not want to pass on to ratepayers as a credit against stranded cost but instead sought to capture as a shareholder windfall.

After extensive negotiations we came to terms in December on agreed-to levels of stranded cost rates for effectiveness on March 1, 2002. Maine Public Service customers saw no change in stranded cost rates as of that date, due to reduced sales levels being entirely offset by reductions in recoverable stranded costs. CMP saw a \$.005 reduction in stranded cost charges overall as of March 2002 and a further \$.0045 reduction for industrial customers. BHE saw a minor increase overall in stranded costs but a \$.004/kWh reduction for the two largest industrial classes. We supported the proposed industrial rate reductions in view of the softness of the post-September 11 economy, the vulnerability of the paper industry at present and the uncertainty as to our success in winning a battle in the Legislature over a rate mitigation program.

In March the PUC granted its final approval to these negotiated settlements between our office and Maine Public Service, CMP, and Bangor Hydro in which stranded cost collections were reduced by \$854,000, \$2,300,000 and \$1,100,000 respectively. The reductions are attributable to the cancellation of insurance coverage for Maine Yankee following its 1997 shutdown. Apart from the PUC Advisors, we were the only participant in these cases to present testimony or argument for these reductions.

4. Maine Electric Consumer Coalition: With representation from 19 organizations the Consumer Coalition held a series of meetings this past year and reached a common position with respect to policies promoting energy conservation and the design of distribution rates. The Coalition has been meeting on a regular basis, since January 1996 with the coordination and follow-up of our office. A redesign of T&D rates is now pending before the PUC with proposals from CMP, Bangor Hydro and Maine Public to shift cost recovery for stranded costs from a per-kilowatt-hour charge that varies with usage to a flat charge for all customers in the same class.

Coalition members agreed that such a shift would greatly reduce the utility's risk of under recovering its return on investment for shareholders and would represent a shift of risk - associated with consumption variability - to consumers. The group also agreed that a flat rate for recovering stranded costs could also frustrate fulfillment of the State's energy conservation goals. Finally, the group strongly endorsed the implementation of cost effective energy conservation.

Maine Electric Consumers Coalition: Meetings, July 2001 – June 2002

Since early 1986 MECC has met regularly to consider the interests of retail electric customers in the context of electric competition. Along with environmental, low-income, business and elderly advocates, the Public Advocate was a founding member of the Coalition.

July 13, 2001, Preti, Flaherty, Augusta
September 25, 2001, Captain Cote's, Augusta
October 22, 2001, NRCM Building, Augusta
November 8, 2001, Legislature, Augusta
November 19, 2001, NRCM Building, Augusta
December 11, 2001, Preti, Flaherty, Augusta
January 14, 2002, NRCM Building, Augusta
January 30, 2002, Captain Cote's, Augusta
May 21, 2002, Captain Cote's, Augusta
June 5, 2002, NRCM Building, Augusta

The Coalition regularly hears from representatives of T&D utilities, conservation proponents, marketers and Green Power advocates at its meetings and considers how best to address developments at the PUC, FERC, NEPOOL and the Maine Legislature.

5. Maine Energy Efficiency Coalition: At a series of meetings, representatives of 17 organizations actively lobbied this past legislative session on behalf of the transfer of conservation responsibilities to the PUC. The Efficiency Coalition also formed to coordinate policy-making in three areas: the appropriate cost-effectiveness standard for conservation measures, preferred formats for the PUC's administration of conservation programs and the proper definition of "low-income" requirements of conservation services. The membership of the Efficiency Coalition is listed in the box.

Coalition Memberships
July 2002

Maine Energy Efficiency Coalition

☞ Natural Resources Council of Maine
☞ Maine Council of Senior Citizens
☞ AARP
☞ Maine Community Action Association
☞ Chewonki Foundation
☞ Maine Center for Economic Policy
☞ Industrial Energy Consumer Group
☞ S&S Technologies, Inc.
☞ Coalition for Sensible Energy
☞ Maine Physicians for Social Responsibility
☞ Horizon Energy Services
☞ Coastal Enterprises Inc.
☞ Maine Global Climate Change, Inc.
☞ Energetic Management Associates
☞ Maine Council of Churches
☞ Dept. of Economic & Community Development
☞ Office of Public Advocate

Maine Electric Consumers Coalition

☞ AARP
☞ Maine Council for Senior Citizens
☞ Maine Community Action Association
☞ Industrial Energy Consumer Group
☞ Coalition for Sensible Energy
☞ Energetic Management Associates
☞ Maine Independent Energy Producers Assoc.
☞ Coastal Enterprises Inc.
☞ Shaw's Supermarkets
☞ Natural Resources Council of Maine
☞ Competitive Energy Services
☞ Kennebec Valley Community Action
☞ International Brotherhood of Electrical
Workers, Local 1837
☞ Rippling Water Enterprises
☞ Ski Maine Associates
☞ Maine Global Climate Change, Inc.
☞ Horizon Energy Services
☞ Dept. of Economic & Community Development
☞ Office of Public Advocate

6. CMP/Bangor Hydro/MPS Rate Design: In August we participated in a half-day technical conference at the PUC on the merits of the utilities' proposals for redesigning electric rates and for shifting cost recovery from usage-sensitive elements (on a per/kWh basis) to a fixed charge basis. With the advice of our consultant, John Stutz from Tellus Institute, we have taken a position opposing this particular proposal on the grounds that it undercuts the incentive for conservation efforts by utility customers. In April each of the three major electric companies (CMP, BHE & MPS) filed its rate design testimony and exhibits supporting fixed charge replacement of usage-based charges. We in turn filed testimony on the relevant issues at year-end.

We have opposed this proposal because it would shift at least 50% of stranded cost recovery from today's variable, per-kWh charge to a single flat rate for each customer class. We see this shift as a needless inconvenience for residential customers that accomplishes very little in the

way of reducing utility exposure to by-pass threats (like micro-generation and fuel cells). Additionally, we are concerned by the precedent this proposal will set for blunting incentives for conservation by reducing the benefits of kilowatt-hour reductions. Finally, we are concerned that nearly 50,000 CMP residential customers will see an increase of 5% under CMP's proposal. For these customers, their aggravation outweighs any possible benefit from the proposal.

7. Emera Energy Services Case at the PUC and Appeal: Bangor Hydro sought approval from the PUC for its affiliate, Emera Energy Services, to be able to sell electric power in this state. While we did not oppose the entry into the market by EES, we believe that the PUC order allowing BHE's holding company, Emera, Inc., to set up a competitive provider in Maine violates state law. In February we filed a Notice of Appeal with the Law Court of the PUC decision to allow a corporate affiliate of Bangor Hydro to do business in Maine despite language in the 1997 Restructuring Act that, in our opinion, bars such an outcome. In our view, the 1997 Restructuring Act prohibits affiliates of Maine T&D companies from selling retail electricity in Maine if there is a holding company that owns both an affiliate and a T&D company. In May and July, we filed joint briefs with Competitive Energy Services in the Emera Energy Services case. At year's end we were awaiting a final Law Court decision.

8. WPS/MPS Complaint: Wisconsin Public Service, the company that purchased generation assets in Northern Maine from Maine Public Service (MPS) and the company providing standard offer service in that area, filed a complaint against MPS last year claiming that the course of MPS' dealings with its marketing affiliate, Energy Atlantic (EA), violated a PUC order and rule. No such violations were found, but the parties agreed that it is desirable to provide for clearer PUC oversight of this relationship. In February parties reached an agreement in principle to resolve the dispute. Under the agreement, only one MPS executive could have contact with EA, and that executive would be excluded from communications and situations (so-called "Restricted Activities") where he/she could learn of confidential information about MPS customers. Outside counsel for MPS would be subject to similar restrictions. The PUC can audit, using up to \$10,000 of MPS (non-ratepayer) funds, once per year.

In March, we signed a stipulation intended to resolve the dispute along these lines. The PUC subsequently approved the stipulation.

9. BHE Tie Line Case: In August the PUC undertook consideration of Bangor Hydro's proposed second tie-line to New Brunswick Power. We hired a consultant, Richard Rosen, of Tellus Institute, to assist us in analyzing the Company's filing. This second transmission line was opposed both by International Paper and by NRCM. Due to a preliminary BEP decision in October to reject the proposed route of BHE's second tie-line to New Brunswick, Bangor Hydro requested and received a 30-day extension on the filing deadline for testimony at the PUC requesting a Certificate of Public Convenience and necessity for the 345 KV Line. The PUC's Hearing Examiners suspended the BHE transmission line case in November, one week after BHE filed direct testimony requesting PUC approval of the second tie-line to New Brunswick. The direct testimony failed to identify the route, the cost or the probable customers for the tie-line capacity and triggered dismissal of the case.

10. “Maine in the Middle Study”: In the Fall of 2001 we commissioned a study by Rick Woodruff (formerly of CMP, now with Energy Advisors of Portland) of opportunities for Maine’s retail consumers and electricity generators if Maine’s utilities were to withdraw from NEPOOL and enter into power pooling arrangements with New Brunswick. We commissioned this study in order to more closely examine the relative risks and benefits of Maine continuing in the NEPOOL/ISO-NE market compared with the New Brunswick alternative. One finding in the study is that, if Maine continues to bear “uplift” charges associated with transmission congestion elsewhere in New England, the New Brunswick alternative can be expected to make these charges unnecessary (reducing prices for Maine consumers) while increasing the revenue received by Maine generators. In February the Utilities Committee adopted our recommendation that the PUC be asked to examine opportunities for tighter power pooling ties to the Canadian Maritimes and to New Brunswick in particular. The PUC report will undertake a comparative cost/benefit analysis whose fact-finding chapters have essentially been completed already in the form of the “Maine in the Middle Study.”

11. CMP Air Conditioning Promotion: Last year we requested a PUC investigation of CMP’s practice of promoting air conditioning in the bill inserts it sent out to all customers in May 2001. In July we filed our comments responding to CMP’s reply to our request for a PUC investigation. We requested that the PUC follow through with a formal investigation into two unresolved aspects of this case. Although CMP conceded that it cannot bill ratepayers for any portion of the May 2001 promotion, the amount that CMP actually expended on the promotion remained unknown. Second, we asked the PUC to require a response from CMP on the apparent inconsistency between managing \$17 million in ratepayer funding for energy conservation programs and, simultaneously, investing heavily in promotions for on-peak air conditioning usage. In August the PUC dismissed our complaint on the basis that the accounting rates applicable to CMP already required that no ratepayer funding be used for promotions such as the May 2001 air conditioning bill inserts. The PUC took no action on our other requests.

12. CMP ARP-related Price Change for 2002: In March, we participated in initial PUC hearings in CMP’s ARP 2002 rate adjustment case. CMP proposed a 5.85% decrease in T&D rates to take effect on July 1 of which .98% consists of a return of over-collected funding from CMP’s Power Partners contracts. Along with the IECG and the PUC Staff, we argued that the ongoing budget for CMP’s conservation programs should not be reduced as a result of a series of one-time downward adjustments like this one. As a result, we opposed reducing all customer’s T&D rates by this .98% amount. With respect to overall residential rates this adjustment accounts for .3% or 24¢ on an \$80 monthly bill or less than \$3 annually. We regard this level of price decrease as less important than securing permanent funding levels for conservation programs in CMP’s territory. In May the PUC adopted our reasoning and authorized an undisputed 4.5% decrease in distribution rates on July 1, 2002, that did not include the .98% conservation amount.

13. Settlement of S.D. Warren Dispute with CMP: Since 1984 the S.D. Warren mill near Skowhegan has had a unique contract relationship with CMP – it could buy power as needed from CMP at the industrial rate and, when it had excess power produced by its biomass generators and boilers, it could sell it to CMP under the same rate. In effect, S.D. Warren had a stable arrangement for “back-up power,” as needed, from CMP and, as well, a way of disposing

of unneeded excess generation, although at prices far below other NUG contracts. This arrangement was thrown into doubt when the Restructuring Act received final approval in the Legislature in 1997. Because CMP no longer would include in its industrial rate any power supply costs, the two-way, so-called “wash rate” arrangement no longer worked symmetrically. In the Spring of 2002, we were instrumental in finally resolving – to the satisfaction of all parties – this long-lived dispute with a stipulation that S.D. Warren, CMP, the Industrial Energy Consumer Group all endorsed.

The agreement results in a stranded cost expense for ratepayers that is in the range of \$2.3 million to \$2.9 million under normal operating assumptions – a considerably lower level of stranded costs than had been anticipated in 1997. Discussions of the stipulation focused on the risk to ratepayers if S.D. Warren sought to reduce its mill load and sell excess energy on the New England market or if it required substantial incremental purchases at the time of New England’s system peak. We saw S.D. Warren’s primary motivation as making paper (and not playing the energy markets) and therefore were not persuaded these fears were realistic

After continuous negotiations in June, involving our office, S.D. Warren, CMP, IECG and the PUC Commissioners, we finalized a ten-year “wash” sales agreement involving S.D. Warren, CMP and a third-party provider. The agreement was ultimately approved by the Commission, putting an end to a complex and difficult dispute over the generation portion of S.D. Warren’s “wash” agreement with CMP. The negotiations were finalized when the third-party provider agreed to place a cap (at \$85/MWH) on the price it would charge for power used at the Somerset mill during the most costly hours annually in the regional wholesale market.

14. Kennebunk Light and Power Case/CMP Dispute: In response to debate in the Legislature concerning a request from citizens in Kennebunk that they be allowed to receive electric service from the municipal electric district rather than CMP, the PUC announced its willingness to consider the merits of this request, in a regulatory proceeding. In May, Kennebunk Light and Power District (KLPD) initiated just such a proceeding with a formal request to be designated as the service provider for CMP’s Kennebunk customers. Because KLPD’s rates at 6¢ are 50% of CMP’s bundled residential price, new KLPD customers in the portion of Kennebunk served by CMP can pay off 100% of the PUC-approved stranded cost charge established for CMP and still be better off than if they stay with CMP. At the pre-hearing conference, Maine Public Service, Bangor Hydro and Eastern Maine Electric Coop all lined up as intervenors defending CMP’s incumbency status. They each anticipate the possible loss of customers to neighboring municipalities that organize electric operations if the KLPD precedent is adopted. In our view, the KLPD case is distinguishable because in no other part of the State are taxpayers of a municipality exposed to a contingent obligation for paying off electric district debt who do not also receive electric service from that District. This unique unfairness in Kennebunk dates back to a 100-year old decision in the Maine Legislature to draw a line that establishes two service territories for electricity (CMP and KLPD) within the same town.

In late June we filed our Reply Brief at the PUC on the legal issues concerned with KLPD’s proposal to take over electric service from CMP. In our filing, we endorsed CMP’s proposal that the PUC hold hearings on service quality issues and on the peculiar circumstances associated

with CMP's customers in Kennebunk being exposed as property owners to the risk of higher property taxation if KLPD defaults on any of its debt instruments.

15. Lincoln Pulp and Paper Guaranty Agreement: In April we entered into negotiations with Bangor Hydro and Lincoln Pulp and Paper (LP&P) over appropriate conditions on a BHE Guaranty Agreement that enables LP&P to take Standard Offer power in 2002 but then acquire power from Sprague Energy in 2003 and 2004. We sought to enable LP&P to emerge from bankruptcy with affordable power supply and to ensure that BHE ratepayers receive any available benefits from the Sprague power supply arrangements in the event that LP&P fails to emerge from bankruptcy.

Pursuant to an order of the PUC from last year, Bangor Hydro negotiated a Guaranty Agreement with a competitive electricity provider (CEP) which allows Lincoln, currently in bankruptcy, to contract with the CEP for a price it could not get on its own. Under the guaranty, BHE will step into the shoes of Lincoln and either take the power or pay for it in the event of a default by Lincoln. While ratepayers are at risk under this guaranty, they also may benefit in a default if the market price is higher than the price in the contract. Also, this deal may help allow Lincoln to emerge from bankruptcy, an outcome that would benefit ratepayers. In April we entered into a stipulation supporting this arrangement that was filed at the PUC and at the US Bankruptcy Court. In May, both the Maine PUC and the federal Bankruptcy Court in Portland approved a settlement that allowed Lincoln Pulp & Paper to buy two years worth of electric power (beginning next April 1) at a competitive rate despite its recent economic problems.

16. New England Demand Response Initiative (NEDRI): This Spring, Eric Bryant attended a series of meetings concerning a regional initiative designed to formulate policies and recommendations for increasing the demand elasticity for electric energy. This could be done, for example, by giving customers (principally large customers) the ability to bid in load reductions to the spot market. This Initiative is sponsored by NECPUC and the Regulatory Assistance Project, along with the EPA, the DOE, the Air Bureaus of the six New England states and others.

17. Conservation Issues at the Legislature and PUC: In March, with one negative vote, the Utilities Committee approved amendments to legislation (LD 420), submitted by our office last year and carried over, for strengthening ratepayer-funded conservation efforts. The amendments transferred administration of these programs from the electric utilities to the PUC and simultaneously resolved a bitter set of disputes between CMP and Power Partners contractors. The Power Partners disputes were in federal court and also were the subject of a PUC investigation. This outcome guaranteed that no conservation program will be operated on a permanent basis for some considerable period while the PUC completes rulemakings and bid award procedures. During this start-up period, however, conservation funds held by utilities may not be spent for any other purpose.

In May, the PUC issued procedural orders for the design and implementation of ratepayer-funded conservation programs. In response, Public Advocate Ward and key staff met at the Natural Resources Council of Maine to sketch out preliminary strategy with the Energy Efficiency Coalition. Later in May, the PUC held a public hearing soliciting advice on how to design,

manage and evaluate interim programs for electricity programs. Enactment of LD 420 as emergency legislation has triggered at the PUC a comprehensive review of program planning processes in which the utilities are arguing for reduced investments in energy efficiency and environmentalists and others argue for maintaining ratepayer-funded programs at a level comparable to other New England states. In preparation for a May hearing at the PUC (attended by more than 50 people), we also participated in a meeting of the Maine Energy Efficiency Coalition at NRCM at which former regulators from Oregon and Vermont presented their experiences with the start-up of statewide conservation programs. Along with NRCM, AARP, Coalition for Sensible Energy, Maine Global Climate Change, the Thayer Corporation and the Maine Community Action Association, we also filed joint comments in two PUC dockets designed to put in to place interim and permanent conservation programs that are funded by ratepayers.

In a related matter, we awarded two contracts in May in response to our RFP for consulting assistance in these conservation proceedings: a contract with Optimal Energy, Inc. of Vermont (the firm that was instrumental in establishing the “efficiency utility” that now handles all ratepayer-funded conservation programs in Vermont) and Exeter Associates of Silver Springs, Maryland. Exeter will focus on the technical potential for conservation savings in each of Maine’s utility service territories. Optimal Energy will focus on the specifics of program design and administration.

B. MAJOR TELEPHONE CASES

1. Law Court Appeal of \$1.78 Verizon Increase: At year-end we were still awaiting the decision of the Maine Supreme Court on an appeal we filed in November of the PUC’s decision last June to grant Verizon a \$1.78 monthly increase in local rates in conjunction with approval of a second five-year Alternative Rate Plan for Verizon. We had requested reconsideration of this decision in July 2001 and filed our Notice of Appeal with the Law Court in November. We filed Briefs and Reply Briefs in February and March and participated in Oral Argument before the assembled Supreme Court justices on April 2. The Court’s decision is expected at any time but may be delayed until after the arrival of new law clerks in August.

The essence of our argument on appeal was that the PUC did not have the ability to ignore a statutory requirement of the Alternative Rate Plan (ARP) legislation governing Verizon: the PUC must verify that the rate levels for local service were no higher under Verizon’s ARP than they would have been under traditional rate case procedures before authorizing a new ARP for Verizon. It was our contention that the PUC was legally required to assemble an evidentiary record on this point before authorizing another five year term for the Rate Plan. Despite our frequent requests for such a proceeding during 2000 and 2001, the PUC chose not to undertake this type of formal examination of costs and revenues. We regarded this choice as legal error.

2. Verizon Case under Section 271 of the Federal Telecom Act: The 1996 Telecommunications Reform Act permits a regional Bell operating company like Verizon to compete for customers in the interstate toll markets only if it can satisfy a so-called Section 271 checklist establishing that it has opened its markets to local competition. Opening local markets requires the demonstration that it has cooperated with requests from competitors for co-locating

their equipment on Verizon property, that it has not discriminated against local competitors in charging for leased equipment and that it has not frustrated their marketing of local service. Beginning in November the Maine PUC responded to Verizon's request for a favorable recommendation to the FCC, by initiating an expedited proceeding. A key set of issues that developed in the PUC proceeding was a "Performance Assurance Plan" (PAP) to verify that Verizon would continue to cooperate with competitors in the provision of local service.

In January the Maine competitive local exchange carriers (CLECs) proposed a stipulation that would adopt the Performance Assurance Plan operating in New Jersey, together with the formation at the PUC of a "Rapid Response Team" to intervene when Verizon failed to provide service promptly. We filed testimony explaining why the New Jersey PAP is inadequate to protect competition and negotiated with the Maine CLECs on changes to the PAP adopted in New Jersey that would enable us to join in submitting the stipulation to the Commission. In January we also filed a 24-page statistical analysis by our in-house economist, Dr. Ron Norton, concerning Verizon's proposed Performance Assurance Plan. In that paper we recommended that the PAP be amended so that parity in performance by Verizon only be designated when both the test of *means* and the test of *variance* are satisfied and that those tests be performed on appropriate samples.

In February we participated in the Commission hearings on Verizon's request for approval of the Verizon application to become an interstate toll carrier. We cross-examined the witnesses of Verizon and the competitive local exchange carriers (CLECs) and we presented our witnesses - - Bion Ostrander, Dave Brevitz and Ron Norton - - each of whom proposed changes to the plan designed to assure that there will be competition here in Maine for local telephone service. The Commission granted its final approval to Verizon under Section 271 in March - essentially a recommendation to the FCC that Verizon be authorized to compete in interlata markets.

3. Independent Telephone Company Rate Cases: We were actively involved in ratesetting at the PUC for four small independent telephone companies: Tidewater Telecom, Lincolnville Telephone, Community Service Telephone and Unitel Telecom. All of these cases were driven by the legislative mandate that phone companies in Maine reduce their charges to toll carriers for access to local networks to a level comparable to the FCC's access charges. The upshot for each of these companies has been a reduction of access charge revenues and, consequently, upward pressure on local rates.

In the case of Lincolnville Telephone and Tidewater Telecom (which are jointly owned), we countered their request for overall increases in local rates of \$1.4 million with testimony from our expert witnesses limiting any local increases for the two companies to a total of \$720,000. At the end of April, the management of the companies accepted our offer of settlement at \$875,000 or a \$3.50 per month increase as of January 1, 2003 as access charges are reduced further to match federal access charges reductions.

In the case of Community Service Telephone (CST), we filed the testimony of our two witnesses, Stephen Hill and Lafayette Morgan, at the PUC in July and in September and October completed negotiations with CST for a reduction in in-state access rates of \$765,000 with an additional \$45,000 decrease in the costs of local calling from the Mount Vernon exchange. This

negotiated outcome was noteworthy since CST had originally sought to implement only a \$135,000 decrease in rates.

In the case of Unitel Telephone we reached agreement on a \$460,000 decrease in access charges and no corresponding increase in local rates. In all four of these instances, we were the only parties to these rate cases – other than the local phone company – and therefore the only negotiator of a final set of rate charges.

4. Merger and Reorganization of Telephone Companies. In August 2001 we participated in the negotiations that led to a stipulation approving the reorganization that led to the common ownership of Saco River Telephone and Telegraph and the Pine Tree Telephone and Telegraph Company. In June 2002 we joined in another stipulation which approved the entry of a new investor in the parent company, Country Road Communications, and other, small reorganizations.

C. WATER AND NATURAL GAS CASES

1. PNGTS Rate Case at FERC: The Public Advocate and the PUC made two joint filings in the Spring of 2002 opposing a large rate increase request filed at FERC by the Portland Natural Gas Transmission System (PNGTS). This rate request has the potential to increase wholesale gas costs significantly in Maine. At year-end, negotiations were underway at FERC seeking a reduction in PNGTS' proposed \$1.54/MCF charge to \$.95/MCF.

2. Investigation Into Billing Complaints Against Northern Utilities: In April, we filed comments with the PUC recommending that Northern be required to improve its billing practices. Northern's practices have allowed hundreds of customers to be billed for estimated, rather than actual usage, for periods of time as long as 39 months. This practice resulted in thirteen recent complaints to the Commission in 2001. We proposed several remedial measures that Northern should be required to take, taking into consideration the need to minimize costs and the fact that Northern is the only major utility in Maine that estimates bills for all of its customers every other month. At year-end, PUC had undertaken a management audit of Northern Utilities and is currently investigating NU's billing practice.

3. Greenville Water Company Increase: In February we intervened in the rate case at the PUC in which Greenville Water (a division of Consumers Maine Water Company) requested an 11.8% increase in rates. In March we submitted our discovery to the Company, and prepared for the pre-hearing conference/technical conferences and negotiation sessions. We ultimately reached an agreement with the Company which reduced the level of increase to 11.54%.

4. Water Districts – Possible Overearnings: After reviewing several annual reports filed this Spring at the PUC, we undertook an in-house investigation as to whether there are water districts that are “overearning,” i.e. maintaining rates at higher levels than necessary. Our plan was to submit a petition to the PUC requesting that the Commission apply its rule for rate decreases for water districts, if our investigation confirms overearnings. Two water districts independently submitted to the process – required by the PUC rule – of holding a public meeting to determine

whether to reduce rates or improve infrastructure. At year-end, we were continuing to review the annual reports of other water districts.

5. Merger of Boothbay Water Districts. In the period between November 2001 and April 2002 we participated in the negotiations that led to a stipulated result in the petition to merger submitted by the Boothbay Harbor Water System and the East Boothbay Water District. The Stipulation approved the creation of a new entity, the Boothbay Region Water District, and provided for a two-year cap and abatement for the East Boothbay customers that were facing a rate increase.

6. Consumers Maine Water Company - Bucksport Division. In February 2002, Consumers Maine Water filed a request to increase its rates by 8.02%. We participated in discovery and negotiations and in April submitted a stipulation that reduced the overall increase to \$41,000.

D. TEXAS COMPACT FOR LOW-LEVEL RADIOACTIVE WASTE DISPOSAL

In March of 2002, the Maine Legislature enacted, without objection or dissent, legislation repealing Maine's membership in the interstate compact with Texas and Vermont for disposal of low-level radioactive waste (LLRW) at a facility to be located in Texas. Public Advocate Ward supported the repeal legislation that was signed into law by Governor King on April 5. Maine's exit from the Compact (which will not take effect until March 2004 under the Compact's terms) was compelled by three circumstances, none of which were anticipated in 1993 when Ward was Maine's principal negotiator for the three-state agreement. These events were: 1) the decision of Maine Yankee's Board to close that generating facility ten years ahead of schedule in the Spring of 1997; 2) the unanimous rejection of a licensing application in Texas for a LLRW disposal facility in Sierra Blanca Texas; and 3) the inability of the Texas Legislature in 2000 and 2002 to reach agreement on new siting legislation, or appropriations, for a LLRW site in Texas.

Since Maine Yankee's ratepayers are obligated to cover Texas Compact assessments (which potentially could have reached \$25 million), repeal of Maine's Compact membership avoids the possibility of significant costs for the ratepayers of CMP, Bangor Hydro and Maine Public Service Company.

In October 2001 and in June 2002, Public Advocate Ward traveled to Austin to meet with key leaders in Texas government and to apprise them of the developments in Maine. Specifically, Ward conveyed the view of Governor King that, with Maine Yankee 50% decommissioned and retaining full access to disposal facilities in South Carolina and Utah, there no longer was good reason for Maine to remain in a Compact and bear responsibility for disposal capacity that Maine LLRW generators would not use. On both occasions, the consultations in Austin were cordial and non-adversarial. It is noteworthy that, with Maine Yankee's waste disposal needs independently resolved, the total of remaining LLRW volumes from all other sources in Maine is minimal (2000 cubic feet or less) and can be easily handled at the existing Utah and South Carolina facilities.





Summary of Ratepayer Savings, 1982 to 2002 Attributable to Public Advocate Interventions

1. FY 02
 - Stranded Cost Cases (MPS, BHE, CMP), Maine Yankee's in-state owners agreed to flow back to ratepayers the credit received from Maine Yankee's insurer when the plant ceased operations \$ 4,654,000
 - Bangor Hydro rate case, BHE's rate increase request was withdrawn by BHE in conjunction with a 6-year Alternative Rate Plan which we negotiated for the 2002-2008 period \$ 6,400,000
 - Telephone Rate Cases, lowered levels of local phone rates for Tidewater Telecom and Lincolnville Telephone as a result of negotiated settlements \$ 557,000
2. FY 01
 - Maine Yankee prudence settlement (FERC/PUC), two in-state owners of Maine Yankee, CMP and BHE, agreed to acknowledge the increased value of Maine Yankee output in wholesale markets by agreeing to a reduction in recoverable stranded costs \$14,200,000
3. FY 00
 - CMP T&D rate case, Phase II, stranded cost reduction from excess earnings in stipulated resolution accepted by PUC on 2/24/00 \$20,000,000
 - Bangor Hydro T&D rate case, reduction in final PUC order on items where the only litigant challenging BHE's rate request was OPA \$ 9,500,000
4. FY 99
 - CMP T&D rate case, Phase I, reduction in final PUC order on items where the only litigant challenging CMP's rate request was OPA \$28,000,000
 - Maine Yankee rate case/prudence review (FERC), settlement of decommissioning case resulted in a \$19 million reduction of wholesale charges, 50% to be flowed-through to CMP, BHE, MPS. Also potential \$41 million reduction in stranded costs billed by CMP, BHE, MPS through 2008. \$ 9,500,000
5. FY 97
 - Consumers Maine Water rate case, \$8,000 reduction in final rate increase awards for Bucksport and Hartland where no other party filed testimony \$ 8,000

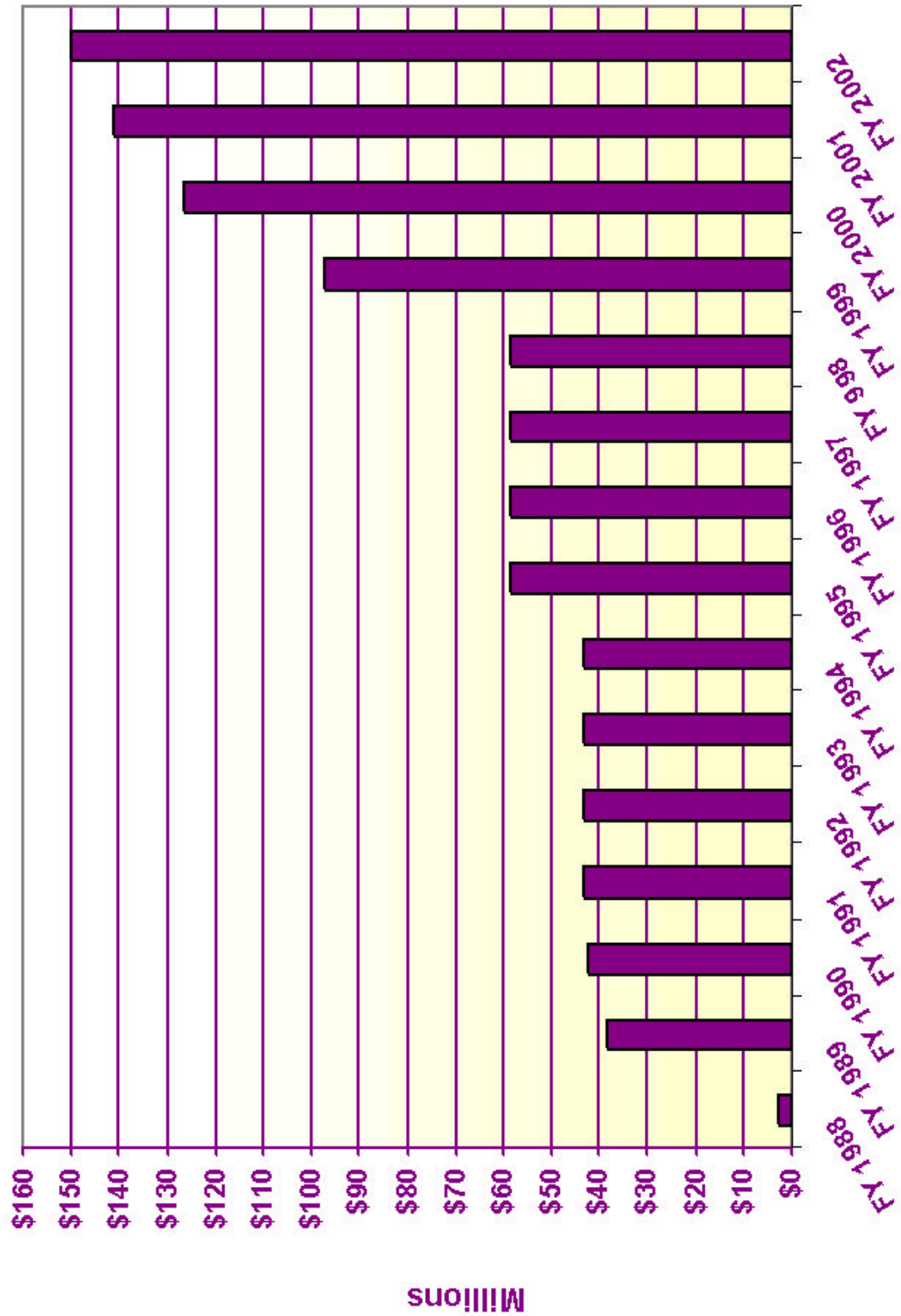
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6.	<u>FY 95</u>		
●	<u>NYNEX rate case</u> , \$16.6 million reduction based on items proposed by no other party and adopted by PUC in final order	\$16,600,000	
✍			
7.	<u>FY 91</u>		
●	<u>Bangor Hydro rate case</u> , \$800,000 in lowered rates based on items by no other party and adopted by PUC on final order	\$ 800,000	
✍			
8.	<u>FY 90</u>		
●	<u>CMP rate case</u> , \$4 million reduction based on recommendations not duplicated by any other party which were adopted in the final order	\$ 4,000,000	
9.	<u>FY 89</u>		
●	<u>New England Telephone settlement</u> , \$5 million reduction in intra-state where magnitude would have been less without our participation	\$ 500,000	
●	<u>CMP rate case</u> , only party to file for motion to exclude CMP's late filed attrition testimony, motion granted 12/22/89	\$35,000,000	
●	<u>CMP avoided cost case</u> , supported cost levels adequate to permit 6 AEI wood-fired units to begin construction in Aroostook County	NA	
●	<u>CMP Hydro-Quebec case</u> , supported purchase	NA	
●	<u>Isle au Haut</u> , instrumental in bringing telephone service to island	NA	
✍			
10.	<u>FY 88 and prior</u>		
●	<u>Bangor Hydro rate case</u> , provided sole rate of return testimony	\$ 2,000,000	
●	<u>Maine Yankee rate case</u> , (FERC), successfully proposed equity return at 11.9% and flowthrough of \$1.5 million settlement with Westinghouse	\$ 750,000	
●	<u>LCP Chemical rate with Bangor Hydro</u> , successfully argued for special pricing flexibility in order to save jobs in Orrington	NA	
●	<u>Portland Pipeline cases</u> , successfully intervened at FERC, PUC, DOE Natural Energy Board (Canada) for approval of new gas supplies	NA	
●	<u>Seabrook cases</u> , negotiated agreement for \$85 million write-off by CMP and for PUC and FERC approval of sale of Seabrook shares	NA	
●	<u>CMP conservation programs</u> , worked closely with CMP, PUC and OER for design of new industrial and residential conservation programs	NA	
●	<u>Local Measured Service</u> , successfully proposed at PUC the three option plan which was later overridden by referendum	NA	
●	<u>Rate Cases</u> : Maine Public Service, 1982 - litigated	\$ 2,000,000	
✍	✍ Eastern Maine Electric Coop. 1983 - litigated	\$ 200,000	
✍	✍ New England Telephone 1983 - litigated	\$ 10,000,000	
✍	✍ New England Telephone 1984 - stipulated	\$ 20,000,000	
✍	✍ Northern Utilities, 1981 - stipulated	\$ 100,000	
✍	✍ Northern Utilities, 1983 - stipulated	\$ 1,000,000	
✍	✍ Central Maine Power Co., 1982 - litigated	\$ 5,000,000	

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		Central Maine Power Co., 1984 - stipulated	\$ 10,000,000
		Central Maine Power Co., 1986 - stipulated	\$ 20,000,000
11. Total FY 89-FY 02, excluding settlements			\$ 93,908,000
12. Total FY 89-FY 02, including settlements			\$149,719,000
13. Prior Savings, including settlements, FY 82-FY 88			\$ 71,050,000
14. Total, excluding settlements, FY 82-FY 02			\$113,108,000
15. Total, including settlements, FY 82-FY 02			\$220,769,000

Cummulative Savings in Rates 1988 to 2002



Public Advocate Staffing Summary: Cumulative Hours 07/01/01 - 6/30/02													
June 2002													
	WCB	EJB	MLC	LSL	WRJ	PJM	RNN	DAT	SGW	Month's Total		Cummulative Total	% of Direct Hours
										Monthly %	Total	Cummulative %	Total Direct Hours
ELECTRIC	37.5	92.5	20.0	84.0	35.0	16.5	113.0	40.0	87.0	525.5	36.62%	5330.0	40.75%
TELEPHONE	35.5	0.0	20.0	7.0	39.0	54.5	8.0	40.0	1.0	205.0	13.89%	4608.5	35.23%
GAS	0.0	0.0	5.0	0.0	0.0	0.0	12.0	20.0	0.0	37.0	2.51%	517.0	3.95%
ALL OTHER	0.0	0.0	5.0	0.0	0.0	2.0	14.0	20.0	0.0	41.0	2.78%	495.0	3.78%
MAINE YANKEE/COMPACT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.0	6.0	0.41%	121.0	0.93%
CONGRESSIONAL	0.0	0.0	38.0	51.0	48.0	7.0	0.0	0.0	43.0	187.0	12.67%	779.5	5.96%
CONSUMER CONTACTS	5.0	6.0	0.0	25.0	34.0	9.0	0.0	20.0	3.0	102.0	6.91%	992.0	7.58%
LEGISLATIVE	0.0	0.5	0.0	0.0	4.0	0.0	0.0	0.0	0.0	4.5	0.30%	236.5	1.81%
TOTALS										1108.0	75.09%	13079.5	100.00%
PUC CASES													
Electric	37.5	72.5	20.0	84.0	35.0	16.5	113.0	40.0	59.0	477.5	32.36%	4605.5	35.21%
Telephone	35.5		20.0	7.0	39.0	54.5	8.0	40.0		204.0	13.83%	4545.0	34.75%
Gas			5.0				12.0	20.0		37.0	2.51%	500.0	3.82%
Water			5.0			2.0	14.0	20.0		41.0	2.78%	417.5	3.19%
PUC Total										759.5	51.47%	10068.0	64.83%
ISO-NE NEPOOL		20.0							28.0	48.0	3.25%	356.0	2.72%
FERC CASES/NASUCA													
Electric										0.0	0.00%	368.5	2.82%
Maine Yankee/Compact									6.0	6.0	0.41%	121.0	0.93%
Gas Pipeline										0.0	0.00%	17.0	0.13%
FERC Total										6.0	0.41%	506.5	3.87%
FCC CASES/NASUCA									1.0	1.0	0.07%	63.5	0.49%
CONGRESSIONAL/NASUCA			38.0	51.0	48.0	7.0			43.0	187.0	12.67%	779.5	5.96%
CONSUMER PROBLEMS													
Electric		6.0		22.0		4.5	4.5	10.0	3.0	45.5	3.08%	243.5	1.86%
Telephone	4.5				34.0	4.5		10.0		53.0	3.59%	695.0	5.31%
Gas										0.0	0.00%	13.5	0.10%
Water	0.5			3.0						3.5	0.24%	40.0	0.31%
Contacts Total		0.5			4.0					102.0	6.91%	992.0	7.58%
LEGISLATIVE										4.5	0.30%	236.5	1.81%
PUBLIC SPEAKING										0.0	0.00%	77.5	0.59%
ADMINISTRATIVE	0.5	3.5	72.0	6.0		69.0		4.0	18.0	173.0	11.72%	1570.5	10.11%
LEAVE													
Sick	3.0				8.0	2.0	5.0		5.0	23.0	1.56%	218.0	1.40%
Vacation	82.0	57.5					8.0		4.0	151.5	10.27%	595.0	3.83%
Personal/Admin				4.0				16.0		20.0	1.36%	68.0	0.44%
Voluntary Cost Savings										0.0	0.00%	0.0	0.00%
Total Leave										194.5	13.18%	881.0	5.67%
TOTAL	163.5	160.0	160.0	177.0	188.0	160.0	160.0	160.0	167.0	1475.5	100.00%	15531.0	100.00%

120 TH LEGISLATURE, 2 ND SESSION
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OPA position adopted: 9 69%
 OPA position rejected: 4 31%
 Bills OPA testified on: 13 100%

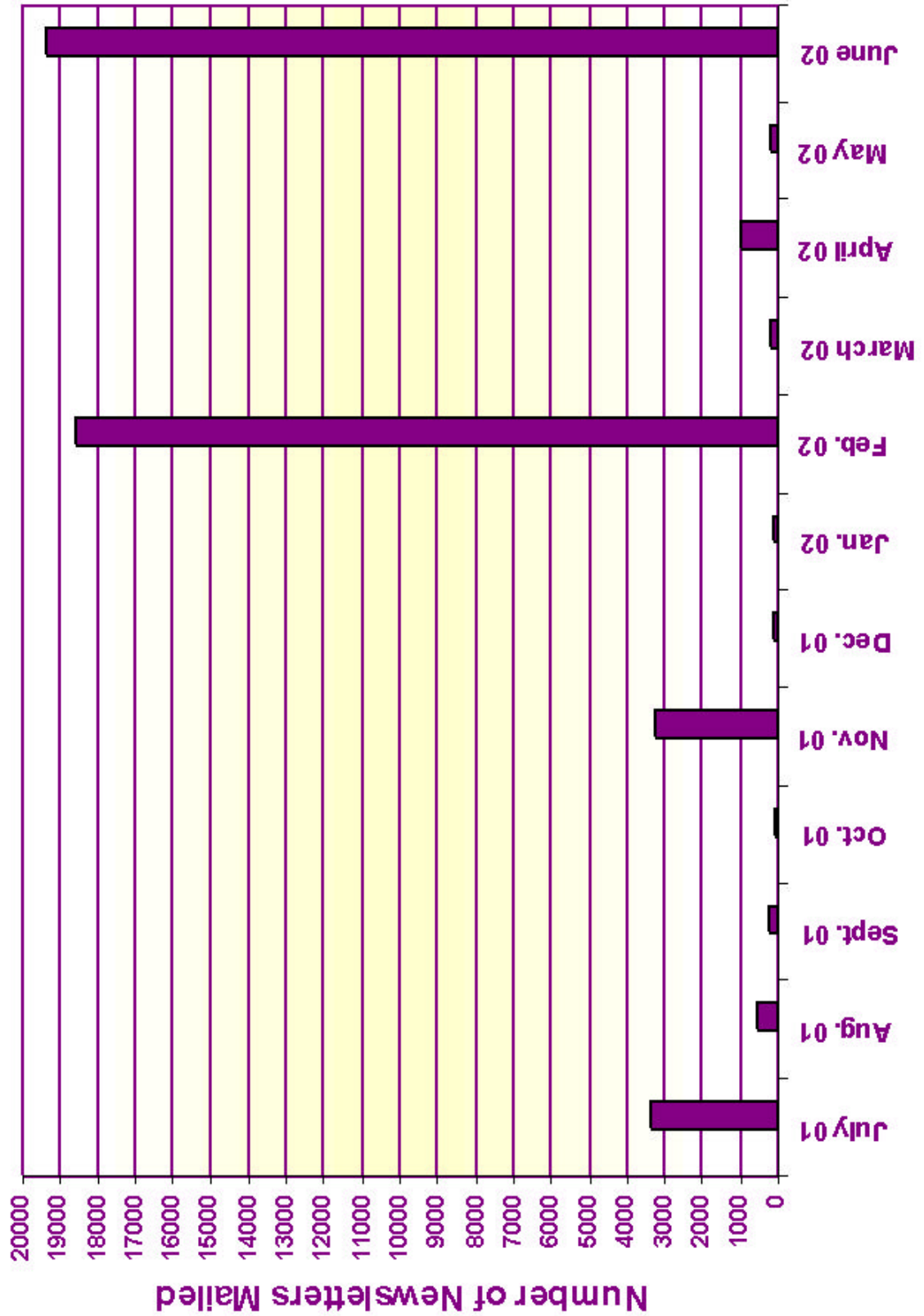
LD# Bill Title

- 0029 An Act to Implement the Recommendations of the Task Force to Reduce the Burden of Home Heating Costs on Low-Income Households**
bus/ec Sponsor: Richardson
 OPA position: support Committee action: **OTPA**
 CARRYOVER (Died in the Senate)
- 0420 An Act to Strengthen Energy Conservation (OPA)**
 Sponsor: Savage
 OPA position: support Committee action: **OTPA**
 Enacted: 3/26/02 Signed: 4/5/02 CARRYOVER **PL 624**
- 0646 An Act to Establish the Maine Energy Advisory Council**
 Sponsor: McKee
 OPA position: support Committee action: **OTPA**
 Enacted: 4/2/02 Signed: 4/8/02 CARRYOVER **PL 630**
- 1139 An Act to Ensure Access to Energy Markets for Maine's Small Hydroelectric Facilities**
 Sponsor: Edmonds
 OPA position: qual/supp Committee action: Carryover **ONTP**
- 1412 An Act Relating to the Transfer of Certain Privileges Bestowed by the Legislature upon Great Northern Paper, Inc. to Great Northern Energy, LLC**
 Sponsor: Michaud
 OPA position: na Committee action: Carryover **ONTP**
- 1837 An Act to Improve the Ability of the PUC to Enforce State Laws, Rules and Requirments**
 Sponsor: Savage (PUC bill)
 OPA position: support Committee action: **ONTP**

- 1838 An Act to Eliminate Unnecessary Filing Requirements for Water Utilities**
Sponsor: Savage (PUC bill)
OPA position: support Committee action: **OTPA**
Enacted: 2/13/02 Signed: 2/21/02 **PL 488**
- 1869 An Act Regarding Protective Orders in PUC Proceedings**
Sponsor: McAlevey
OPA position: oppose Committee action: **ONTP**
- 1893 An Act to Facilitate More Effective Consumer Representation at the OPA**
Sponsor: Ferguson (OPA Bill)
OPA position: support Committee action: **OTP**
Enacted: 2/6/02 Signed: 2/14/02 **PL 476**
- 1937 An Act to Benefit Maine's Economy**
Sponsor: McGlocklin
OPA position: oppose Committee action: **ONTP**
Enacted: Signed:
- 1973 An Act Regarding Utility Easements**
Sponsor: Hall
OPA position: na Committee action: **OTPA**
Enacted: 3/27/02 Signed: 4/3/02 **PL 608**
- 1981 An Act to Prohibit the Charging of Tolls for Phone Calls Made Between Contiguous Communities**
Sponsor: Michaud
OPA position: nf/na Committee action: **ONTP**
- 1985 An Act to Avoid Incompatible Employment of Water Utility Employees**
Sponsor: Savage (PUC Bill)
OPA position: verbal support Committee action: **ONTP**
- 1995 Resolve, Authorizing PUC Oversight for Development of RTO Participation**
Sponsor: Goodwin
OPA position: support Committee action: **OTPA**
Enacted: 3/5/02 Signed: 3/12/02 **RES 81**

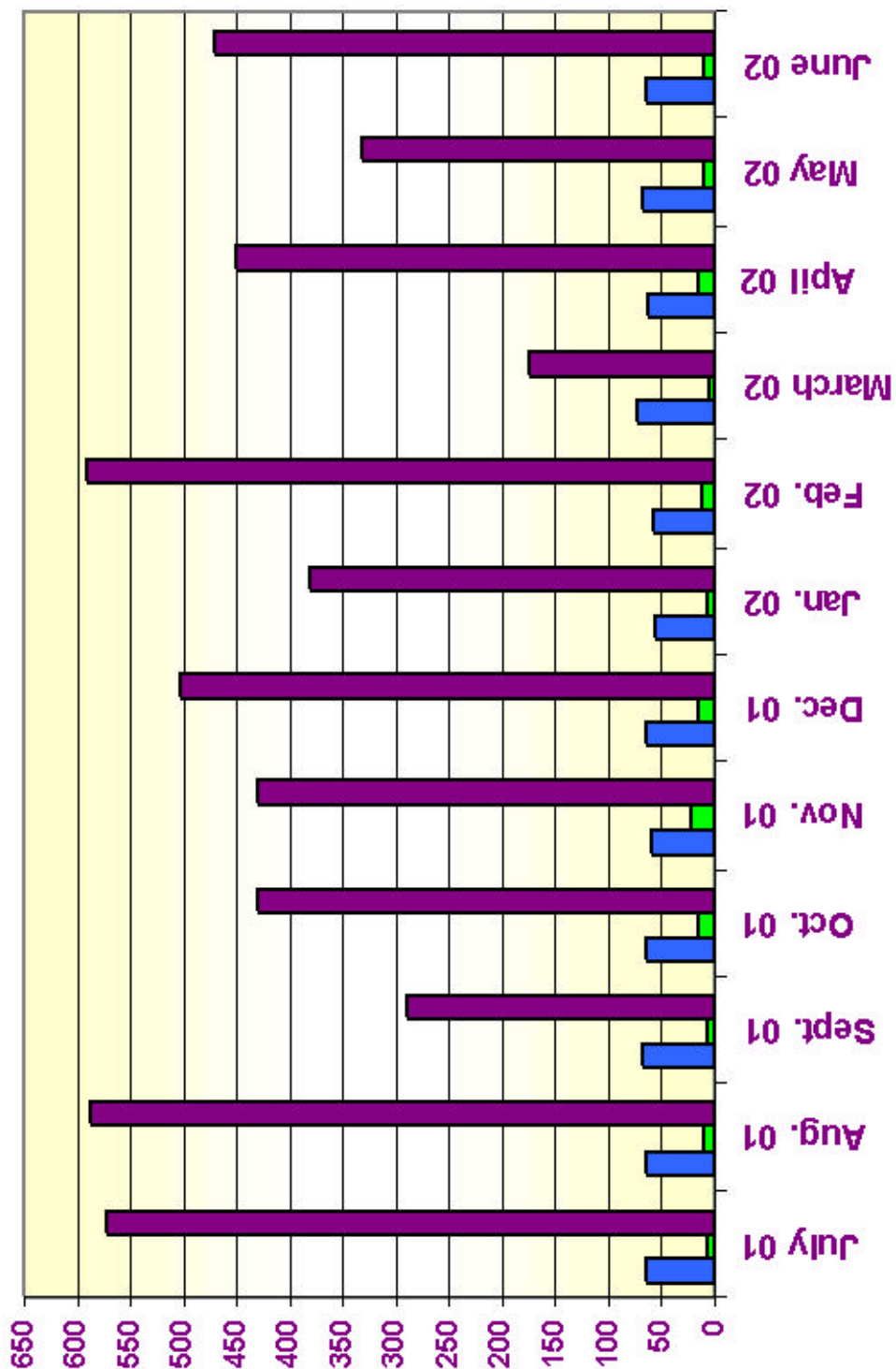
- 2003 An Act to Prepare Residential Electricity Customers for Competitive Electricity Markets in Maine**
Sponsor: Bliss
OPA position: support Committee action: **OTPA**
Enacted: 3/4/02 Signed: 3/12/02 **PL 528**
- 2024 An Act to Improve the Safety Provided by the Underground Facilities Protection Law**
Sponsor: Savage (PUC)
OPA position: na Committee action: **OTPA**
Enacted: 3/21/02 Signed: 3/27/02 **PL 577**
- 2041 An Act to Control Internet Spam**
Sponsor: Goodwin
OPA position: na Committee action: **OTPA**
Died in the Senate
- 2073 An Act to [Portland Water District]**
Sponsor: McLalughlin
OPA position: na Committee action: OTPA
Enacted: Signed: **P&S 56**
- 2085 An Act to [GNP]**
Sponsor: Michaud
OPA position: na Committee action: OTP OTPA ONTP
Enacted: Signed: **P&S 45**
- 2107 Resolve [line extension rule]**
Sponsor:
OPA position: nf/na Committee action: **OTPA**
Enacted: 3/21/02 Signed: 3/21/02 **RES 83**
- 2171 An Act to Withdraw from the Texas Low-level Radioactive Waste Disposal Compact**
Sponsor:
OPA position: support Committee action: **OTP**
Enacted: 3/27/02 Signed: 4/5/02 **PL 629**

July 2001 to June 2002 Performance Indicators



Interventions
Filings @ PUC
Contacts

July 2001 through June 2002 Performance Indicators



PUBLIC ADVOCATE OFFICE MAINE CITIZEN SURVEY RESULTS

1. How would you rate the service you received overall?

Excellent	Good	Fair	Poor	No Response	
2475	657	35	37	115	
74.57%	19.80%	1.05%	1.11%	3.46%	= 100%

2. What was the reason you contacted our office?

Information	Utility Complaint	Newsletter Request	Other	No Response	
1070	363	1604	200	82	
32.24%	10.94%	48.33%	6.03%	2.47%	= 100%

3. If you spoke with someone, was the staff courteous and knowledgeable?

Excellent	Good	Fair	Poor	No Response	
1958	576	20	20	745	
58.99%	17.35%	.06%	.06%	22.45%	= 100%

4. How did you contact our office?

Telephone	Walk-in	Email/Website	By Letter	Other	No Response	
2524	14	162	363	68	187	
76.05%	.45%	4.88%	10.94%	2.05%	4.52%	= 100%

5. Did you get the help you needed in a timely manner and/or newsletter(s) as requested?

Quicker than expected	As expected	No Expectation	
1071	1883	166	
32.27%	56.73%	5.00%	

Slower than expected	No Response	
59	140	
1.78%	4.22%	= 100%

6. How did you hear about the office?

Radio/TV	Newspaper	Public Meeting(s)	Internet	Other	No Response	
784	1341	121	71	735	267	
23.62%	40.40%	3.65%	2.14%	22.15%	8.04%	= 100%

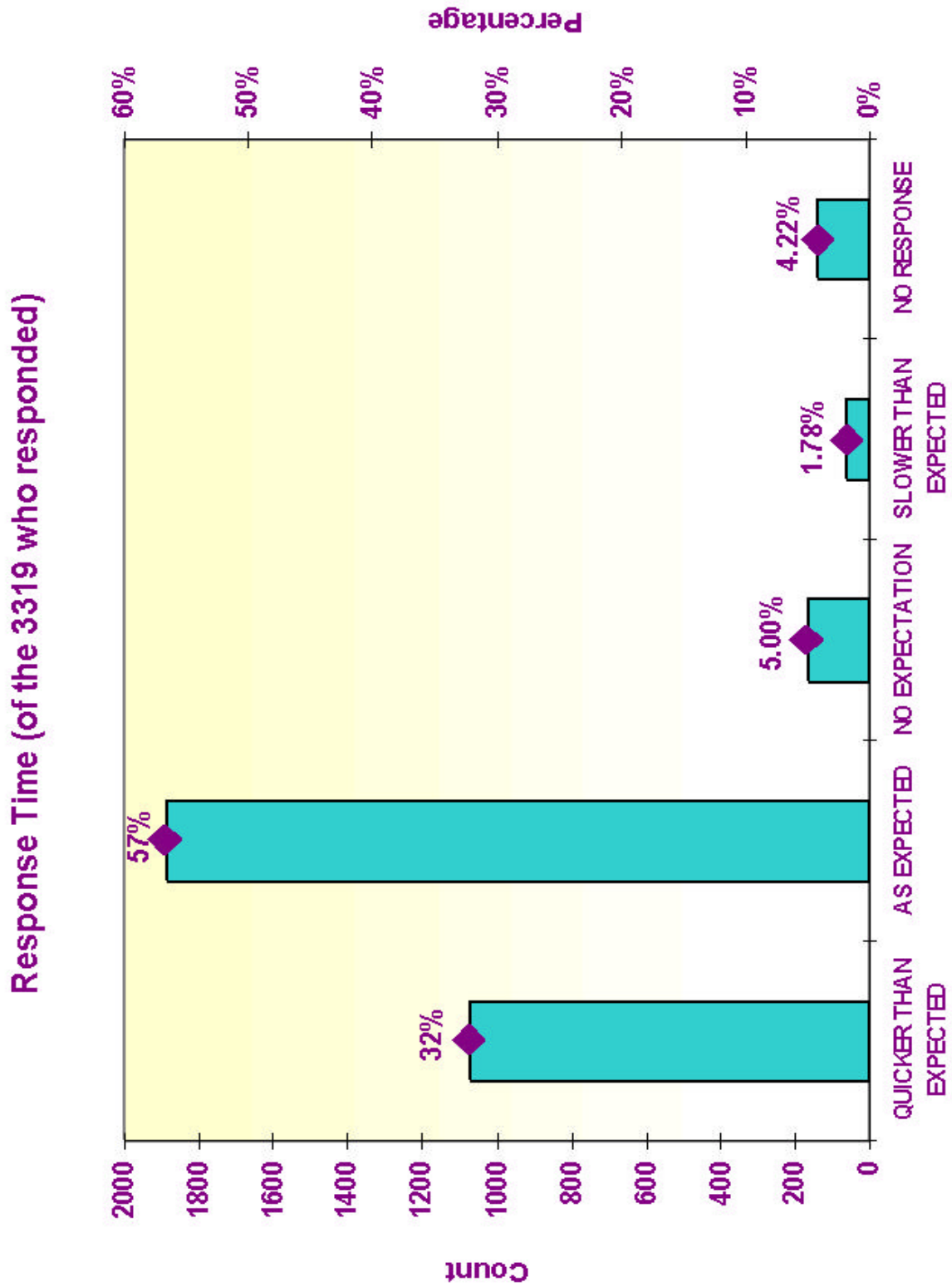
7. If newsletter request, what newsletter(s)?

Ratewatchers Phone Guide	Electricity Shopping Guide	Both	No Response	
2106	87	581	545	
63.45%	2.62%	17.51%	16.42%	= 100%

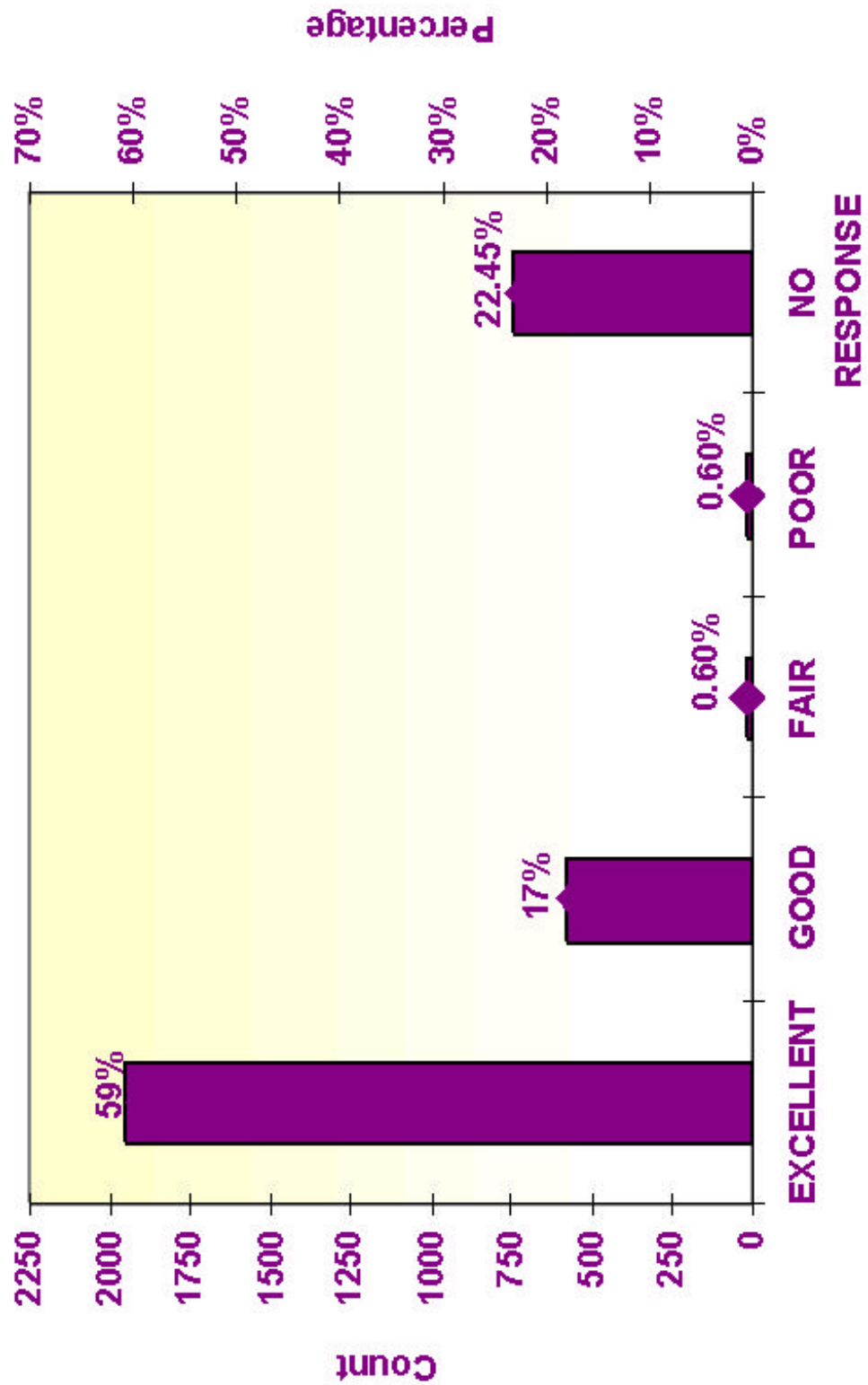
Maine OPA Citizen Survey Results: Top 15 Suggestions for New Services

1	Cable TV: pricing and services	156
2	Oil & gas guide: consumer issues for unregulated fuels	137
3	Electric issues – conservation, poor service, audit the companies	70
4	Health, auto, life, and homeowner insurance	47
5	Internet information	41
6	Cell phones: price comparisons	35
7	Drugs - pharmacies	30
8	Low-income, elderly, and handicap information	28
9	Taxes: both income and property	27
10	Water and sewer rates	23
		415

Note: The OPA's survey was mailed to 15,965 Maine individuals in the month of May 2002.



Staff Courteous & Knowledgeable (of the 3319 who either spoke to someone or responded)



ATTACHMENT VI

Page 1 of 1

Share of Electric Sales in Maine by Competitive Providers:
June 2000 to June 2002

Residential/Small Commercial/Street Lighting

Medium Commercial

Large Commercial

