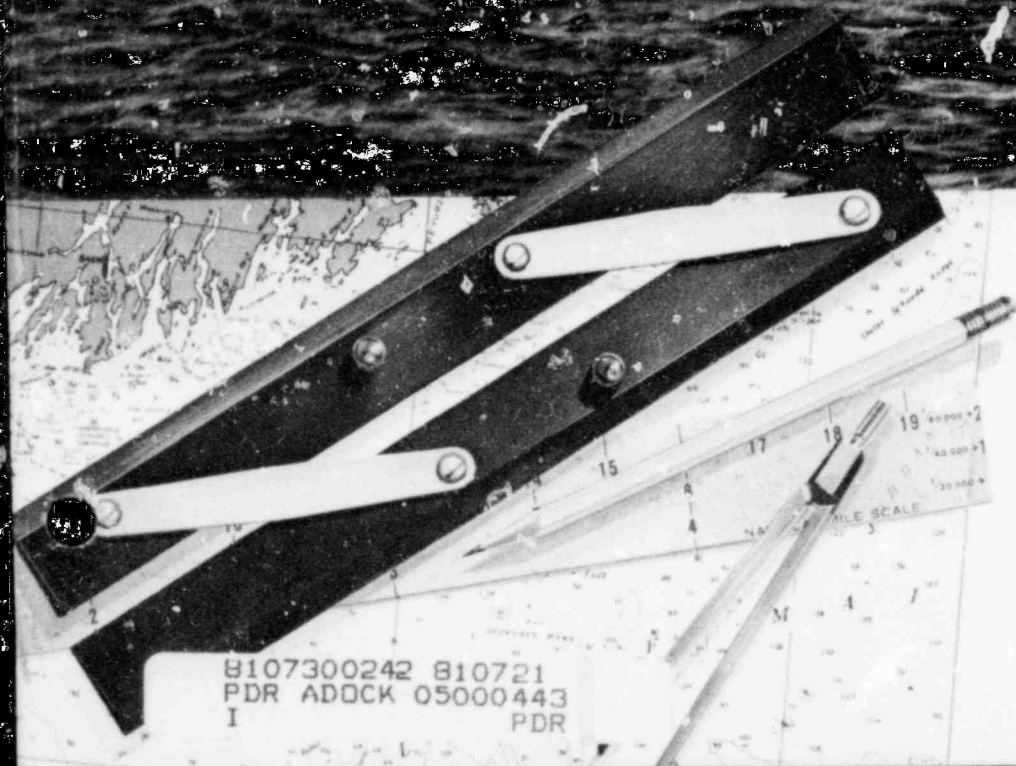


Central Maine Power Company Annual Report 1980

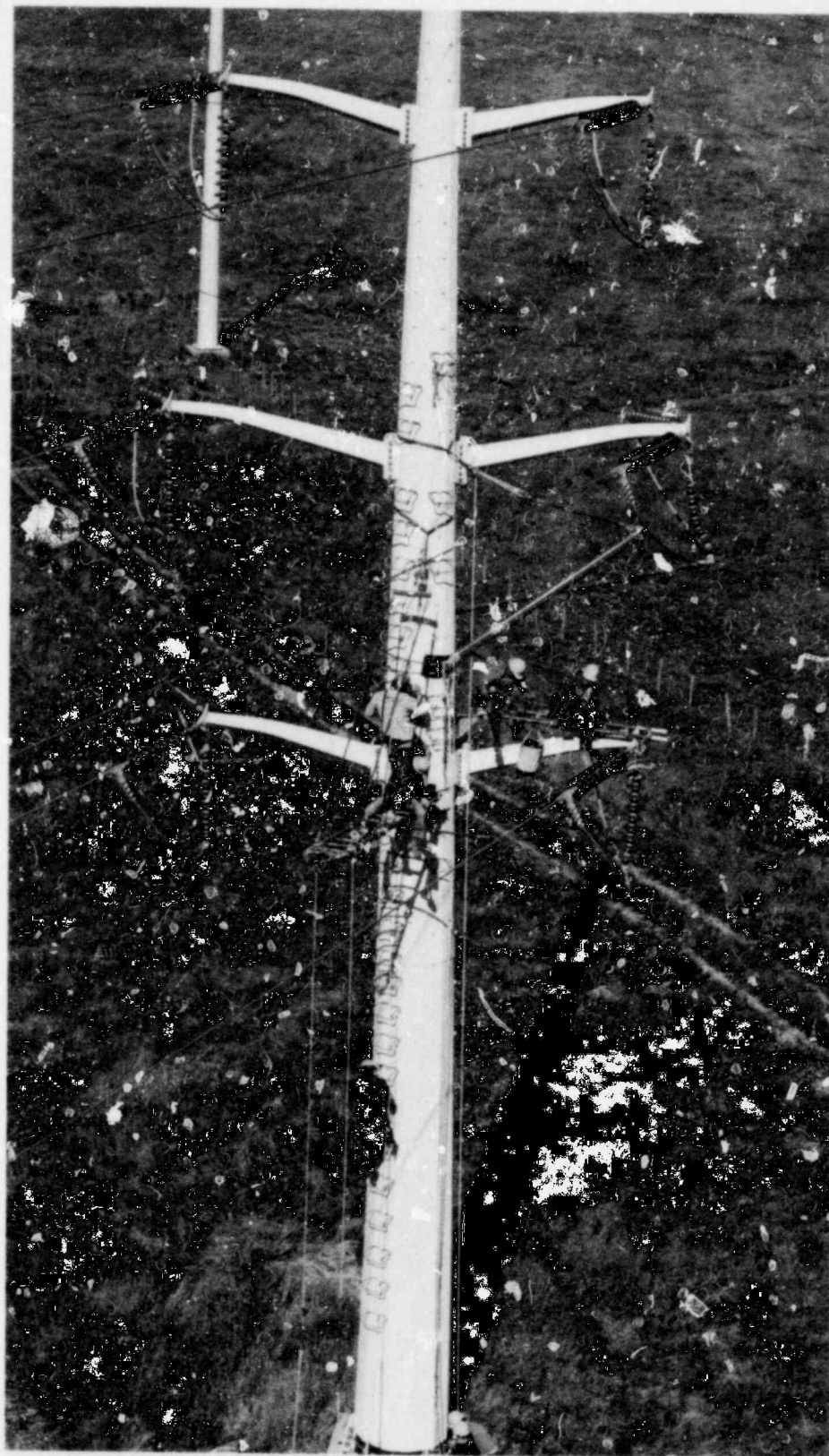


Charting a course for the '30s...
requires analysis of
past performance, intelligent
predictions of what lies ahead,
and careful planning
to meet the challenges.

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I PDR

Your Company

CMP provides electric service to more than 700,000 Maine people as well as to their businesses, industries, schools, government centers and recreation facilities in a 10,600 square mile area in southern and central Maine. The Company currently has a strong generation mix consisting of hydroelectric, oil-fueled and nuclear-fueled generating stations and is currently in the process of adding to this mix with a major coal-fueled power facility late in the 1980's. Our customers have relied on CMP's dependable service for more than 80 years and are currently served by a system strengthened by interties with Canada and membership in the New England Power Pool. Your ownership share in Central Maine Power Company is helping to chart a course for meeting Maine's electric energy requirements in the years ahead.



Training programs keep CMP experts up to date with the safest and most efficient means of delivering power to our 380,000 customers.

Central Maine Power Company

Annual Report 1980

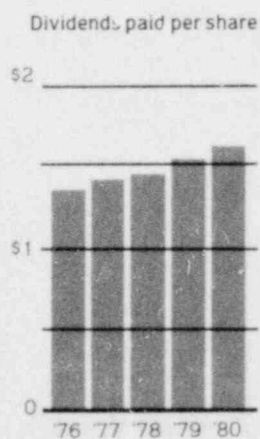
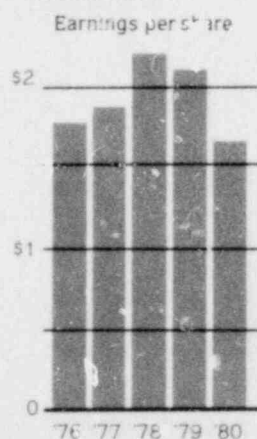
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Highlights of 1980

	1980	1979	% change
Revenues	\$335.3 million	\$271.8 million	+ 23.4
Expenses	\$291.2 million	\$227.1 million	+ 28.2
Interest Charges	\$ 23.2 million	\$ 19.5 million	+ 19.0
Net Income	\$ 26.4 million	\$ 29.6 million	- 10.8
Earnings per Share	\$ 1.67	\$ 2.10	- 20.5
Dividends Paid per Share (current annual rate is \$1.72)	\$ 1.66	\$ 1.55	+ 7.1
Book Value per Common Share	\$ 16.89	\$ 17.73	- 4.7
Return on Equity	9.2%	12.0%	- 23.3
Total Assets	\$795.0 million	\$694.8 million	+ 14.4
Customers	380,285	375,299	+ 1.3
Territorial Kilowatt-Hour Sales (millions)	6,039	5,952	+ 1.5

Common Stock



February 28, 1981

To our shareholders:

As we look back on 1980, about the best we can say is that it was a rough year and a busy one. We rode the roller coaster of high interest rates, rising fuel costs, continued inflationary pressures and a depressed economy. That combination was a tough one to beat in 1980 and will continue to challenge your management team in 1981.

Earnings drop

Earnings per share of common stock for 1980 were \$1.67, the lowest point in five years, and down from \$2.10 earned in 1979. Inflation, high interest rates and depressed energy sales account for this poor performance, but these factors were aggravated by "too-little-too-late" rate relief from the Maine Public Utilities Commission (PUC). In February your Company petitioned for increased rates totaling \$35 million, asking for \$11 million of that in temporary relief to help slow the erosion of earnings already evident at the beginning of the year.

The Commission dismissed our filing for temporary relief, assuring us, however, that they would speed up their review period and grant us an early decision. By law the PUC has a limit of nine months in which to act on rate requests. Unfortunately, early relief was not to come and an eleventh hour PUC decision—exactly nine months from our filing date—granted less than one half of the Company's original request.

As a result of the Commission's decision, the Company has no alternative but to file for additional revenues in 1981 in order to stop the continued erosion of shareholder earnings.

Seek more responsive regulation

Failure of the Maine Commission to recognize the financial needs of the Company is a matter of great concern to your management. We must work doubly hard to gain the confidence of the Commission which we are convinced is a prerequisite to more responsive state regulation. Our 1981 objectives include several steps towards reaching this goal including support for regulatory reform legislation which, in part, would separate the advocacy and judicial roles of the Commission. We are also seeking to initiate a more informal and open dialogue with the Commission outside the adversary environment of formal proceedings. This has been difficult in recent years due to political pressures and administrative constraints placed on both the Commission and the Company under existing state law.

The national scene

On January 20, this country inaugurated a new President to lead us through the early years of the 1980's—a President with sharply differing views from his recent predecessors on the role of government, the free enterprise system and regulation. We must wait until the Reagan program is unveiled, but early indications suggest that the new administration will be more responsive to the needs of business and more understanding of the important role the energy producing industries play in the economic strength of our country.

We applaud and support the President's statement, "I cannot support an energy policy based on a sharing of scarcity." President Reagan's support for increased coal and nuclear energy production and his determination to promote energy conservation and energy production by relying on the marketplace are refreshing and exciting signs that perhaps we can get back to the business of producing clean, competitively priced, reliable electricity for our customers.

Vote of confidence

In a September 23 statewide referendum, Maine voters, by a 3 to 2 margin cast their ballots in favor of continued operation of the state's only nuclear plant, Maine Yankee. While we are heartened by this vote of confidence, we do not view it as a mandate to build additional nuclear facilities in Maine. Earlier in the year at the Company's annual meeting, CMP shareholders soundly defeated three nuclear related proposals made by individual shareholders who are active in the anti-nuclear movement. Recent surveys indicate that Maine people are extremely interested in nuclear power and want to know more about it. We intend to accelerate our public education program with the goal of building even greater confidence in the nuclear program.

Sears Island—coal gasification?

The Company still awaits a decision by the PUC on its application to build a 568,000 KW coal-fueled plant at Sears Island. As reported in last year's annual report, the Commission turned down our original application in 1979, but agreed to reopen hearings on a revised proposal in which the Company agreed to reduce its ownership and delay the project completion date by two years.

Meanwhile, the Company is very excited about the prospects for constructing a coal gasification plant at Sears Island in place of the conventional coal-fueled plant currently planned. The Company was successful in obtaining a \$3.6 million grant from the Department of Energy to



National attention focused on Maine last fall when voters defeated an anti-nuclear effort to shut down the Maine Yankee nuclear power plant. President E.W. Thurlow termed the favorable outcome "a vote of confidence in Maine Yankee, but not a mandate for additional nuclear power plants in Maine."

study the feasibility of building the first commercial sized coal gasification combined cycle power plant in the United States. Although competing with dozens of other companies across the country, CMP was able to forge a coalition of state and regional bipartisan support from the state's governor, state and federal legislators, regulators and yes, even leading environmentalists to help a strong CMP-led project team win DOE recognition over its competitors.

New strategies for new times

In today's changing energy environment, management's planning philosophy is to anticipate and respond to the heightened risk we face as a regulated industry, vulnerable to steadily rising fuel costs, tight and expensive money markets and changing consumer demands. We must set realistic corporate goals, manage the demand side of the energy equation as well as the supply side and reevaluate our construction program in light of current financial pressures. In response to those pressures, we instituted a 60-day hiring freeze on January 1, 1981, to be replaced with a stronger policy of carefully controlled hiring designed to meet essential needs. In addition, we are implementing major spending cuts in all areas of operation and will defer expenditures on several previously planned generating and transmission projects.

Dividend increase announced

Although 1980 was a bad earnings year, we are confident that better days lie ahead. As evidence of that confidence, the Board of Directors voted a two cent increase in the common stock dividend for the fourth quarter bringing the annual dividend rate to \$1.72 per share. This increase, the fifth in five years, is consistent with CMP's long-standing objective of providing moderate but steady growth of dividends to our shareholders. The financial

health of the Company depends on our ability to maintain a supportive investor base, adequately reward existing shareholders and attract new equity capital, all of which make it extremely important that our dividend policy include prompt recognition of the value of investor funds.

Managing the 1980's

Despite a poor earnings performance in 1980, we face the future with a combination of optimism and concern—optimism that we can meet the challenges that lie ahead but concern that we may be deprived of the tools that we need to meet those challenges. State economists project that Maine, thanks to its diversified economy and growth potential, should experience a stronger recovery from the depressed economy of 1980 than many of its sister states. That recovery and growth will require a strong energy base. We must strive to gain the support of responsible regulatory agencies, and we must redouble our efforts to overcome special-interest interventionism which would deter us from that essential goal.

We must forge an aggressive program to help shape state and federal legislation, seek more responsive regulation and raise customer awareness of the issues. In this age of "special interest groups," our industry represents the interests of the whole public—not only today's but tomorrow's. In truth, we are a **general** interest group. We must build on this strength and continue our leadership role in Maine's energy decision making, if the general interest and not the special interest is to shape our energy future. Your continuing support, both as an investor and as a citizen concerned with a healthy energy environment, is vital.

Sincerely,

E. W. Thurlow
President and
Chief Executive Officer

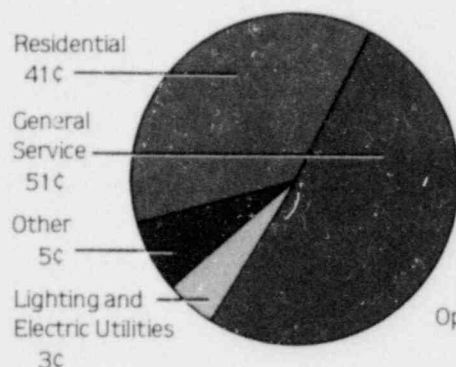
Financial Review

Revenues increase, sales lag

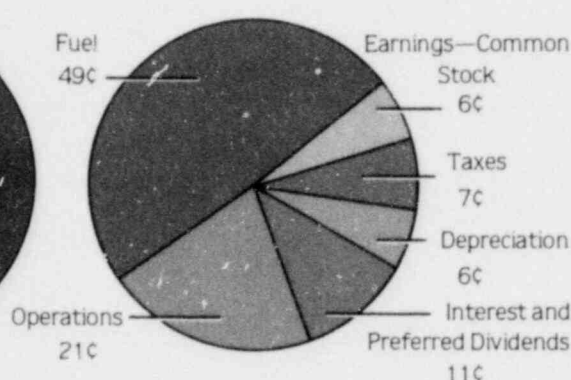
Total operating revenues rose to \$335.3 million in 1980, up \$63.5 million or 23.4 percent from 1979. The higher revenues, in a year of lagging sales growth, reflected primarily increased revenues relating to the Company's cost of fuel to make electricity. Since money collected from customers through the fuel-used-for-generation charge is a 100 percent nonprofit pass-through, increased revenues from fuel do not affect net earnings. Increased revenues also reflected a rate increase granted October 31 and made effective November 13.

Kilowatt-hour sales were 1.5 percent over the previous year, reflecting conservation efforts as well as customer response to rising costs. Milder weather and thereby lower wintertime demands early in 1980 and the impact of a sluggish economy also depressed sales. Residential kilowatt-hour sales declined 0.7 percent and commercial sales declined 2.8 percent, while industrial sales increased 7.3 percent.

Where each CMP dollar came from:



Where each CMP dollar went:



Earnings dip

"Too-little-too-late" rate relief in the fall of 1980 aggravated already declining earnings resulting in the lowest earnings per share level in five years. Overall earnings applicable to common stock totalled \$20.6 million, \$4.4 million less than 1979. Earnings per common share were \$1.67 compared to \$2.10 in 1979.

Factors affecting the lower earnings were higher expenses—including increased purchased power capacity costs, higher wage levels and soaring interest costs. In addition, the average number of common shares outstanding increased by approximately 458,000.

Rates increased \$16.2 million

On October 31 the Maine Public Utilities Commission approved revised retail electric rates designed to produce an additional \$16,185,000 on an annual basis. The Company was greatly disappointed with the decision but is encouraged by several positive aspects.

The Commission did allow, for example, a rate of return on

common equity of 13.75 percent, up from the 12.5 percent allowed in their 1979 rate decision.

We are also encouraged that the recent Commission decision did provide a \$2.3 million attrition allowance to help offset the erosive effect on earnings resulting from regulatory lag during a period of high inflation. Although the attrition allowance ordered was less than half that requested by the Company, this does represent the second rate decision which has reflected Commission acknowledgement of the need for some attrition consideration.

The Commission also allowed the Company to recover, over a five-year period, more than \$3 million in costs associated with a planned nuclear power plant which was later cancelled. The Company, however, has appealed to the Maine Supreme Judicial Court portions of the Commission rate order, in particular its decision not to allow the Company to recover \$827,000 of capital costs incurred in connection with the abandoned nuclear project.



CMP's home service advisors help communicate energy-saving ideas such as insulated "Roman shades" which can help customers save from 10% to 40% on their home heating costs.

**\$64 million
in new capital
raised**

During 1980 the Company raised \$18.3 million through the sale of 1.6 million shares of common stock and \$24.7 million through the sale of 11.75% Series Preferred Stock. In addition, \$16.5 million was received in 1980 as the final payment on a 1979 bond sale arrangement. Proceeds were applied to help meet construction requirements.

More than 241,000 shares of common stock were also sold through the Company's Dividend Reinvestment and Common Stock Purchase Plan. This plan, which was instituted in 1978, has provided capital funds totalling over \$7.2 million through the sale of more than 536,000 shares since inception. The plan provides both common and preferred shareholders with an opportunity to purchase additional new issue shares of common stock directly from the Company without brokerage commissions by having their cash dividends automatically reinvested and by making optional cash investments.

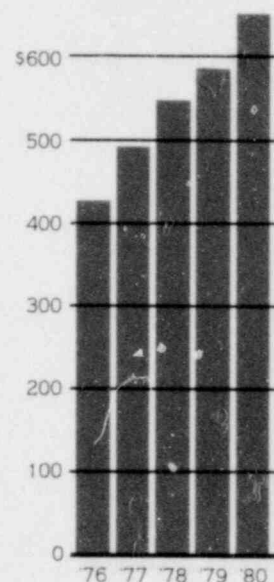
Additionally, approximately 36,000 common shares were issued during 1980 through the Employee Stock Ownership Plan (ESOP). A federal tax incentive, ESOP provides another valuable source of new capital as well as economic participation in the Company by virtually all employees.

**Capital needs
top \$99.5 million**

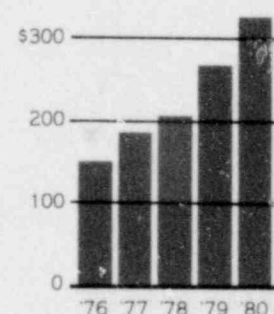
Capital requirements during 1980 totalled \$99.5 million. Of this total approximately \$68.5 million was required for generating station additions, \$29.4 million for transmission, distribution and other general plant facilities and \$1.6 million to meet sinking fund requirements. In October the Company purchased from United Illuminating Co. of Connecticut an additional 2.5 percent interest in the Seabrook nuclear plant for \$30.8 million. An agreement with Public Service Company of New Hampshire will increase CMP's ownership in the New Hampshire plant by another one percent to a total of six percent.

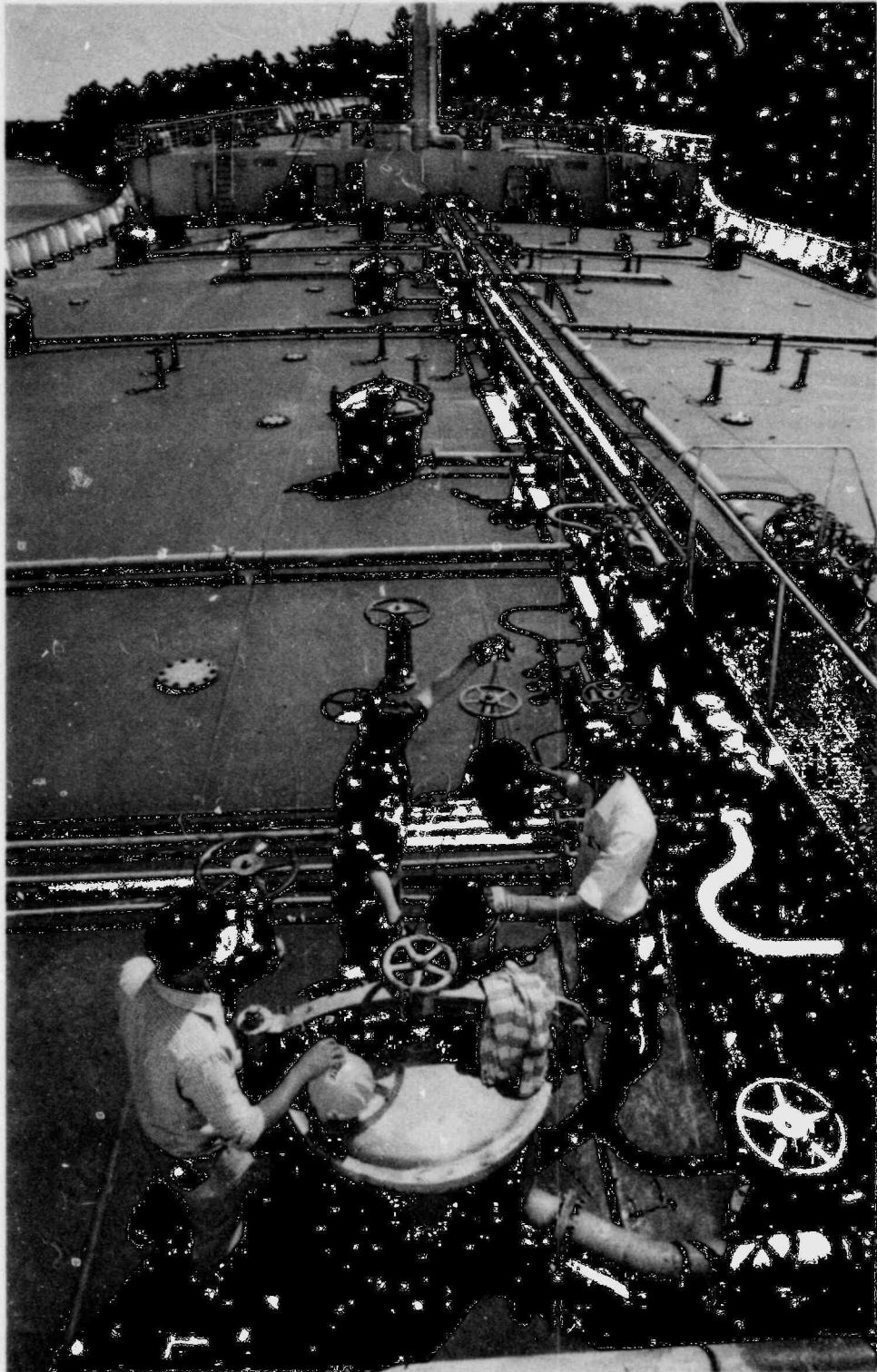
During 1981 the Company anticipates total construction requirements of approximately \$107 million including allowance for funds used during construction of \$18 million. To meet a portion of these requirements and to retire existing short-term debt, the Company plans to issue additional debt during the second and fourth quarters of 1981 to raise approximately \$90 million and will issue approximately two million shares of common stock before year end. The exact timing and nature of these financings will, of course, depend on market conditions during the year.

**Net Electric Property
and Investments
in Associated Companies**
(In millions of dollars)



**Electric
Operating Revenues**
(In millions of dollars)





More than five million barrels of costly fuel oil were burned in 1980 to help serve our customers' growing needs. Reduced oil dependence is a primary CMP objective for the 1980's.

Setting strong financial objectives

Management has adopted long-range goals to strengthen the Company's financial base, improve the return on shareholders' investment and provide the financing flexibility necessary to raise capital under adverse economic and money market conditions.

Very briefly, we seek to improve the quality of Central Maine Power securities by:

- working toward upgrading the rating on General and Refunding Bonds to a strong "A,"
- improving the quality of earnings on our common stock to help eliminate the gap between current market value and book value, and by
- improving the rating on our preferred stock to a strong "A."

As always, your Company is working to upgrade the quality of its earnings in order to maintain reasonable dividend growth and improve the allowed and earned return on common equity. This can be accomplished most effectively through a program aimed at increasing regulatory responsiveness in rate proceedings to include:

- allowed rates of return equal to cost of capital
- more substantial attrition allowances to help offset the effects of inflation
- a current cash return on its investment in construction projects
- adoption of a forward looking test year, year end rate base and more timely rate decisions.

New investor relations program unveiled

In December the Board of Directors approved an accelerated investor relations program designed not only to enhance the Company's visibility—and viability—within the investment community but also to strengthen the management/shareholder partnership. The new effort was "kicked off" with an extensive shareholder survey in late 1980. Programs will include increased personal interaction by management with investors, brokers and analysts, improved opportunities for shareholder participation in the issues affecting the Company and a more attractive in-house shareholder stock purchase plan.

Common and Preferred Shareholder Distribution

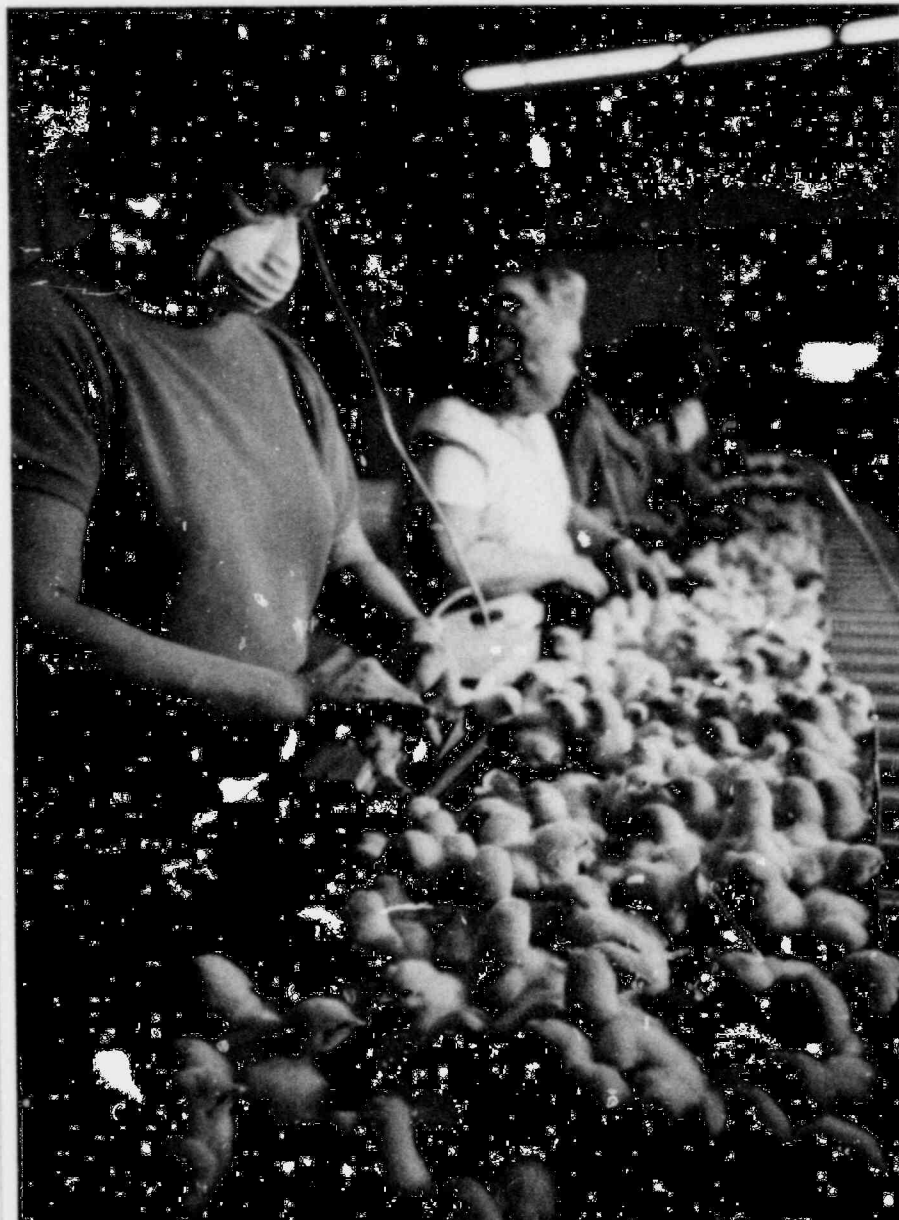
As of December 31, 1980

	Shareholders	Number of Shares
Maine	18,682	3,988,276
Other New England States	12,369	3,372,286
Atlantic	11,055	4,823,457
Central	7,783	1,761,722
Western	4,085	930,586
Foreign	116	18,688
	<u>54,090</u>	<u>14,895,015</u>

**Maine's economy
on the upswing**

During 1980, Maine's Governor Joseph E. Brennan announced a significant acceleration in the state's industrial development program designed to find new national and international markets for Maine products and to attract new industries to fuel a revitalized economy for the state. Energy availability and affordability are crucial factors in maintaining the state's competitive edge, and CMP continues to plan for and support efforts to broaden Maine's industrial base.

During 1980, 37 new industries began operations, and 53 existing firms made major expansions which will produce an additional 6,000 jobs for Maine people and help strengthen Maine's economy in the future.



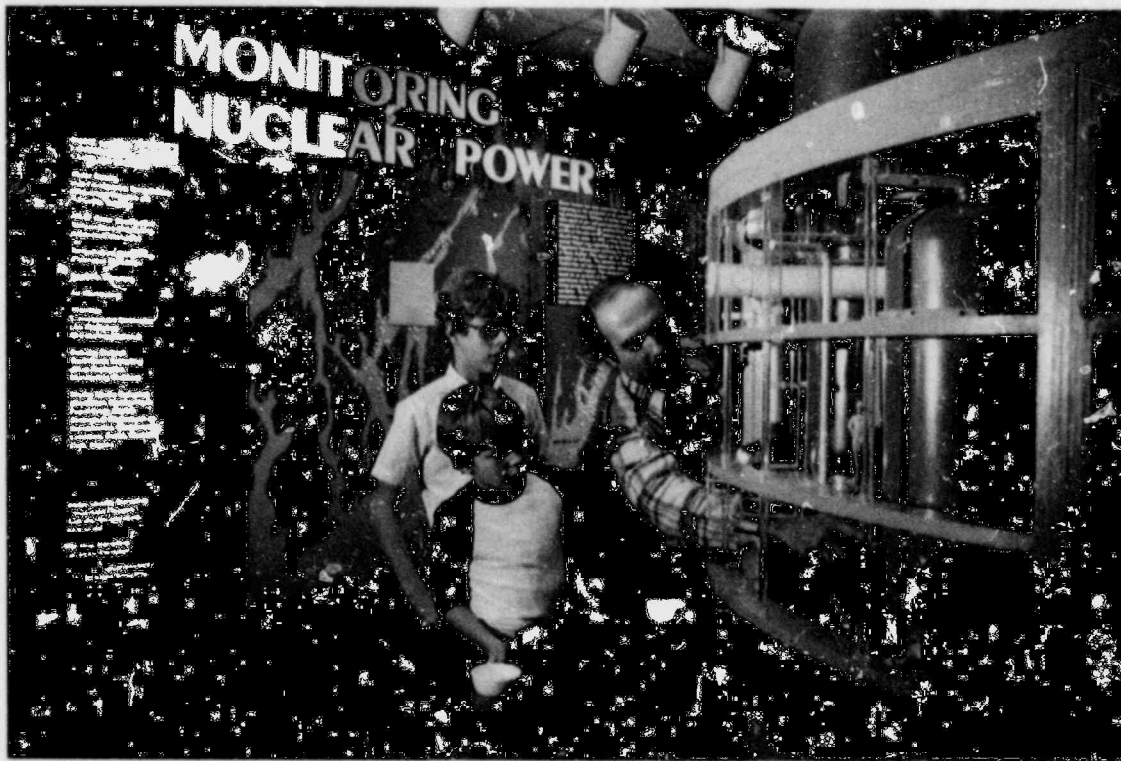
Maine food producers depend on modern facilities and reliable electric power to compete in a world of rising food prices. With farms producing more than 80 million broiler chickens a year Maine ranks 10th among the states.

Energy growth continues

Looking ahead, the Company currently projects that sales will increase between two and three percent annually over the next 10 years, substantially below the nearly five percent average of the last five years. Peak load is expected to grow at about the same rate. As an extremely capital intensive industry, we are very comfortable with this slower, more controlled rate of growth and its attendant demand on our power delivery system. It is important to remember that while this sales growth is projected to be less than half the historical rate, Central Maine Power customers will still require nearly one-third more energy than they are currently using before the end of this decade.

A balanced generation mix

Of the total six billion kilowatt-hours sold in 1980, 51 percent came from oil-fueled plants, 30 percent came from nuclear plants, 15 percent came from hydroelectric plants and the remainder came from other sources. Unfavorable water supply conditions reduced the hydroelectric contribution during 1980, increasing the Company's dependence on oil-fueled generation. The nuclear portion was also lower due to extended refueling and maintenance outages. Although the Company is committed to an oil backout policy, it does not anticipate that its mix of nuclear, hydro and oil-fueled generation will vary significantly until a major coal-fueled facility is completed on Sears Island. Several projects, however, are under way to fortify the



Energy education is for all ages — and an important CMP goal.

existing mix and assure a reliable power supply for the 1980's. We are anxious to forge ahead with these projects to reduce oil dependence but must recognize that their timely completion is very dependent on the receipt of adequate rate relief in the near term.

Hydro upgraded

Reducing dependence on foreign oil by upgrading existing hydro facilities and constructing new ones, where economical, is a major goal of CMP. During 1980 CMP progressed plans to add more than 300 million kilowatt-hours a year and up to 77,000 kilowatts of capacity of new hydroelectric generation to its system before the end of this decade, promising savings in oil of approximately 500,000 barrels a year.

Aside from its own hydroelectric generation, the Company purchased more than 49.5 million kilowatt-hours during 1980 from 17 small hydro units owned by independent power producers. CMP has purchased surplus energy from independent producers for many years, long before federal legislation evolved requiring such purchases.

Mason coal conversion under way

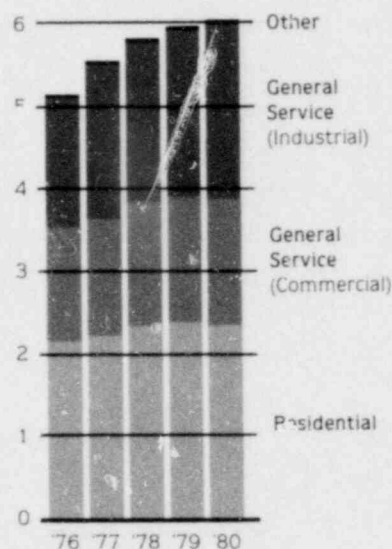
CMP is focusing its efforts to reduce dependence on foreign oil in other areas also. Based on preliminary studies, management is proceeding with plans to convert to coal three units at its oil-fueled Mason Station in Wiscasset. The conversion, when completed, is expected to produce 105,000 kilowatts of coal-fueled power at a cost of about \$50 million.

Future potential for Canadian power seen

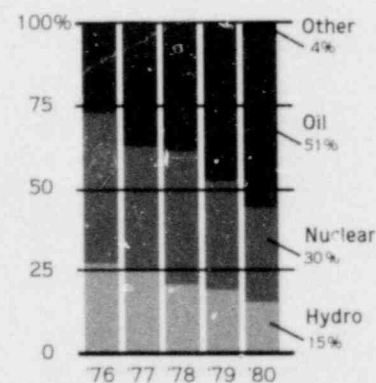
Historically, Central Maine and other New England utilities have relied upon Canadian power to fulfill short-term capacity and energy needs. The Company is considering a purchase of 100,000 KW of contract power from New Brunswick Electric Power Commission's Point Lepreau nuclear plant between late 1981 and 1989.

During 1980 the New England Power Pool, of which CMP is a member, and Hydro-Quebec, the utility serving the province of Quebec, studied the potential joint benefits of a Quebec-New England transmission tie to take advantage of potential Canadian hydro power surpluses available through 1987. The study concluded that a transmission tie cannot be completed before the excess hydro energy is absorbed by Hydro-Quebec itself in 1987. However, other potential benefits of a direct interconnection including improved reliability for both regions, economy transactions, and energy banking indicate that a tie might be justified. Central Maine's primary benefit from such a transmission tie would be derived from a share of economy transactions that would result from oil displacement for the New England region.

Kilowatt-Hours Sold
(Territorial Sales in Billions)



Fuel Sources of Power Produced



**Cogeneration
potential explored**

Cogeneration, the recycling of waste heat to produce steam or electricity, has been widely used in Maine's paper industry for many years, and CMP has historically purchased excess power from cogenerators when less expensive than its own oil-fueled generation. Although additional industrial cogeneration may not significantly impact future power supply, the Company intends to pursue all economically viable projects including cogenerated electricity from the Scott Paper Company's S.D. Warren papermaking facility in Westbrook, Maine.



Turning to wood is one way Maine people have tried to avoid high oil prices. Through cogeneration purchases from industrial customers, such as this wood-burning lumber and power producer, CMP helps hold down power costs to its customers.

Energy management to control peak

Energy management, whether utilizing time-of-day rates, electric storage heat or voluntary customer demand reduction programs, such as the Company's Kilowatt Saving Time promotion, is designed to encourage off-peak use of electricity and ultimately hold down the need for new power facilities in the future. Energy management is not an alternative energy source nor does it significantly reduce energy consumption. It does, however, shift consumption to a different period of time hopefully reducing costly peak demand. The Company currently has several industrial and approximately 300 residential customers on time-of-day rates which encourage off-peak use by charging a higher rate for on-peak use and lower rate for off-peak use. Customer response to T-O-D, both in terms of acceptability and ability to shift significant load to off-peak hours, is still being evaluated. Meanwhile, the Company is embarking on an ambitious program to encourage the use of electric storage heat, which uses off-peak electricity, to displace a portion of its winter peak load.

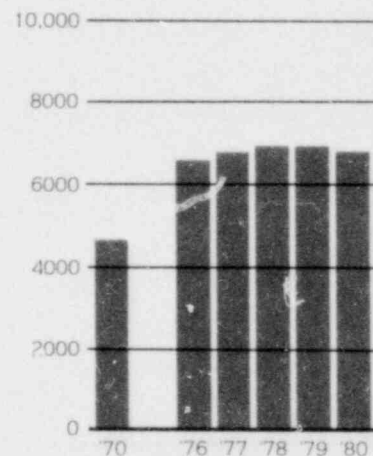
Revenues/Kilowatt-Hour Sales

	Revenues (\$ Millions)		Kilowatt-Hour Sales (Millions)	
	1980	More (Less) Than 1979	1980	More (Less) Than 1979
Residential	\$137.2	\$28.7	2,336	(17)
Commercial and Industrial	172.2	48.2	3,570	100
Electric Utilities	3.2	.8	83	4
Lighting	5.7	.6	50	--
Total Territorial Sales	318.3	78.3	6,039	87
Non-Territorial	.3	(8.2)	15	(37)
Total Energy Sales	318.6	70.1	6,054	50
Other Revenues	16.7	(6.6)		
Total Operating Revenues	<u>\$335.3</u>	<u>\$63.5</u>		

KWH Sales to Industrial Customers

	1980	1979
Pulp and Paper	1,218,351,402	1,104,956,607
Metal Trades	236,419,375	208,771,044
Chemicals	144,009,311	150,679,371
Textiles	135,844,294	138,826,078
Food Processing	110,790,761	108,865,843
Lumber and Woodworking	110,700,103	109,725,875
Boots and Shoes	89,145,494	74,193,484
Shipbuilding	44,458,190	40,967,010

Average Annual Residential Use in KWH



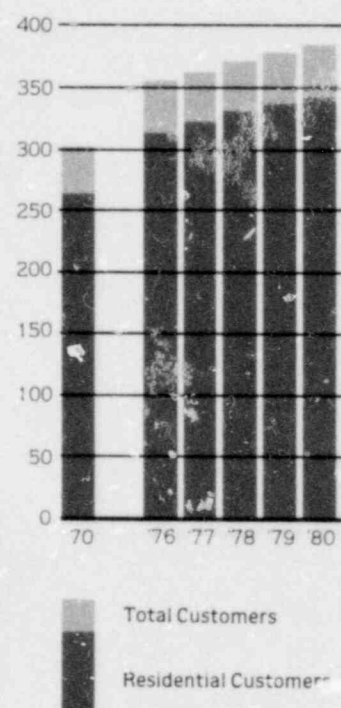
**Research and
development
continues**

During 1980 management committed more than \$1 million towards local and national research efforts. In addition to ongoing CMP studies in the area of solar, wind and thermal energy storage technologies, the Company was selected in 1980 as the utility model for a U.S. Department of Energy feasibility study of producing solid generating fuel pellets from wood waste and peat. Recognizing CMP leadership in the area of low-head hydroelectric development, DOE also designated the Company's Shawmut Station expansion as a national demonstration project, awarding CMP \$850,000 to fund an information exchange program on design, construction and operation.



Clean coal burning is possible thanks to research and the latest environmental control technology. CMP plans to convert 105,000 kilowatts of oil-fueled power units to coal and is planning to construct a major coal-burning power plant late in the decade.

Customers
(In thousands)



Management Changes

E. Clifford Ladd was elected Chairman of the Board on June 19, succeeding Dr. Charles F. Phillips who reached board retirement age of 70. Mr. Ladd is also Chairman of the Board and former president of W.C. Ladd & Sons (general insurance), Rockland, and has served on CMP's board since 1966. Also a member of several other corporation boards, Mr. Ladd is a 1934 economics graduate of the University of Maine and has served as financial counsel to many businesses in Maine.

Dr. Phillips, an economic consultant and president emeritus of Bates College, joined CMP's board in 1953 and became chairman in 1966.

Donald F. Kelly was elected Assistant Vice President and Manager of Power Supply in addition to his continuing role as Assistant to the President.

Joseph R. Moran was named Manager of Northern Division and Willi A. Hartung became Manager of Information Systems.



Environmental workers maintain continuous studies of land, air and water to assure clean, safe operation of the Maine Yankee nuclear station at Wiscasset.

Board of Directors

Priscilla A. Clark, 58, Portland, Maine
Vice President and Treasurer,
Casco Bay College

*Galen L. Cole, 55, Bangor, Maine
President
Coles Express (Trucking)

E. James Dufour, 46, Skowhegan, Maine
Vice President and Treasurer
William Philbrick Co.
(General Insurance and Real Estate)

George H. Ellis, 61, Boston, Massachusetts
President and Chief Executive Officer
Home Savings Bank

*Leon A. Gorman, 46, Yarmouth, Maine
President
L.L. Bean, Inc.

*E. Clifford Ladd, 68, Rockland, Maine
Chairman of the Board of the Company
Director, W.C. Ladd & Sons (General Insurance)

Roland L. Marcotte, 62, Lewiston, Maine
Treasurer
Paul Cantin Chevrolet

Charles F. Monty, 53, Augusta, Maine
Senior Vice President

Carlton D. Reed, Jr., 50, Woolwich, Maine
Partner
Reed & Reed (Construction)

John J. Russell, 53, Portland, Maine
Senior Vice President and Treasurer
Hannaford Bros. Co.

Robert F. Scott, 51, Augusta, Maine
Senior Vice President

Halsey Smith, 59, Lewiston, Maine
President
Northeast Bankshare Association

*Elwin W. Thurlow, 57, Augusta, Maine
President and Chief Executive Officer

James H. Titcomb, 63, Sanford, Maine
Partner
Titcomb, Fenderson & Knight, Attorneys

*Members of the Executive Committee

Officers

E. Clifford Ladd, 68
Chairman of the Board

Elwin W. Thurlow, 57
President and Chief Executive Officer

Charles E. Monty, 53
Senior Vice President,
Engineering and Production

Robert F. Scott, 51
Senior Vice President,
Customer Services

Thomas C. Webb, 46
Senior Vice President,
Finance

Norman J. Temple, 59
Vice President,
Legislative and Public Affairs

Matthew Hunter, 46
Vice President,
Administrative Services

John B. Randazza, 52
Vice President,
Special Projects

Ralph L. Bean, 58
Assistant Vice President

Donald F. Kelly, 49
Assistant Vice President

Robert S. Howe, 41
Comptroller

Richard A. Crabtree, 34
Treasurer

Seward B. Brewster, 53
Secretary and Clerk

William M. Finn, 44
Assistant Secretary and Assistant Clerk

David E. Marsh, 33
Assistant Treasurer

Division Managers

John H. Kennedy, 57
Southern Division, Portland

Patrick S. Lydon, 58
Central Division, Augusta

Joseph R. Moran, 39
Northern Division, Waterville

Ibra L. Ripley, 59
Western Division, Lewiston

Central Maine Power Company Annual Report 1980

Financial Statements

**and
Statistical
Review**

Balance Sheet

(Dollars in Thousands)

Assets	1980	1979
Electric Property , at Original Cost (Notes 8, 10 and 14)	\$689,521	\$661,491
Less: Accumulated Depreciation (Note 1)	<u>198,249</u>	<u>179,995</u>
	<u>491,272</u>	<u>481,496</u>
Construction Work in Progress (Note 3)		
Jointly-Owned Projects	113,466	63,340
Company Projects	<u>21,058</u>	<u>7,548</u>
	<u>134,524</u>	<u>70,888</u>
	<u>625,796</u>	<u>552,384</u>
Investments in Associated Companies , at Equity (Note 9)	<u>38,370</u>	<u>36,741</u>
Net Electric Property and Investments in Associated Companies	<u>664,166</u>	<u>589,125</u>
Current Assets		
Cash (Note 6)	1,862	1,528
Accounts Receivable, Less Allowances for Uncollectible		
Accounts of \$575 in 1980 and \$371 in 1979		
Service—Billed	31,346	23,299
—Unbilled (Note 1)	<u>4,701</u>	<u>34,459</u>
Other	13,509	6,067
Inventories, at Average Cost		
Fuel Oil	19,155	14,984
Materials and Supplies	10,819	9,805
Prepayments and Other Current Assets	<u>3,929</u>	<u>3,783</u>
Total Current Assets	<u>122,321</u>	<u>93,925</u>
Deferred Charges and Other Assets (Note 3)	<u>8,554</u>	<u>11,787</u>
	<u>\$795,041</u>	<u>\$694,837</u>

The accompanying notes are an integral part of these financial statements.

Balance Sheet

(Dollars in Thousands)

Stockholders' Investment and Liabilities		December 31,	
	1980		1979
Capitalization (See Separate Statement)			
Common Stock Investment	\$235,711		\$214,022
Preferred Stock	35,571		35,571
Redeemable Preferred Stock (Note 11)	58,305		33,690
Long-Term Debt (Note 10)	<u>273,219</u>		<u>254,699</u>
Total Capitalization	<u>602,806</u>		<u>537,982</u>
Current Liabilities			
Interim Financing (See Separate Statement)	<u>72,131</u>		<u>60,592</u>
Other Current Liabilities—			
Sinking Fund Requirements	394		553
Accounts Payable	42,824		23,220
Accrued Interest	6,519		5,506
Accrued Income Taxes	1,766		7,834
Other	<u>3,651</u>		<u>2,830</u>
	<u>55,154</u>		<u>39,943</u>
Total Current Liabilities	<u>127,285</u>		<u>100,535</u>
Commitments and Contingencies (Notes 3, 4 and 8)			
Reserves and Deferred Credits			
Accumulated Deferred Income Taxes (Note 2)	32,708		27,913
Unamortized Investment Tax Credits (Note 2)	30,644		26,349
Other	<u>1,598</u>		<u>2,058</u>
Total Reserves and Deferred Credits	<u>64,950</u>		<u>56,320</u>
	<u>\$1,95,041</u>		<u>\$694,837</u>

The accompanying notes are an integral part of these financial statements.

Statement of Earnings

(Dollars in Thousands Except Per Share Amounts)

	Year Ended December 31,		
	1980	1979	1978
Electric Operating Revenues (Notes 1 and 4)	<u>\$335,265</u>	<u>\$271,764</u>	<u>\$208,176</u>
Operating Expenses			
Fuel Used for Company Generation	65,860	29,691	19,470
Purchased Power (Note 8)			
Energy	100,507	71,961	43,369
Other	30,759	28,054	28,594
Other Operation	39,934	36,572	32,736
Maintenance	13,984	14,121	11,363
Depreciation (Note 1)	21,362	20,160	15,962
Taxes			
Federal and State Income (Note 2)	9,078	16,882	13,229
Local Property and Other	9,741	9,688	9,194
	<u>291,225</u>	<u>227,129</u>	<u>173,917</u>
Equity in Earnings of Associated Companies (Note 9)	<u>3,291</u>	<u>3,595</u>	<u>3,376</u>
Operating Income	47,331	48,230	37,635
Other Income (Expense)			
Allowance for Other Funds			
Used During Construction (Note 1)	1,771	723	6,250
Other, Net	571	218	(300)
	<u>49,673</u>	<u>49,171</u>	<u>43,585</u>
Income Before Interest Charges			
Interest Charges			
Long-Term Debt (Note 10)	23,657	19,823	17,514
Other	8,733	5,289	2,147
Allowance for Borrowed Funds			
Used During Construction (Note 1)	(9,144)	(5,534)	(5,687)
	<u>23,246</u>	<u>19,528</u>	<u>13,974</u>
Net Income	26,427	29,643	29,611
Dividends on Preferred Stock	5,780	4,599	4,642
Earnings Applicable to Common Stock	<u>\$ 20,647</u>	<u>\$ 25,044</u>	<u>\$ 24,969</u>
Weighted Average Number of Shares of Common Stock Outstanding	12,357,075	11,899,435	11,378,432
Earnings Per Share of Common Stock	\$ 1.67	\$ 2.10	\$ 2.19
Dividends Per Share of Common Stock	\$ 1.66	\$ 1.55	\$ 1.46

The accompanying notes are an integral part of these financial statements.

Statement of Capitalization and Interim Financing

(Dollars in Thousands)

December 31,

			1980		1979	
			Amount	%	Amount	%
Capitalization (Note 5)						
Common Stock Investment:						
Common Stock, Par Value \$5 Per Share—						
Authorized—20,000,000 Shares						
Outstanding—13,952,402 Shares in 1980 and 12,074,234 Shares in 1979						
			\$ 69,762		\$ 60,371	
Other Paid-in Capital			90,022		77,445	
Retained Earnings (Note 12)			75,927		76,206	
			<u>235,711</u>	<u>34.9%</u>	<u>214,022</u>	<u>35.0%</u>
Cumulative Preferred Stock:						
Par Value \$25 Per Share—						
Authorized—2,000,000 Shares						
Outstanding—None						
Par Value \$100 Per Share—						
Noncallable, Voting, 6%—Authorized and Outstanding—5,713 Shares						
Dividend Series, Callable—						
Authorized—1,300,000 Shares						
	Rate	Current Outstanding Shares	Current Redemption Price			
	3.50%	220,000	\$101.00	22,000	22,000	
	4.60	30,000	101.00	3,000	3,000	
	4.75	50,000	101.00	5,000	5,000	
	5.25	50,000	102.00	5,000	5,000	
Preferred Stock			<u>35,571</u>	<u>5.3</u>	<u>35,571</u>	<u>5.9</u>
	8.40	250,000	108.40	25,000	25,000	
	\$11.25	86,900 in 1980		8,690	9,075	
		90,750 in 1979	108.44	25,000	—	
	11.75%	250,000	111.75	58,690	34,075	
Less: Current sinking fund requirement of \$11.25 Series			385		385	
Redeemable Preferred Stock (Note 11)			<u>58,305</u>	<u>8.6</u>	<u>33,690</u>	<u>5.6</u>
Long-Term Debt:						
Series	Interest Rate	Maturity				
First and General Mortgage Bonds:						
T	3-5/8%	November 1, 1981	5,933		5,933	
U	3-5/8	March 1, 1983	8,580		8,630	
V	3-3/8	April 1, 1985	10,378		10,513	
W	4-7/8	May 1, 1987	15,816		15,966	
X	5-1/4	November 1, 1990	5,330		5,389	
Y	7-1/2	May 1, 1999	28,096		28,392	
Z	9.30	August 1, 1995	32,978		33,215	
AA	7.70	July 1, 1997	23,822		24,080	
BB	10.65	August 15, 1984	20,000		20,000	
General and Refunding Mortgage Bonds:						
A	9-5/8	May 1, 2006	35,000		35,000	
B	9-5/8	October 1, 2003	25,000		25,000	
C	10-1/2	October 15, 1999	40,000		23,500	
			<u>250,933</u>		<u>235,618</u>	
Unamortized premiums			87		100	
			<u>251,020</u>		<u>235,718</u>	
Other:						
Lease Obligation	11.50 %	2021 (in installments)	7,891		7,899	
Installment Notes—						
Pollution Control						
Facilities	6-3/4	2002-2003	11,250		11,250	
Revolving Credit						
Agreement	Prime	April 15, 1982	9,000		—	
			<u>28,141</u>		<u>19,149</u>	
Less: Sinking fund requirements and current maturities			5,942		168	
			<u>273,219</u>	<u>40.5</u>	<u>254,699</u>	<u>42.6</u>
Total Capitalization			<u>602,806</u>	<u>89.3</u>	<u>537,982</u>	<u>89.9</u>
Interim Financing. Amounts to be Refinanced (Note 6):						
Notes Payable to Banks			4,000		150	
Commercial Paper			62,198		60,442	
Current Maturities of Long-Term Debt			5,933		—	
			<u>72,131</u>	<u>10.7</u>	<u>60,592</u>	<u>10.1</u>
Total Capitalization and Interim Financing			<u>\$674,937</u>	<u>100.0%</u>	<u>\$598,574</u>	<u>100.0%</u>

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Common Stock Investment

For the Three Years Ended December 31, 1980

(Dollars in Thousands)

Common Stock Investment

	Shares	Amount at Par Value	Other Paid-in Capital	Retained Earnings	Total
Balance—December 31, 1977	10,077,071	\$50,385	\$56,605	\$60,964	\$167,954
Add (Deduct)					
Reclassification of Equity					
Hydro Reserve				807	807
Net income				29,611	29,611
Cash dividends—					
Common Stock				(17,100)	(17,100)
Preferred Stock				(4,642)	(4,642)
Sale of Common Stock	1,728,773	8,644	18,310		26,954
Capital stock expense			16		16
Balance—December 31, 1978	11,805,844	59,029	74,931	59,640	203,600
Add (Deduct)					
Net income				29,643	29,643
Cash dividends—					
Common Stock				(18,478)	(18,478)
Preferred Stock				(4,599)	(4,599)
Sale of Common Stock	268,390	1,342	2,397		3,739
Capital stock expense			117		117
Balance—December 31, 1979	12,074,234	60,371	77,445	76,206	214,022
Add (Deduct)					
Net income				26,427	26,427
Cash dividends—					
Common Stock				(20,926)	(20,926)
Preferred Stock				(5,780)	(5,780)
Sale of Common Stock	1,878,168	9,391	12,981		22,372
Capital stock expense			(104)		(404)
Balance—December 31, 1980	13,952,402	\$69,762	\$90,022	\$75,927	\$235,711

The accompanying notes are an integral part of these financial statements.

Price Range and Dividends of Voting Stock

	1980			1979		
	Market Price		Dividends	Market Price		Dividends
	High	Low		High	Low	
Common Stock Traded N.Y.S.E.						
1st Quarter	\$13 $\frac{1}{2}$	\$10 $\frac{1}{2}$	\$.41	\$16	\$14 $\frac{1}{2}$	\$.38
2nd Quarter	14 $\frac{1}{2}$	11 $\frac{1}{2}$.41	15 $\frac{1}{2}$	13 $\frac{1}{2}$.38
3rd Quarter	14 $\frac{1}{2}$	12 $\frac{1}{2}$.41	15	13 $\frac{1}{2}$.38
4th Quarter	13 $\frac{1}{2}$	11	.43	14 $\frac{1}{2}$	12 $\frac{1}{2}$.41
6% Preferred Traded O.T.C.						
1st Quarter	*	*	\$1.50	*	*	\$1.50
2nd Quarter	*	*	1.50	*	*	1.50
3rd Quarter	*	*	1.50	*	*	1.50
4th Quarter	*	*	1.50	*	*	1.50

*There have been no quotations since June 1974.

Statement of Sources of Funds for Construction

(Dollars in Thousands)

Year End: December 31.

	1980	1979	1978
Funds Provided			
Internal Sources			
From operations			
Net income	\$ 26,427	\$ 29,643	\$ 29,611
Depreciation	21,362	20,160	15,962
Deferred income taxes and investment tax credit, net	11,375	8,495	12,892
Allowance for other funds used during construction	(1,771)	(723)	(6,250)
	<u>57,393</u>	<u>57,575</u>	<u>52,215</u>
Less:			
Sinking fund requirements of long-term debt and \$11.25 Preferred Stock	1,578	1,046	917
Dividends declared	26,706	23,077	21,742
Other, net	(1,536)	(430)	(687)
	<u>26,746</u>	<u>23,693</u>	<u>21,972</u>
(Increase) decrease in working capital, exclusive of interim financing and sinking fund requirements			
Cash and receivables	(23,065)	(9,869)	(21,953)
Other current assets	(5,331)	(10,916)	1,065
Other current liabilities	15,370	4,275	5,341
	<u>(13,026)</u>	<u>(16,510)</u>	<u>(15,547)</u>
Internal Sources, Net	<u>17,621</u>	<u>17,372</u>	<u>14,696</u>
External Sources			
Common Stock	22,372	3,739	26,954
Preferred Stock	25,000	—	—
Long-term debt	16,500	33,500	16,000
Revolving credit agreement	9,000	—	—
Increase in short-term borrowings	5,606	19,201	10,318
Long-term debt refunded	—	(14,528)	(4,293)
Changes in advances and investments	58	61	57
External Sources, Net	<u>78,536</u>	<u>41,973</u>	<u>49,036</u>
	<u>\$ 96,157</u>	<u>\$ 59,345</u>	<u>\$ 63,732</u>
Funds Used for Construction			
Jointly-owned projects	\$ 53,473	\$ 25,112	\$ 36,100
Company projects	44,455	34,956	33,882
Allowance for other funds used during construction	(1,771)	(723)	(6,250)
	<u>\$ 96,157</u>	<u>\$ 59,345</u>	<u>\$ 63,732</u>

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Regulation: The Company's rates, operations, accounting and certain other practices are subject to the regulatory authority of the Public Utilities Commission of the State of Maine (PUC) and the Federal Energy Regulatory Commission (FERC). Approximately 99% of the Company's revenues from kilowatt-hour sales are derived from billing rates, subject to approval by the PUC.

Depreciation: Depreciation of electric property is provided using composite rates and the straight-line method. The effective composite rates were 3.31%, 3.30% and 3.33%, for the three years 1980, 1979 and 1978, respectively.

At the time depreciable properties are disposed of, the original cost, plus cost of removal less salvage, of such property is charged to accumulated depreciation.

Electric Operating Revenues: Electric operating revenues include amounts billed to customers, estimated unbilled sales and unbilled fuel costs at the end of each reporting period.

The Company's approved tariffs include a rate component permitting the current recovery of the cost of fuel used in Company generating facilities and the energy component of purchased power. Effective December 11, 1980, the Company is also permitted to recover through billings under this component the actual cost of short-term borrowings used to finance unbilled energy costs.

Allowance for Funds Used During Construction (AFC): The Company includes as an element of the cost of construction of electric property an allowance for funds (including common equity funds) employed during periods of construction. The debt component of AFC is reflected as a reduction of interest expense while the balance, or equity component, is recorded as Other Income.

While the equity component of AFC recorded does not result from a current expenditure of funds nor provide funds currently, when the constructed property is placed in service, the Company is permitted under applicable rate-making practices to recover these amounts in revenue over the useful life of the property. Further, the unrecovered cost of electric property, including AFC, is an element of rate base on which the Company is permitted to earn a return.

The amount of AFC recorded through December 31, 1980 was determined by multiplying the average monthly dollar balance of construction work in progress (CWIP) by a rate reflecting both the current month's average short-term borrowing rate and, to the extent the amount invested in CWIP exceeds outstanding short-term borrowings, the weighted cost of other capital at the beginning of the year. The average AFC rate produced by the Company's monthly computations was 12.44%, 11.22%, and 9.27% for the years ended December 31, 1980, 1979 and 1978, respectively.

On October 31, 1980 the PUC, in its decision regarding retail rates, required a prospective change in the computation of the AFC rate. It ordered that the AFC rate should be determined using the overall weighted cost of capital including short-term borrowing balances. During periods of high short-term borrowing levels and rates, this method provides a lower AFC rate than the prior methodology.

2. Income Taxes

The components of Federal and state income taxes reflected in the Statement of Earnings are as follows:

	Year Ended December 31,		
	1980	1979	1978
	(Dollars in Thousands)		
Federal:			
Current	\$ (2,696)	\$ 6,596	\$ (661)
Deferred	6,765	4,857	3,712
Investment tax credit, net	4,295	3,640	8,826
	<u>8,364</u>	<u>15,093</u>	<u>11,877</u>
State:			
Current	399	1,791	1,369
Deferred	315	(2)	(17)
	<u>714</u>	<u>1,789</u>	<u>1,352</u>
Total Federal and state income taxes	<u>\$ 9,078</u>	<u>\$ 16,882</u>	<u>\$ 13,229</u>

The rate-making practices currently followed by the PUC permit the Company to recover Federal and state income taxes payable currently and to recover deferred taxes only when the tax law, in effect, requires such treatment or when PUC approval is granted on specific timing differences. To use accelerated depreciation, the current tax law requires the Company to defer Federal income taxes arising from the use of accelerated tax depreciation of expansion property added subsequent to 1969. The income tax effects of other timing differences are flowed through for rate-making and accounting purposes. The Company expects that these unrecorded costs will be recovered in the future when taxes deferred become payable.

The following table reconciles the statutory Federal income tax rate to a rate determined by dividing the total Federal income tax expense by income before that expense.

	1980		1979		1978	
	Amount	%	Amount	%	Amount	%
	(Dollars in Thousands)					
Statutory Federal income tax rate	\$16,004	46.0 %	\$20,579	46.0 %	\$19,914	48.0 %
Permanent reductions in tax expense resulting from statutory exclusions from taxable income						
Dividend received deduction related to earnings of associated companies	(1,287)	(3.7)	(1,405)	(3.1)	(1,377)	(3.3)
Allowance for other funds used during construction	(814)	(2.3)	(333)	(.8)	(3,000)	(7.2)
Other	(956)	(2.8)	(861)	(1.9)	(563)	(1.4)
	<u>12,947</u>	<u>37.2</u>	<u>17,980</u>	<u>40.2</u>	<u>14,974</u>	<u>36.1</u>
Effect of timing differences for which deferred taxes are not recorded (flow through)						
Deduction of removal costs	(851)	(2.5)	(743)	(1.7)	(578)	(1.4)
Allowance for borrowed funds used during construction	(4,207)	(12.1)	(2,569)	(5.7)	(2,730)	(6.6)
Depreciation of replacement property added subsequent to 1969	(425)	(1.2)	(410)	(.9)	(708)	(1.7)
Depreciation differences flowed through in prior years	1,395	4.0	1,139	2.5	936	2.2
Other	(495)	(1.4)	(304)	(.7)	(17)	—
Calculated rate	<u>\$ 8,364</u>	<u>24.0 %</u>	<u>\$ 15,093</u>	<u>33.7 %</u>	<u>\$ 11,877</u>	<u>28.6 %</u>

Investment tax credits utilized to reduce Federal income taxes currently payable are deferred and amortized over the lives of the assets giving rise to the credits. At December 31, 1980, the Company had available approximately \$4,028,000 of additional investment tax credits which may be used to reduce future Federal income taxes which would otherwise be payable.

3. Commitments and Contingencies

Construction Program: The Company's load forecasts and plans for the construction of additional generation and purchase of power are under continuing review and revision. Estimated construction expenditures relating to the jointly-owned units shown below are based upon information furnished by the utility responsible for the construction of the unit. These estimated expenditures are continuously under review in light of increased costs due to deferrals, delays and other factors. The Company's current forecasted construction expenditures amount to \$88,600,000 for 1981 and \$409,400,000 for 1982 through 1985 exclusive of AFC but including estimates for nuclear fuel costs where applicable. These expenditures include \$247,800,000 for major generating facilities as shown below, \$59,800,000 for other generation facilities, \$39,300,000 for transmission, \$124,300,000 for distribution and \$26,800,000 for other capital projects.

The Company's Share of Generation Facilities					
Unit—Estimated In Service Date	Percent Ownership	Estimated Net Capability MW	Expenditures (including AFC) Through December 31, 1980	Estimated Expenditures (excluding AFC) 1981-1985	Total Project
			(Dollars in Thousands)		
Boston Edison Company Pilgrim No. 2—late 1980's*	2.85%	33	\$ 12,714	\$ 21,800	\$ 45,100
Public Service Co. of NH Seabrook Nos. 1 & 2—1983 and 1985**	**	139	66,841	95,900	150,400
Northeast Utilities Millstone No. 3—1986	2.50	29	24,161	28,600	49,100
Central Maine Power Co. Brunswick-Topsham Hydro—1982	100.00	12	13,353	11,400	23,000
Shawmut Hydro-Expand Capacity—1982	100.00	3	195	5,600	5,800
Sears Island Coal—1989	***	341	10,453	36,700	475,100
Mason Coal Conversion— 1983	100.00		573	47,800	48,400
			\$128,290	\$247,800	

The cost estimates and completion dates for the jointly-owned plants reflect the latest information made available by the lead participant in each project.

*Boston Edison Company has said that no firm dates can be established for commencement of construction or commercial operation of Pilgrim No. 2 and that because of uncertainty surrounding the licensing process these estimates of cost, financing and scheduling may no longer be realistic.

**A reduction in the overall level of construction and a ten-week ironworkers' strike, both in 1980, have affected the completion dates of the units to an extent that PSNH has said will not be known until it completes its next review of the project schedule in March, 1981. As of December 31, 1980, the Company had a 5.04178% interest in the Seabrook units. An adjustment of the ownership interests in the units over a period of approximately 13 months commencing January 31, 1981 will ultimately result in a 6.04178% ownership interest for the Company. The estimated expenditures and estimated net capability for the project reflect the proposed increased ownership percentage.

***As of December 31, 1980, the Company had an 80.8227% interest in the Sears Island Coal unit, which it is planning to reduce through partial sales to approximately 60%. The estimated expenditures and estimated net capability for the project reflect the lower ownership percentage.

Seabrook: The construction of the two nuclear generating units at Seabrook, New Hampshire, in which the Company is participating as part owner, has been plagued by lengthy delays in obtaining approvals and permits resulting in greatly increased costs for the project. One court appeal from Federal regulatory approvals is pending and further appeals are possible.

Public Service Company of New Hampshire ("PSNH"), the lead participant in the Seabrook plant, has experienced difficulties in financing its 50% interest in the plant. Consequently it negotiated an adjustment whereby its ownership interest in the plant would be reduced by 15% and the ownership interests of other utilities would be increased commensurately. Commencing January 31, 1981 certain of these utilities, including the Company, began making payments which over a period of time will reduce PSNH's ownership interest from 50% to about 44%. A further reduction to approximately 35% will commence when three remaining utilities obtain necessary regulatory approvals and financing now expected to occur in the first part of 1981. Due to delays in commencing the proposed reduction of its interest, in March, 1980 PSNH reduced the level of construction at the Seabrook plant. In January, 1981 PSNH sought emergency rate relief from the New Hampshire Public Utilities Commission ("NHPUC") in order to obtain sufficient revenues to satisfy interest coverage tests under its mortgage bond indenture. PSNH has taken the position that reduction of its ownership interest in the Seabrook plant by not significantly less than a 15% interest, together with adequate rates and availability of external financing, are essential to enable PSNH to finance its share of the plant and avoid suspension of construction or other measures which might adversely affect the completion and cost of the two units. The Company cannot predict what effect financing problems or further administrative or court decisions may have on completion of the project, the cost of the project, or on the Company.

Montague Nuclear Unit: On December 31, 1980 the lead owner of the two nuclear generating units planned for construction at Montague, Massachusetts, announced the cancellation of the project, in which the Company owned a 3% interest. Recovery by the Company of its investment of approximately \$1,700,000 (including AFC of \$691,000) which is included in deferred charges, net of income taxes, is dependent upon regulatory approval. If any amounts are determined not to be recoverable they would be charged, net of related income taxes, against earnings in the period such determination is made.

Sears Island Coal-Fired Plant: On December 31, 1979 the PUC denied the Company's application for a certificate of public convenience and necessity for a proposed coal-fired generating plant on Sears Island in Searsport on the basis that the Company's need for baseload power in the late 1980's did not justify construction of a 568 MW facility. Hearings are in progress on the Company's modified application based on a smaller ownership interest, a later commercial operation date, and other known changes in circumstances.

Nuclear Fuel Assignment: In June 1980, the Company assigned the nuclear fuel enrichment contract for its abandoned Sears Island nuclear project to five utilities, including Maine Yankee. The assignment allowed the Company to recover approximately \$3.5 million of \$4.0 million in prepayments to the U.S. government. Recovery of the remaining amount is dependent upon regulatory approval. (See Note 4 below for discussion of the PUC's disallowance of \$.5 million of related AFC.)

4. Rate-making Matters

On February 1, 1980, the Company filed with the PUC an application for a \$35,000,000 increase in annual revenues. On October 31, 1980 the PUC authorized the Company to increase annual gross revenues by approximately \$16,200,000 (including an attrition adjustment of \$2,300,000). Such rates are based upon an allowed overall return of 10.78%, including a return of 13.75% on common equity. The new rates were implemented for kilowatt-hour sales on and after November 13, 1980. The Company's prior rate decision in October 1978 had allowed an overall return of 9.48% including a return of 12.50% on common equity.

The PUC's order allows the Company to recover over a five-year period, through rates to be charged to its customers, approximately \$3,154,000 of expenditures for a proposed nuclear plant, the plans for which were cancelled by the Company. The PUC disallowed recovery of AFC of \$827,000 recorded on such expenditures and a related uranium enrichment contract. The Company has appealed this disallowance and certain other portions of the order to the Maine Supreme Judicial Court. If finally determined not to be recoverable, the costs would be charged against earnings in the period in which such determination is made.

5. Recent Financing

The Company sold through private placement \$25 million of its General and Refunding Mortgage Bonds, Series B 9-5/8% Due 2003. The sale of \$15 million of the Bonds was completed in October 1978 and the balance of \$10 million in January 1979.

The Company sold through private placement \$40 million of its General and Refunding Mortgage Bonds, Series C 10-1/2% Due 1999. The sale of \$23.5 million of the Bonds was completed in October 1979 and the balance of \$16.5 million in January 1980.

In April 1980 the Company entered into a two-year revolving credit and term loan agreement with several banks in the amount of \$40.0 million with interest at the prime rate. At the end of the revolving credit term, the Company has the option to convert the amount then outstanding into a three-year term loan payable in six equal semi-annual installments, with interest at 102% of the prime rate during the first and second years and at 104% of the prime rate during the third year. The Company may repay amounts from time to time outstanding under the agreement without penalty. The loan is secured by a pledge of the Company's 38% common stock interest in Maine Yankee Atomic Power Company. At December 31, 1980 the amount of outstanding revolving credit loans was \$9.0 million.

On July 31, 1980 the Company sold through a public offering 250,000 shares of Preferred Stock 11.75% Series (\$100 par value). The proceeds of \$24,725,000 were used to reduce short-term borrowings incurred primarily in connection with the Company's construction program.

On November 26, 1980 the Company sold 1,600,000 additional shares of its Common Stock. The proceeds of \$18,832,000 were used to reduce revolving credit loans incurred primarily in connection with the Company's construction program.

6. Interim Financing

The Company uses short-term borrowings under lines of credit with commercial banks and commercial paper to initially provide financing for construction and other corporate purposes. The Company intends ultimately to repay these borrowings with the proceeds from sales of long-term debt or equity securities. Certain information related to borrowings is as follows:

	1980	1979	1978
	(Dollars in Thousands)		
Total lines of bank credit	\$67,950	\$66,450	\$52,700
Unused lines of bank credit at year end	63,950	66,300	52,700
Borrowings outstanding at year end			
Notes payable to banks	4,000	150	—
Commercial paper	62,198	60,442	41,391
Total	66,198	60,592	41,391
Weighted average interest rate on borrowings outstanding at year end			
Banks	19.00%	16.78%	—
Commercial paper	19.14%	14.20%	10.71%
Average daily net outstanding borrowings			
Banks	\$ 801	\$ 15	\$ 169
Commercial paper	57,358	44,915	25,168
	58,159	44,930	25,337
Weighted daily average annual interest rate			
Banks	19.10%	12.75%	8.59%
Commercial paper	13.74%	11.68%	8.35%
Highest level of borrowings outstanding at any time during the year	\$77,728	\$62,645	\$41,391

Existing lines of credit at December 31, 1980 totalled \$67,950,000 with \$15,500,000 requiring from 1% to 10% of the line in compensating balances. Annual fees of either 1/2 to 3/4 of 1% of the line or 5% to 8% of the prime rate times the line are required on \$44,000,000. One commitment of \$5,000,000 calls for a combination of compensating cash balances and an annual fee. Other commitments amounting to \$3,450,000 require compensating cash balances only on outstanding loan balances.

The Company's Articles of Incorporation limit Unsecured Borrowings that may be outstanding to 20% of Capitalization, as defined (\$119,536,000 as of December 31, 1980). Unsecured Borrowings, as defined, amounted to \$77,448,000 as of December 31, 1980.

7. Pension Plans

The Company has two non contributory defined benefit pension plans which cover substantially all of its employees. The Company's policy is to fund pension costs accrued on an annual basis. Annual pension expense, including amortization of prior service costs over 30 years, amounted to \$2,562,000, \$2,420,000 and \$2,273,000 for years 1980 through 1978, respectively.

8. Capacity Arrangements

	January 1,	
	1980	1979
Actuarial present value of accumulated benefits:		
Vested	\$30,361,000	\$28,415,000
Nonvested	1,757,000	1,055,000
	<u>\$32,118,000</u>	<u>\$29,470,000</u>
Net assets available for benefits	\$36,563,000	\$32,808,000

The weighted average assumed rate of return used for both periods in determining the actuarial present value of accumulated plan benefits was 6.25%.

Power Agreements: The Company owns directly or indirectly a portion of the generating capacity and energy production of certain generating plants operated by associated utility companies and is obligated to pay its proportionate share of the generating costs, including depreciation and a return on invested capital.

Pertinent data related to these power agreements are as follows:

	Maine Yankee	Vermont Yankee	Connecticut Yankee	Yankee Atomic
Contract Expiration Date	2002	2002	1998	1991
Plant Capacity (MW)	830	528	580	176
Company's Share of Capacity (MW)	311	19	35	17
	(Dollars in Thousands)			
Estimated Annual Costs— (1980 Costs)*				
Depreciation	\$ 3,116	\$ 310	\$ 314	\$ 242
Interest and Pre- ferred Dividends	4,752	344	415	236
Other Costs	<u>23,680</u>	<u>2,162</u>	<u>3,695</u>	<u>2,628</u>
	<u>\$31,548</u>	<u>\$2,816</u>	<u>\$4,424</u>	<u>\$3,106</u>
Company's Share of Debt and Preferred Stock—				
December 31, 1980	\$62,277	\$4,056	\$5,670	\$2,043
December 31, 1979	\$60,112	\$4,398	\$5,243	\$2,328

In addition, the Company has an entitlement percentage of the capacity and energy obtained through the 345 KV inter-connection of Maine Electric Power Company, Inc. (MEPCo.) The connection provided up to 400 megawatts of base-load power from a Canadian electric system, of which the Company's share was 41.1 megawatts from 1976 to 1980. Beginning January 1, 1981 and until November 1985 the connection will provide 133 megawatts of base-load power of which the Company's share is 11.4 megawatts. The Company's share was reduced to 7.8 megawatts on January 1, 1981, and will be reduced to 4.2 megawatts in November 1981, because of a transfer of entitlement to another utility. All of MEPCo.'s costs, including depreciation and a return on invested capital, not met by transmission revenues, are paid by the participating utilities.

*These costs are included in purchased power on the Statement of Earnings.

W.F. Wyman Unit No. 4: The 600 megawatt oil-fired Wyman No. 4, operated by the Company, began commercial operation on December 1, 1978. The Company's nearly 60% ownership of the unit added about 360 megawatts to its generating capability. The Company's share of operating costs of this unit is included in the appropriate expense categories on the Statement of Earnings.

The Company's plant in service and related accumulated depreciation attributable to the Unit are as follows:

	December 31,	
	1980	1979
	(Dollars in Thousands)	
Plant in Service	\$113,300	\$112,300
Accumulated Depreciation	\$ 7,072	\$ 3,492

9.
Associated
Companies

The Company's advances to and ownership interests in the common stock of joint corporate generating companies and other associated companies, accounted for using the equity method, are as follows:

	Percent Ownership	Investment at December 31,	
		1980	1979
(Dollars in Thousands)			
Joint corporate nuclear generating companies:			
Maine Yankee Atomic Power Company	38.0%	\$25,388	\$25,396
Vermont Yankee Nuclear Power Corporation	4.0	2,317	2,328
Connecticut Yankee Atomic Power Company	6.0	3,371	3,042
Yankee Atomic Electric Company	9.5	<u>1,948</u>	<u>1,962</u>
		33,024	32,728
Other associated companies:			
Maine Electric Power Company, Inc.	78.1	916	974
Central Securities Corporation	100.0	1,149	1,070
Cumberland Securities Corporation	100.0	3,042	1,783
The Union Water-Power Company	100.0	<u>239</u>	<u>186</u>
		\$38,370	\$36,741

Condensed financial information of Maine Yankee Atomic Power Company and Maine Electric Power Company, Inc., is as follows:

	Maine Yankee			MEPCo.		
	1980	1979	1978	1980	1979	1978
(Dollars in Thousands)						
Earnings						
Operating revenues	\$ 84,245	\$ 68,867	\$ 70,373	\$111,604	\$98,122	\$59,860
Earnings applicable to Common Stock	\$ 6,574	\$ 6,650	\$ 6,702	\$ 146	\$ 155	\$ 164
Company's equity share of net earnings	\$ 2,498	\$ 2,527	\$ 2,547	\$ 114	\$ 121	\$ 128
Investment						
Total assets	\$297,064	\$287,105	\$265,955	\$ 31,100	\$22,804	\$20,812
Less:						
Preferred Stock	11,980	13,070	13,696	—	—	—
Long-term debt	134,823	139,373	128,818	9,900	10,560	11,220
Other liabilities and deferred credits	83,450	67,830	56,634	20,028	10,997	8,267
Net assets	\$ 66,811	\$ 66,832	\$ 66,807	\$ 1,172	\$ 1,247	\$ 1,325
Company's equity in net assets	\$ 25,388	\$ 25,396	\$ 25,386	\$ 916	\$ 974	\$ 1,035

10.
Long-term Debt

General Provision: Under the terms of the Indenture securing the First and General Mortgage Bonds, substantially all of the Company's electric utility property is subject to a first mortgage lien. Bonds issued under the General and Refunding Mortgage Indenture are subject to the prior lien of the First and General Mortgage Indenture until the First Mortgage Bonds have been retired.

All or any part of each outstanding series of First and General Mortgage Bonds and General and Refunding Mortgage Bonds may be redeemed by the Company at any time at established redemption prices plus accrued interest to the date of redemption, except that the Series A Bonds are subject to certain refunding limitations until May 1, 1986, the Series B Bonds until October 1, 1988 and the Series C Bonds until October 15, 1989.

Sinking Fund Requirements and Maturing Debt: The annual sinking fund requirements for First and General Mortgage Bonds (1% of maximum principal amount of series outstanding) may be met by payment in cash or repurchased bonds or, up to one-half of their amounts, by the certification of additional property. The Series A General and Refunding Mortgage Bonds have no sinking fund. The Series B General and Refunding Mortgage Bonds have a five percent mandatory cash sinking fund commencing in 1984, and a non-cumulative optional five percent cash sinking fund, limited to one-third of the aggregate principal amount of Series B Bonds issued, also commencing in 1984. The Series C General and Refunding Mortgage Bonds have a six and one-quarter percent mandatory cash sinking fund commencing in 1984, and a non-cumulative optional cash sinking fund, not to exceed

the amount of the mandatory cash sinking fund and limited to thirty-one and one-quarter percent of the aggregate principal amount of Series C Bonds issued, also commencing in 1984.

The Company intends to meet one-half (\$680,000) of the 1981 sinking fund requirements by the certification of additional property. Sinking fund requirements and maturing debt issues (exclusive of \$1,152,000 purchased in advance) for the five years ending December 31, 1985 are as follows:

<u>Year</u>	<u>Sinking Fund</u>	<u>Maturing Debt</u> (Dollars in Thousands)	<u>Total</u>
1981	\$ 689	\$ 5,933	\$ 6,622
1982	970	—	970
1983	1,256	8,452	9,708
1984	5,023	20,000	25,023
1985	4,905	10,020	14,925

11. Redeemable Preferred Stocks

Sinking fund provisions of the \$11.25, 8.40% and 11.75% Series Preferred Stock require the Company to redeem all shares at par plus an amount equal to dividends accrued to the redemption date on the basis of 3,850 shares annually for the \$11.25 Series, 13,750 shares annually beginning in 1982 for the 8.40% Series and 10,000 shares annually beginning in 1986 for the 11.75% Series. The Company also has the non-cumulative right to redeem up to 13,750 additional shares of the 8.40% Series annually beginning in 1982 and up to 10,000 shares of the 11.75% Series annually beginning in 1986 at the same price. The annual sinking fund requirements are as follows: 1981—\$385,000; 1982 through 1985—\$1,760,000.

12. Retained Earnings

Under terms of the indentures securing the Company's Mortgage Bonds and the Company's Articles of Incorporation no dividend may be paid on the common stock of the Company if such dividend would reduce retained earnings below \$29,604,000. At December 31, 1980 \$46,323,000 of retained earnings was not so restricted.

13. Unaudited Quarterly Financial Information

Unaudited quarterly financial data pertaining to the results of operations for 1980 and 1979 is shown below:

	<u>Quarter Ended</u>			
	<u>March 31</u>	<u>June 30</u>	<u>Sept. 30</u>	<u>Dec. 31</u>
	(Dollars in Thousands Except Per Share Amounts)			
<u>1980</u>				
Electric Operating Revenues	\$101,165	\$68,292	\$71,995	\$93,813
Operating Income	12,905	9,942	10,114	14,370
Net Income	7,807	3,951	5,184	9,485
Earnings Per Common Share	.55	.23	.29	.58
<u>1979</u>				
Electric Operating Revenues	\$ 76,001	\$63,536	\$64,437	\$67,790
Operating Income	14,007	10,676	10,729	12,818
Net Income	9,472	5,957	6,027	8,187
Earnings Per Common Share	.70	.41	.41	.59

The major fluctuations between quarters in any given year generally are caused by the seasonal nature of the Company's business. Historically, larger sales of electricity have occurred during the winter months.

14. Supplementary Information to disclose the effects of changing prices (unaudited)

The following supplementary information is supplied in accordance with the requirements of the Statement of Financial Accounting Standards No. 33 for the purpose of providing certain information about the effect of changing prices. It should be viewed as an estimate of the approximate effect of inflation, rather than as a precise measure.

Constant dollar amounts represent historical costs stated in terms of dollars of equal purchasing power, as measured by the Consumer Price Index for All Urban Consumers (CPI-U). Current cost amounts reflect the changes in specific prices of plant from the date the plant was acquired to the present, and differ from constant dollar amounts to the extent that specific prices have increased

more or less rapidly than the general rate of inflation. The current cost of electric generating and transmission plant is estimated based on engineering studies of the current cost (per megawatt) of replacing the present mix of hydro, oil-fired, and gas turbine generating plants and the current cost of replacing existing transmission facilities. The current cost of remaining plant is determined primarily by indexing surviving plant by the Handy-Whitman Index of Public Utility Construction Costs. Since the utility plant is not expected to be replaced precisely in kind, current cost does not represent the replacement cost of the Company's productive capacity.

Fuel inventories and the cost of fossil fuel used in generation have not been restated from their historical cost in nominal dollars. Regulation limits the recovery of fuel through the operation of the fuel adjustment clause to actual costs. For this reason fuel inventories are effectively monetary assets.

Depreciation is determined by applying the Company's composite depreciation rate for 1980 to the indexed depreciable plant amounts.

Since only historical costs are deductible for income tax purposes, the income tax expense in the historical cost financial statements is not adjusted.

Under the rate-making practices prescribed by the regulatory commissions to which the Company is subject, only the depreciation of historical cost of utility property is included in the cost of service used to establish the Company's rates. Therefore, the cost of plant stated in terms of constant dollars or current cost that exceeds the historical cost of plant is not presently recoverable in rates, and is reflected as a reduction to net recoverable costs. While the rate-making process gives no recognition to the current cost of replacing property, plant, and equipment, based on past practices the Company believes it will be allowed to earn on and recover the increased cost of its net investment when replacement of facilities actually occurs.

To properly reflect the economics of rate regulation in the Statement of Income from Operations Adjusted for Changing Prices, the reduction of utility plant to net recoverable cost should be offset by the gain from the decline in purchasing power of net amounts owed as shown below. During a period of inflation, holders of monetary assets suffer a loss of general purchasing power while holders of monetary liabilities experience a gain. The gain from the decline in purchasing power of net amounts owed is primarily attributable to the substantial amount of debt which has been used to finance property, plant, and equipment. Since the depreciation on utility plant is limited to amounts based on historical costs, the Company does not have the opportunity to realize a holding gain on debt and is limited to recovery only of the embedded cost of debt capital.

Statement of Income from Operations Adjusted for Changing Prices
For the Year Ended December 31, 1980 (Dollars in Thousands)

	Conventional Historic Cost	Constant Dollar Average 1980 Dollars	Current Cost Average 1980 Dollars
Operating Revenues	\$335,265	\$335,265	\$ 335,265
Operation and Maintenance (including Purchased Power)	251,044	251,044	251,044
Depreciation	21,362	45,900	56,200
Taxes	18,819	18,819	18,819
Interest Charges	23,246	23,246	23,246
Other, Net	(5,633)	(5,633)	(5,633)
Income from Operations (excluding reduction to net recoverable amount)	\$ 26,427	\$ 1,889*	\$ (8,411)
Increase in specific prices (current cost) of plant held during the year**			\$ 75,200
Reduction to net recoverable amount		\$ (48,600)	(11,400)
Effect of increase in general price level			(102,100)
Net			(38,300)
Gain from decline in purchasing power of net amounts owed		46,800	46,800
		\$ (1,800)	\$ 8,500

*Including the reduction to net recoverable cost, the loss from continuing operations on a constant dollar basis would have been \$46,711.

**At December 31, 1980, current cost of property, plant and equipment, net of accumulated depreciation, was \$893,900, while historical cost or net cost recoverable through depreciation was \$491,300.

Five Year Comparison of Selected Supplementary Financial Data Adjusted to Average 1980 Dollars
for Effects of Changing Prices (Dollars in Thousands Except Per Share Amounts)

	Year Ended December 31,				
	1980	1979	1978	1977	1976
Operating Revenues					
Historical	\$335,265	\$271,764	\$208,176	\$188,309	\$155,005
Adjusted for inflation	\$335,265	\$308,516	\$262,937	\$256,059	\$224,371
Historical Cost Information					
Adjusted for General Inflation					
Income from operations					
excluding reduction to net					
recoverable amount					
Historical	\$ 26,427	\$ 29,643			
Adjusted for general inflation	\$ 1,889	\$ 10,200			
Income (loss) from operations per					
common share, after preferred					
dividend requirements)					
Historical	\$ 1.67	\$ 2.10			
Adjusted for general inflation	\$ (.31)	\$.42			
Current Cost Information					
Loss from operations excluding					
reduction to net recoverable amount	\$ (8,411)	\$ (1,200)			
Loss from operations per common					
share (after preferred dividend					
requirements)	\$ (1.15)	\$ (.54)			
Excess of increase in general					
price level over increase in					
specific prices, after reduc-					
tion to net recoverable amount	\$ 38,300	\$ 46,000			
General Information					
Gain from decline in purchasing					
power of net amounts owed	\$ 46,800	\$ 51,200			
Net assets at year end at					
recoverable amount					
Historical	\$235,711	\$214,022			
Adjusted for general					
inflation	\$225,100	\$229,800			
Cash dividends per share					
Historical	\$ 1.66	\$ 1.55	\$ 1.46	\$ 1.41	\$ 1.355
Adjusted for general inflation	\$ 1.66	\$.76	\$ 1.84	\$ 1.92	\$ 1.96
Market price per share at year end					
Historical	\$12.25	\$13.00	\$14.875	\$16.375	\$16.50
Adjusted for general inflation	\$11.70	\$13.96	\$18.09	\$21.72	\$23.36
Average consumer price index	246.8	211.4	195.4	181.5	170.5

Report of
Independent
Public
Accountants

To the Board of Directors
CENTRAL MAINE POWER COMPANY:

We have examined the balance sheet and statement of capitalization and interim financing of CENTRAL MAINE POWER COMPANY (a Maine corporation) as of December 31, 1980 and 1979, and the statements of earnings, changes in common stock investment and sources of funds for construction for the three years ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of CENTRAL MAINE POWER COMPANY as of December 31, 1980 and 1979, and the results of its operations and its sources of funds for construction for the three years ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.

Boston, Massachusetts,
February 6, 1981.

Statistical Review

	1980		1979	
Total Revenues (Dollars in Thousands)				
Residential	\$137,229	43.1%	\$108,550	45.2%
Commercial and Industrial	172,178	54.1	124,033	51.7
Electric Utilities	3,212	1.0	2,390	1.0
Lighting	5,694	1.8	5,059	2.1
Total Territorial Revenues	\$318,313	100.0%	\$240,032	100.0%
Total Operating Revenues	\$335,265		\$271,764	
Kilowatt-hour Sales (Thousands)				
Residential	2,335,368	38.7%	2,352,509	39.5%
Commercial	1,475,416	24.4	1,517,264	25.5
Industrial	2,094,900	34.7	1,952,664	32.8
Electric Utilities	83,102	1.4	78,836	1.3
Lighting	49,735	.8	50,507	.9
Total Territorial Sales	6,038,521	100.0%	5,951,780	100.0%
Annual Percentage Change—Territorial Sales	1.5%		1.8%	
Electric Customers (Average)				
Residential	340,351		335,474	
Commercial and Industrial	39,538		39,430	
Electric Utilities	4		5	
Lighting	392		390	
Total Territorial Customers	380,285		375,299	
Annual Percentage Change—Total Customers	1.3%		1.3%	
Residential Sales Averages				
Annual Kilowatt-hours Used	6,862		7,012	
Revenue per Kilowatt-hour	5.88¢		4.61¢	
Annual Bill	\$ 403		\$ 324	
Revenue Per Retail Kilowatt-hour	5.29¢		4.05¢	
Net Income (Thousands)	\$ 26,427		\$ 29,643	
Capitalization (Thousands)				
Short-term Debt	\$ 66,198	9.8%	\$ 60,592	10.1%
Long-term Debt	279,152	41.4	254,699	42.6
Preferred Stock	93,876	13.9	69,261	11.5
Common Shareholders' Equity	235,711	34.9	214,022	35.8
Total	\$674,937	100.0%	\$598,574	100.0%
Common Stock Data				
Earnings Applicable to Common Stock (Thousands)	\$ 20,647		\$ 25,044	
Earnings Per Average Share of Common Stock	\$ 1.67		\$ 2.10	
Dividends Paid Per Share	\$ 1.66		\$ 1.55	
Payout Ratio	99%		74%	
Price/Earnings Ratio	7X		6X	
Shares Outstanding—Average	12,357,075		11,899,435	
Number of Common Shareholders	50,015		48,915	
% Earned on Average Common Equity	9.2%		12.0%	
Book Value Per Share	\$16.89		\$17.73	
Market Price				
High	\$14 $\frac{1}{4}$		\$16	
Low	10 $\frac{1}{2}$		12 $\frac{1}{2}$	
At Year End	12 $\frac{1}{4}$		13	
Generation Mix (% of KWH Generated)				
Hydro	15%		20%	
Fossil and Other	55		47	
Nuclear	30		33	
Total	100%		100%	
Miscellaneous				
Average Annual Interest Rate on Bonds	8.38%		8.23%	
Average Annual Dividend Rate on Preferred Stock	7.91%		6.55%	
Net System Capability at Time of Peak—MW	1,523		1,526	
System Peak Load—MW	1,193		1,207	
Reserve Margin at Time of Peak	28%		26%	
System Load Factor	63%		61%	
Total Average Fuel Cost/KWH	2.52¢		1.56¢	
Fuel Costs as a % of Operating Revenues	49%		37%	
Number of Employees—Year End	2,008		2,000	
Net Utility Plant (Thousands)	\$625,796		\$552,384	
Total Assets (Thousands)	\$795,041		\$694,837	
Construction Expenditures (Thousands)	\$ 97,928		\$ 60,068	
Internally Generated Funds as a % of				
Construction Requirements (Includes APC)	21%		32%	
Effective Income Tax Rate	25.6%		36.3%	

*Total of Commercial and Industrial.

Central Maine Power Company

1978		1977		1976		1970	
\$ 88,815	46.6%	\$ 83,590	46.4%	\$ 71,557	47.9%	\$33,080	46.2%
95,654	50.1	90,246	50.1	72,529	48.5	35,353	49.4
1,750	.9	1,775	1.0	1,362	.9	875	1.2
4,543	2.4	4,398	2.5	3,971	2.7	2,265	3.2
<u>\$197,762</u>	<u>100.0%</u>	<u>\$180,009</u>	<u>100.0%</u>	<u>\$149,419</u>	<u>100.0%</u>	<u>\$71,573</u>	<u>100.0%</u>
\$208,176		\$188,309		\$155,005		\$74,026	
<hr/>							
2,319,602	39.7%	2,213,823	39.7%	2,143,942	41.1%	1,280,220	5.4%
1,465,070	25.1	1,428,187	25.6	1,383,290	26.6	2,222,764*	61.5*
1,932,070	33.0	1,805,954	32.4	1,558,731	29.9		
76,768	1.3	75,180	1.4	79,149	1.5	76,569	2.1
50,573	.9	49,358	.9	48,322	.9	35,740	1.0
<u>5,844,083</u>	<u>100.0%</u>	<u>5,572,502</u>	<u>100.0%</u>	<u>5,213,434</u>	<u>100.0%</u>	<u>3,615,293</u>	<u>100.0%</u>
4.9%		6.9%		8.4%		7.0%	
<hr/>							
330,655		323,562		316,487		266,440	
39,285		38,914		38,358		33,361	
4		4		4		6	
390		392		387		335	
<u>370,334</u>		<u>362,872</u>		<u>355,236</u>		<u>300,142</u>	
2.1%		2.1%		3.2%		2.3%	
<hr/>							
7,015		6,842		6,774		4,805	
3,830		3,780		3,340		2,580	
\$ 269		\$ 258		225		124	
3,280		3,240		2,880		2,000	
\$ 29,611		\$ 21,001		\$ 16,940		\$ 12,574	
<hr/>							
\$ 41,391	7.5%	\$ 31,073	6.3%	\$ 15,400	3.6%	\$ 1,100	.4%
236,391	42.9	225,228	45.6	228,576	53.3	152,464	52.2
69,646	12.7	70,031	14.1	45,416	10.7	35,571	12.2
203,600	36.9	167,954	34.0	139,387	32.4	102,619	35.2
<u>\$551,028</u>	<u>100.0%</u>	<u>\$494,286</u>	<u>100.0%</u>	<u>\$428,779</u>	<u>100.0%</u>	<u>\$291,754</u>	<u>100.0%</u>
<hr/>							
\$ 24,963		\$ 18,275		\$ 14,310		\$ 11,132	
\$ 2,19		\$ 1,87		\$ 1,75		\$ 1,63	
\$ 1,46		\$ 1,41		\$ 1,35½		\$ 1,17	
67%		75%		77%		72%	
7X		9X		9X		12X	
11,378,432		9,748,304		8,163,930		6,825,636	
49,621		45,613		41,497		36,970	
11.4%		11.9%		10.9%		11.0%	
\$17.25		\$16.67		\$16.44		\$15.03	
\$16%		\$17%		\$16½		\$19	
14%		15½		14		14½	
14%		16%		16½		19	
<hr/>							
22%		25%		27%		35%	
39		36		26		57	
39		39		47		8	
<u>100%</u>		<u>100%</u>		<u>100%</u>		<u>100%</u>	
<hr/>							
7.69%		7.45%		7.38%		5.72%	
6.58%		6.60%		5.66%		4.05%	
1,290		1,348		1,268		853	
1,173		1,124		1,089		759	
10%		20%		16%		12%	
62%		F.L.%		60%		61%	
0.980		0.930		0.630		0.200	
30%		29%		23%		11%	
1,971		1,962		1,948		1,859	
\$513,170		\$459,695		\$397,905		\$259,883	
\$634,041		\$559,487		\$483,425		\$313,592	
\$ 69,982		\$ 84,713		\$ 65,333		\$ 22,024	
31%		27%		37%		58%	
30.9%		32.9%		34.9%		41.6%	

Management Analysis of Operating Results and Financial Condition

Operating Results

Electric Operating Revenues rose almost \$64 million each year in 1979 and 1980. Most of each increase, however, resulted from higher fuel costs which reflected escalating oil prices as well as greater dependence on oil-fueled generation to meet growing customer demands. Additional oil-fueled generation was also required to replace nuclear generated electricity during extended refueling and maintenance shutdowns, and a Nuclear Regulatory Commission ordered shutdown at Maine Yankee during the periods. Since money collected from customers through the fuel-used-for-generation charge is a 100 percent nonprofit pass-through, increased revenues from fuel do not affect net earnings.

Revenues from base rates reflect increased general service (commercial and industrial) kilowatt-hour sales of 2.1% in 1979 and 2.9% in 1980. Also reflected are a 1.4% increase in residential sales in 1979 and a 0.7% increase in 1980. General service sales were 58% and 59% of the Company's total territorial kilowatt-hour sales for 1979 and 1980, respectively, and residential sales were 40% and 39% of those sales. Due in large part to conservation efforts by its customers, the growth rate in the Company's kilowatt-hour sales for the years 1979 and 1980 were less than the historical growth rate. The Company believes that conservation efforts will continue to affect kilowatt-hour sales but that a colder than normal 1980-1981 winter and a proposed expansion by a major industrial customer will affect the growth rate for 1981. A \$6.6 million sale of power to another utility during 1979 as well as the full year effect of a \$15.5 million rate decision granted in 1978 and the six-week effect of a \$16.2 million decision in late 1980 also impacted revenues. As a result, base revenues increased \$24 million in 1979 while 1980 base revenues were slightly less than the previous year.

Higher operation, maintenance and depreciation expenses reflect the impact of W.F. Wyman Unit No. 4, which commenced commercial operation in December 1978, and also reflect increases in wages and costs of materials and supplies.

Interest charges reflect greater borrowing to finance higher working capital requirements, primarily for fuel costs, accounts receivable and construction requirements. Long-term debt and interim financing grew during 1979 and 1980 and related interest rates, while fluctuating during certain periods, rose significantly on average.

The larger allowance for funds used during construction in 1980 results from the Company's growing investment in projects under construction, principally its share of jointly-owned nuclear generating projects, and increased cost of funds used during construction the rates for which averaged 9.27% in 1978, 11.22% in 1979 and 12.44% in 1980.

All of the factors discussed above resulted in minimal growth in net income in 1979 and a reduction in 1980. During the two years, the Company issued \$25 million of preferred stock and over two million shares of common stock to provide financing for construction and working capital needs and maintain a balanced capital structure. As a result, the amount of earnings applicable to common shares rose slightly in 1979 and declined in 1980. Earnings per share of common stock declined in both periods.

Financial Condition

During 1980, funds from operations (principally net income, depreciation and deferred taxes) amounted to approximately \$57.4 million. Of these funds, \$26.8 million were used primarily to provide for sinking fund requirements and dividends on

preferred and common stock. These sources of funds were further reduced by an increase of \$13.0 million in working capital requirements (exclusive of short term borrowings and the current portion of long-term debt) resulting primarily from the delay in recovering higher fuel costs under the Company's former fuel adjustment clause. The resulting net funds available from internal sources were \$17.6 million. Funds Used for Construction amounted to \$96.1 million (net of \$1.8 million of allowance for equity funds used during construction). The Company funded \$78.5 million, or the remaining amount of these requirements, from external sources, including \$63.9 million from the sales of long-term debt and equity securities, \$9.0 million from revolving credit loans and \$5.6 million from short-term borrowings.

The Company, as well as the electric utility industry in general, has been plagued by common problems in recent years including those of obtaining timely and adequate rate relief, increased costs and delays in construction projects attributable to increased regulatory requirements and environmental considerations and the financing of large construction programs during a period of high inflation and unsettled capital markets. Other factors adversely affecting the Company include uncertainties caused by political involvement in utility regulation and the availability and higher cost of fuel for generation.

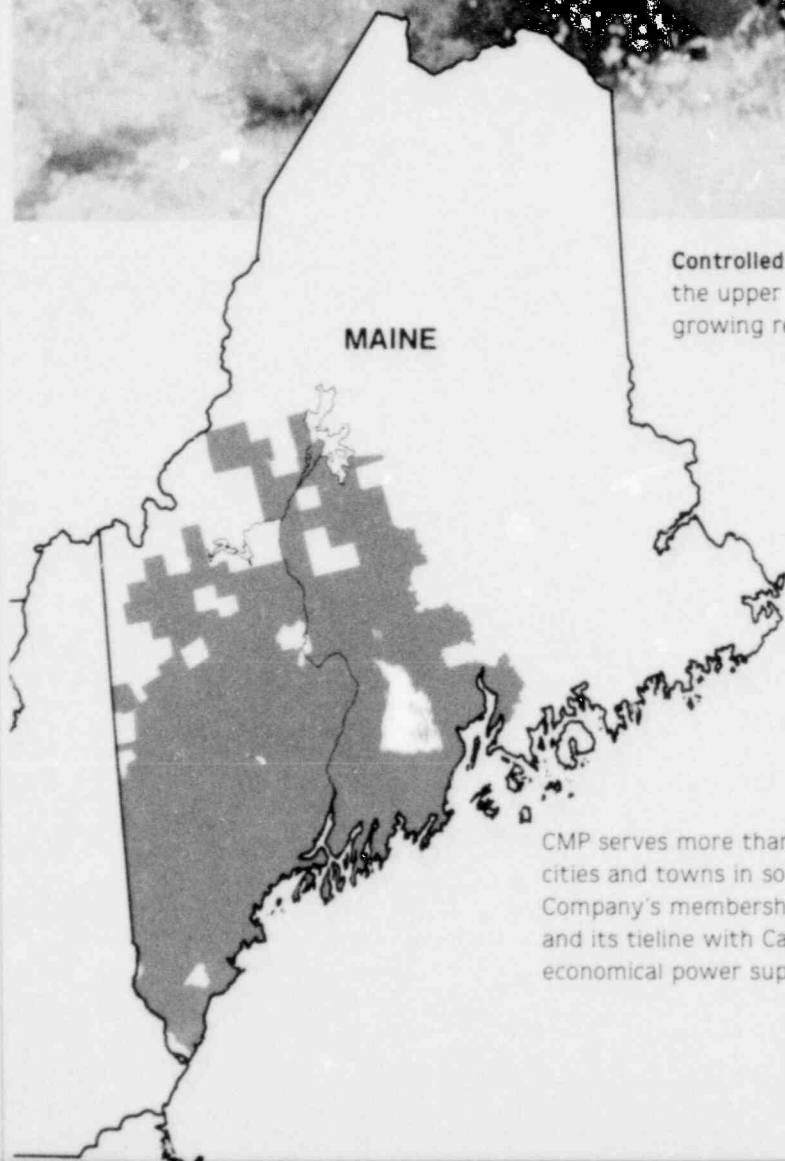
Earnings per share of common stock in 1980 fell approximately 20% to \$1.67 a share, considerably below the 13.75% rate of return allowed by the PUC in its 1980 rate decision. Although earnings are expected to rebound somewhat in 1981 as a result of a November 1980 rate decision, a colder than normal 1980-81 winter and a planned expansion by a major industrial customer, it is anticipated that the Company will continue to earn below its allowed return on common equity. As a result, the Company intends to file for additional rate relief during the year.

Due to current retail ratemaking practices which include a focus on historical cost during a period of severe inflation, a prohibition of cash return on construction work in progress, and flow-through of tax deferrals that otherwise would provide cash flow, the Company is faced with a substantial investment in projects requiring a long construction period with large amounts of non-cash earnings. Unless rate regulators adopt practices more responsive to today's economic environment and permit the Company to earn a current cash return on its investment in construction projects, the Company will be required to rely more heavily on uncertain and unsettled capital markets to finance its construction program. The Company intends to actively seek such a current cash return through programs aimed at increasing regulatory responsiveness in rate proceedings, by upgrading its own formal participation in Commission proceedings and by initiating more informal dialogue between the Commission and the Company.

Construction expenditures for 1981, exclusive of allowance for funds used during construction, will be approximately \$88.6 million and for 1982-1985 are estimated to be \$409.4 million. The Company must also raise additional funds to meet preferred stock and mortgage bond sinking fund requirements and debt maturities. The Company will also seek to reduce its higher than normal level of short-term borrowings in order to avoid high interest costs and provide the Company with additional flexibility as to the securing of additional external funds during times of unsettled capital markets. Financing plans for 1981 include sales of \$90 million of long-term debt and 2 million shares of common stock. The remainder of planned expenditures, plus working capital requirements, will be financed by internal sources and short-term borrowings.



Controlled releases from CMP's hydroelectric stations on the upper Kennebec enhance one of Maine's fastest growing recreation activities—river rafting.



CMP serves more than 70% of Maine's customers in 328 cities and towns in southern and central Maine. The Company's membership in the New England Power Pool and its tieline with Canada help assure a reliable and economical power supply for our customers.

Central Maine Power Company
Edison Drive, Augusta, Maine 04336

CMP Common Stock is Listed for Trading on the New York Stock Exchange (ticket symbol CTP). The stock is abbreviated CeMPw in daily newspaper listings of New York Stock Exchange Transactions.

Stock Transfer

Stock transfers will be made at the Company's office in Augusta, Maine, or at Manufacturers Hanover Trust Company, 4 New York Plaza, New York, N.Y.

Registrars of Stock

Depositors Trust Company, Augusta, Maine, Manufacturers Hanover Trust Company, New York, N.Y.

Annual Meeting

Third Thursday each May

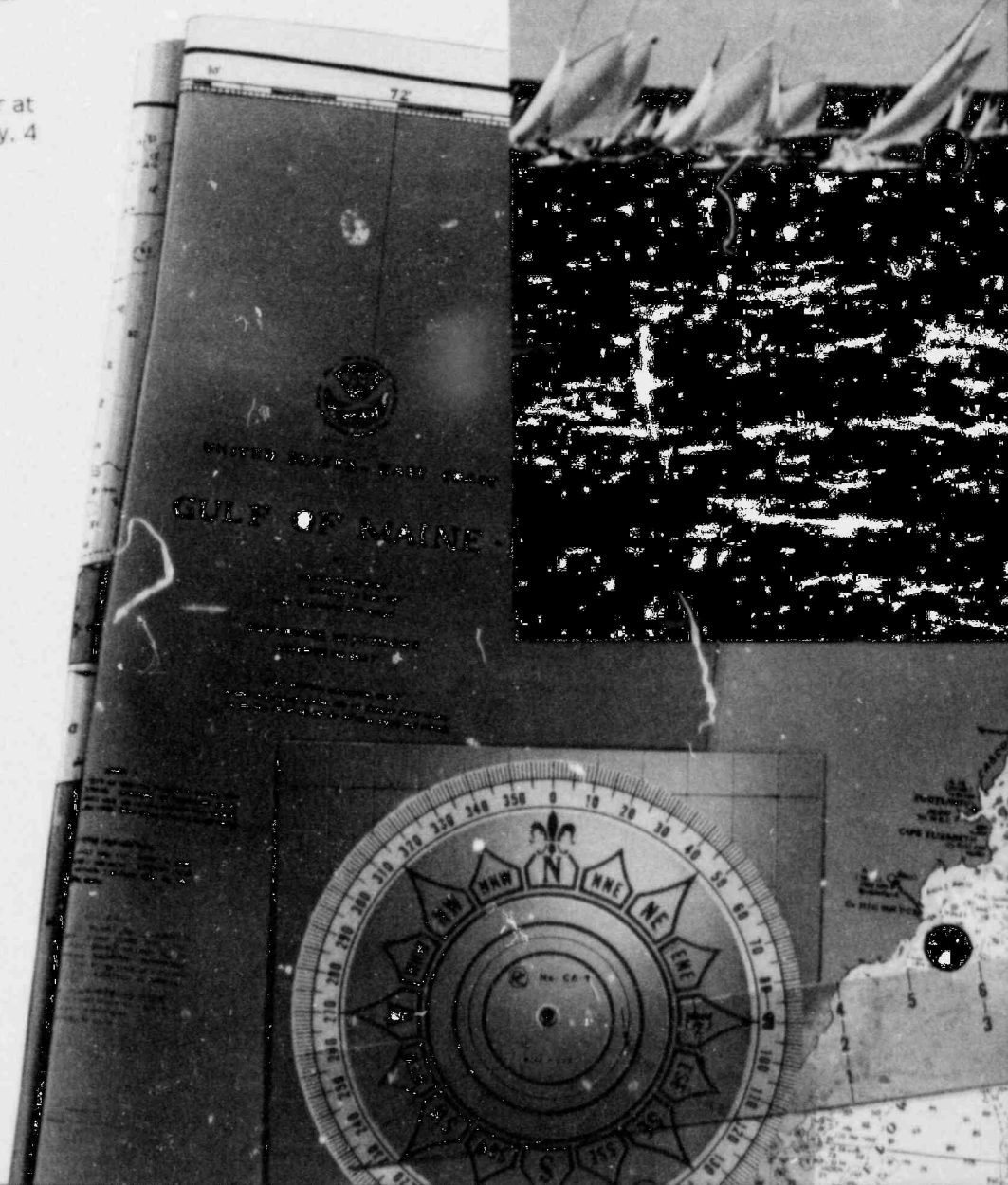
Form 10-K Available

Copies of CMP's Form 10-K, Securities and Exchange Commission Annual Report, are available free of charge. Requests and other inquiries should be directed to: Shareholder Services Department, Central Maine Power Company, Edison Drive, Augusta, Maine 04336 (207-623-3521).

Too many Annual Reports?

You may receive extra CMP Annual Reports due to multiple stock accounts in your household. To stop unwanted copies please write to Shareholder Services Dept. and enclose mailing labels from the extra reports.

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**ANNUAL REPORT OF
CENTRAL MAINE POWER COMPANY
ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 1980
AND
1980 ANNUAL REPORT
TO
STOCKHOLDERS**

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the fiscal year ended
December 31, 1980

Commission file number
1-5139

CENTRAL MAINE POWER COMPANY
(Exact name of registrant as specified in its charter)

Maine 01-0042740
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

Edison Drive, Augusta, Maine 04336
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including
area code: (207) 623-3521

Securities registered pursuant to Section 12(b) of the Act:

<u>Common Stock</u>	<u>New York Stock Exchange</u>
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:

Preferred Stock
(Title of Class)

Indicate by check mark whether the registrant (1) has
filed all reports required to be filed by Section 13 or
15(d) of the Securities Exchange Act of 1934 during the
preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has
been subject to such filing requirements for the past 90
days.

Yes X

No

State the aggregate market value of the voting stock held by non-affiliates of the registrant: \$169,197,815 based upon the last reported sale price on the New York Stock Exchange on March 19, 1981 for the Company's Common Stock, \$5 Par Value.

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the close of the period covered by this report.

<u>Class</u>	<u>Shares Outstanding as of December 31, 1980</u>
Common Stock	13,952,402

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, or indicated portions thereof, have been incorporated herein by reference:

- (1) Specifically identified information on pages 17 through 36, inclusive, of the registrant's Annual Report to Stockholders for the fiscal year ended December 31, 1980 is incorporated by reference as Part II hereof.
- (2) Specifically identified information under the caption "Election of Directors" in the registrant's definitive proxy material for its annual meeting of stockholders to be held on May 21, 1981 is incorporated by reference as Part III hereof.

Central Maine Power Company

PART I

Item 1. Business.

General

The Company, a Maine corporation organized in 1905, is an electric utility engaged in the generation, purchase, transmission, distribution and sale of electric energy in the southern and central part of Maine. It has its principal executive offices at Edison Drive, Augusta, Maine 04336, and its telephone number is (207) 623-3521.

The Company is the largest electric utility in Maine, serving about 380,000 customers in a 10,600 square-mile area in southern and central Maine. No other electric utility operates in competition with the Company in the territory which it serves. This area, in which most of the State's industry is located, includes the industrial centers of Portland, South Portland, Westbrook, Lewiston, Auburn, Rumford, Brunswick, Bath, Biddeford, Saco, Sanford, Gardiner, Augusta, Waterville; Fairfield, Skowhegan, Belfast and Rockland. The population of the service area is about 800,000, approximately 70 percent of the total population of the State. The more important industries served are pulp and paper products, cotton and wool textiles, metal trades, chemicals, plastics, electronic components, food processing, lumber and woodworking, footwear and shipbuilding.

Problems Affecting the Industry

The electric utility industry in general is, and for several years has been, experiencing common problems, including those of obtaining timely and adequate rate increases, increased costs and delays in construction projects attributable to regulatory requirements and environmental considerations, financing large construction programs during a period of high inflation and unsettled capital markets, uncertainties caused by increasing political involvement in utility regulation, availability and high cost of fuel for generation, effects of energy conservation, and general economic conditions. These problems are being experienced in varying degrees by different companies in different regions.

Central Maine Power Company

Events at the Three Mile Island Nuclear Unit No. 2 in Pennsylvania ("TMI") in March, 1979 have prompted a rigorous reexamination of safety related equipment and operating procedures in all nuclear facilities. The Company has interests in four operating nuclear generating plants (representing approximately 26% of the Company's current generating capacity) and ix. three other nuclear generating plants which are either planned or under construction in New England. See Item 2, "Properties - Existing Facilities and Planned Facilities".

The Company has been informed by Maine Yankee Atomic Power Company ("Maine Yankee") and the owner-operators of the other nuclear plants in which it has interests that those companies have made the near-term modifications required by the Nuclear Regulatory Commission ("NRC") in response to studies of the TMI incident. Maine Yankee and the other owner-operators are still in the process of evaluating the impact of certain long-term modifications suggested by the NRC. While the ultimate effect of these and various other reexaminations, studies and legislative proposals arising out of the TMI incident cannot be specifically predicted, they could interfere with or prevent licensing of and cause delays in construction and costly modifications of both the operating and planned nuclear plants in which the Company has an interest.

For a further discussion of certain of these problems as they have affected the Company, see the remaining material under Item 2, "Properties" and Item 3, "Legal Proceedings - Regulation and Rates".

Employee Relations

Operating and maintenance employees in each of the Company's four operating divisions, and office and clerical employees in two divisions, are represented by a local union affiliated with the International Brotherhood of Electrical Workers (AFL-CIO). At December 31, 1980, the Company had 2,008 employees.

The current union contracts extend from May 1, 1980 to May 1, 1982 and thereafter from year to year unless either party shall give at least 60 days' notice prior to an anniversary date. The contracts provide for wage increases which, with adjustments and fringe benefits and increases to non-union employees, will result in increased payroll costs

Central Maine Power Company

of approximately \$4,000,000 during each of the first and second contract years.

Environmental Expenditures

The Company estimates that its capital expenditures for environmental purposes for the five years 1976 through 1980 totalled approximately \$20,520,000. Capital expenditures for such purposes for 1981 and 1982 are presently expected to total approximately \$3,200,000 and \$18,900,000, respectively. Such expenditures are based upon the assumption that no substantial additional expenditures will be required in 1981 and 1982 in order to comply with the Water Pollution Control Act Amendments of 1972 or the Clean Air Act Amendments of 1977. See Item 3, "Legal Proceedings - Environmental Matters".

Executive Officers

The following are the present executive officers of the Company with all positions and offices held. There are no family relationships between any of them nor are there any arrangements pursuant to which any were selected as officers.

<u>Name</u>	<u>Age</u>	<u>Office and Year First Elected</u>
Elwin W. Thurlow	57	President, Chief Executive Officer and Director - 1972
Charles E. Monty	54	Senior Vice President, Engineering and Production, and Director - 1971
Robert F. Scott	51	Senior Vice President, Customer Services, and Director - 1974
Thomas C. Webb	46	Senior Vice President, Finance - 1977
Norman J. Temple	59	Vice President, Legislative and Public Affairs - 1967
Matthew Hunter	46	Vice President, Administrative Services - 1978

Central Maine Power Company

John B. Randazza	* 52	Vice President, Special Projects - 1979
Robert S. Howe	41	Comptroller - 1975
Richard A. Crabtree	34	Treasurer - 1978
Seward B. Brewster	53	Secretary and Clerk - 1968

Each of the executive officers has for the past five years been an officer or employee of Central Maine Power Company, except for Mr. Webb. Mr. Webb was elected to the positions of Vice President, Financial, and Treasurer in 1977 after having been Treasurer (from 1974) and Assistant Treasurer (1972-1974) of Wisconsin Power and Light Company. The executive officers are elected at the Board of Directors meeting following the Annual Meeting of Stockholders and hold office until their successors are elected or qualified.

Item 2. Properties.

Existing Facilities

The electric properties of the Company form a single integrated system which is connected at 345 kv and 115 kv with the lines of Public Service Company of New Hampshire at the southerly end and at 115 kv with Bangor Hydro-Electric Company at the northerly end of the Company's system. The Company's system is also connected with the system of The New Brunswick Electric Power Commission, Canada, and with Bangor Hydro-Electric Company through the 345 kv inter-connection constructed by Maine Electric Power Company, Inc. ("MEPCo."), a 78% owned subsidiary of the Company. As of December 31, 1980, the Company had about 2,246 circuit-miles of overhead transmission lines, 15,645 pole-miles of overhead distribution lines and 390 circuit-miles of underground and submarine cable. The maximum one-hour firm system net peak load experienced by the Company was approximately 1,212,000 kw on January 12, 1981. As of that date the Company's net capability was 1,489,610 kw, including 13,790 kw of purchases. At the time of the 1980-1981 peak, the New England Power Pool had 21,372,000 kw of installed capacity to meet the New England Power Pool peak load of 15,518,000 kw. See "NEPOOL" under this caption below.

Central Maine Power Company

The Company operates 22 hydro-electric generating stations, of which 21 are owned and one is leased, with an estimated net capability of 300,200 kw, and owns all or part of, and operates, two oil-fired steam-electric generating stations with an estimated net capability of 747,160 kw (consisting of 593,590 kw at Wyman Station exclusive of 251,400 kw attributable to the 40.85% ownership interests of other utilities in Wyman Unit No. 4, and 153,570 kw at Mason Station). These oil-fired stations are located on tidewater, permitting waterborne delivery of fuel. The Company also has four internal combustion generating facilities with an estimated net capability of 47,150 kw.

The Company owns varying portions of four operating nuclear plants located in New England. It owns a 38% interest in Maine Yankee Atomic Power Company ("Maine Yankee") and is entitled to the same percentage of the power produced by Maine Yankee's generating plant at Wiscasset, Maine. In addition, the Company owns a 9.5% interest in Yankee Atomic Electric Company, a 6% interest in Connecticut Yankee Atomic Power Company, and a 4% interest in Vermont Yankee Nuclear Power Corporation.

The Company is entitled to the same respective percentage of the power produced in each generating company's plant. As of December 31, 1980, the Company's share of the capacity of the four plants amounted to the following:

Maine Yankee . . . 310,850 kw	Connecticut Yankee . . . 34,800 kw
Yankee Atomic . . . 16,700 kw	Vermont Yankee 18,960 kw

See Item 1, "Business - Problems Affecting the Industry" for a discussion of the possible impact of the TMI incident on the above operating nuclear plants.

The Company is obligated to pay its proportionate share of the operating expenses, including depreciation and a return on invested capital, of Maine Yankee and each of the other generating companies referred to above for periods of 30 years expiring at various dates from 1991 through 2002.

Under the Powerplant and Industrial Fuel Use Act of 1978, a "new" electric powerplant is prohibited from using oil as a primary energy source and is required to be constructed with the capability to burn coal or alternate fuels. An "existing" oil-fired powerplant may be required

Central Maine Power Company

by the Department of Energy ("DOE") to convert to the use of coal or an alternate energy source, provided such plant has the capability to utilize coal or such alternate source or could have that capability, if financially feasible, without being subject to substantial physical modification or substantial reduction in rated capacity. The Company believes that all of the oil-fired units at its two existing plants qualify as "existing" powerplants. In view of the lack of experience to date under the Powerplant and Industrial Fuel Use Act, no assurances can be given as to the ultimate status and treatment of the Company's existing oil-fired units under such Act.

Based upon preliminary studies, the Company currently intends to convert Units Nos. 3, 4 and 5 at Mason Station (aggregating 108,870 kw) from oil-fired to coal-fired units. Such conversion is expected to cost approximately \$50,000,000 (excluding AFC) based upon a completion date in 1984. The conversion is subject to obtaining various regulatory and environmental permits.

MEPCo. owns and operates a 345 kv transmission interconnection, completed in 1971, extending from the Company's substation at Wiscasset to the Canadian border where it connects with a line of The New Brunswick Electric Power Commission (the "Commission") under a 25-year interconnection agreement. Under a subsequent agreement, the Commission provided up to 400,000 kw of base load power over the interconnection, of which the Company's share was 41,100 kw. Pursuant to a revision of that agreement, the power provided by the Commission has been reduced to 133,000 kw from 1981 to the termination of the agreement in 1985. The Company's share is 7,800 kw which the Company plans to reduce to 4,200 kw from November, 1981 until termination of the agreement, through assignment to another utility.

As part of its power planning, the Company periodically enters into agreements of varying durations with other utilities for the purchase of unit power. The Company is currently negotiating with the Commission for the purchase of 100,000 kw of unit power from the Commission's nuclear plant under construction at Point Lepreau for an undetermined period commencing in 1982. No assurance can be given that the purchase will be consummated.

Central Maine Power Company

NEPOOL

The Company is a member of the New England Power Pool ("NEPOOL"), which is open to all investor-owned, municipal and cooperative utilities in New England, under an agreement in effect since 1971 which provides for coordinated planning of future facilities and operation of approximately 98% of existing generating capacity in New England and of related transmission facilities. The NEPOOL Agreement imposes obligations concerning generating capacity reserve and the use of major transmission lines, and provides for central dispatch of the region's facilities. The Company expects to be able to satisfy its reserve obligations under the NEPOOL Agreement through the 1980's from its own generating capacity and from available sources of purchased power.

Construction Program

The Company is engaged in a continuous construction program to accommodate existing and estimated future loads on its electric system. During the five-year period ended December 31, 1980, the Company's construction expenditures amounted to \$339,784,000 (including investment in jointly-owned projects), not including allowance for funds used during construction ("AFC") of \$41,330,000. Plant retirements during the period amounted to \$21,746,000. The Company's construction program for the period 1981 through 1985, shown below, is currently estimated at approximately \$498,000,000 (not including AFC estimated at \$141,300,000, but including estimates for nuclear fuel costs of \$17,100,000 where applicable). The Company estimates that construction expenditures for each of the years 1981 through 1985 will be approximately \$88,600,000, \$127,200,000, \$85,500,000, \$89,400,000, and \$107,300,000, respectively.

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Central Maine Power Company

<u>Type of Facilities</u>	<u>1981</u>	<u>1982-85</u>	<u>Total</u> <u>1981-85</u>
	(Millions of Dollars)		
Generation			
Central Maine Power Company			
Projects			
Brunswick-Topsham (Hydro)	\$10.5	\$.9	\$ 11.4
Sears Island (Coal)	1.2	35.5	36.7
Mason Station (Conversion to Coal)	4.8	43.0	47.8
Projects Sponsored by Others			
Seabrook Nos. 1 & 2 (Nuclear)	33.9	62.0	95.9
Millstone No. 3 (Nuclear)	5.0	23.6	28.6
Pilgrim No. 2 (Nuclear)	.8	21.0	21.8
Transmission	2.4	36.9	39.3
Distribution	19.9	104.4	124.3
Other Capital Projects (including small hydro projects)	<u>10.1</u>	<u>82.1</u>	<u>92.2</u>
	<u>\$88.6</u>	<u>\$409.4</u>	<u>\$498.0</u>

The above estimated expenditures for major jointly-owned generating facilities are based upon the latest information furnished by the sponsoring utility.

See discussion below for certain information regarding regulatory and other factors which may affect the ownership, construction, nature, timing, estimated cost and operation of planned facilities.

Based upon the Company's estimate of the average annual compound growth rate in the Company's peak capacity requirements for the years 1981 through 1990 of approximately 2.1% and anticipated growth rates throughout New England, the Company believes that its generating capacity, including and assuming timely additions to generation to be provided by certain of the jointly-owned projects described below, coupled with power purchased from other utilities with excess capacity, will be sufficient to meet such requirements and its reserve requirements under the New England Power Pool Agreement through the 1980's.

Central Maine Power Company

Financing Considerations

In 1980 internal sources of funds provided approximately 20% of the Company's total construction requirements with the remainder provided by external sources. The Company estimates that approximately 32% of the Company's total construction requirements will be financed by internal sources in 1981. The Company currently plans to raise approximately \$90,000,000 from the sale of long-term debt and also plans to issue 2,000,000 shares of common stock in 1981. However, the nature and timing of future financing will be determined in light of future market conditions, earnings and other relevant factors. The continuation of the Company's 1981-1985 construction program at planned levels depends upon the Company's ability to finance a substantial portion of the program from external sources.

In April, 1980 the Company entered into a two-year revolving credit and term loan agreement with several banks in the amount of \$40,000,000 with interest at the prime rate. At December 31, 1980 the amount outstanding under this agreement was \$9,000,000. At the end of the revolving credit term in April, 1982, the Company has the option to convert the amount then outstanding into a three-year term loan payable in six equal semiannual installments, with interest at 102% of the prime rate during the first and second years and at 104% of the prime rate during the third year. The Company may prepay amounts from time to time outstanding under the agreement without penalty. The loan is secured by a pledge of the Company's 38% common stock interest in Maine Yankee Atomic Power Company.

In addition to funds required to finance its construction program during the period 1981-1985, funds aggregating \$64,673,000 must be provided for preferred stock and mortgage bond sinking fund requirements and debt maturities. See Notes 10 and 11 of Notes to Financial Statements of the Company and Statement of Capitalization and Interim Financing of the Company.

Planned Facilities. The Company plans to construct a 568 MW coal-fired plant at Sears Island, which plant is proposed to be jointly owned with other electric utilities. In December, 1979 the PUC issued its order denying the issuance of a certificate of public convenience and necessity based on findings that the Company's projected need for baseload power in 1987 did not justify construction

Central Maine Power Company
Form 10-K - 1980

Central Maine Power Company

of a 568 MW facility of which the Company's proposed share was 459 MW or approximately 80%. The Company petitioned on January 18, 1980 for a rehearing before the PUC and such petition was granted. In its petition for rehearing the Company deferred the estimated date of commercial operation of the proposed plant from 1987 to 1989 and stated its intention to reduce its ownership share of the plant from approximately 80% to between 55% and 60%. Hearings on the Company's revised proposal have been in progress since the summer of 1980.

The Company presently estimates that the cost of the Company's share of the Sears Island plant (based upon a 60% ownership interest and a commercial operation date in 1989) will be approximately \$475,100,000, excluding AFC of approximately \$166,400,000. As of December 31, 1980 the Company's share of Sears Island expenditures (not including AFC and based upon the current 80% ownership interest) was approximately \$6,975,000. See Note 3 of Notes to Financial Statements of the Company.

In addition to the Sears Island plant, the Company is participating or expects to participate as a part owner with other New England utilities in several other major electric generating plants now planned or under construction. Such participation would be on a tenancy-in-common basis.

The Company's actual expenditures through December 31, 1980 and estimated expenditures for jointly-owned generating facilities listed below (not including AFC which will be substantial but including nuclear fuel costs wherever applicable) are set forth in the following table (see also Note 3 of Notes to Financial Statements of the Company):

Company's Share

Unit	Energy Source	Estimated Date of Commercial Operation (1)	Capacity (MW)	Capacity (MW)	Ownership Interest	Expenditures Through December 31, 1980	Total Estimated Construction Costs (2)
(Dollars in Thousands)							
Seabrook Nos. 1 and 2 (3)	Nuclear	1983-1985	2,300	139	(6.04%)	\$58,633	\$150,400
Pilgrim No. 2	Nuclear	(4)	1,150	33	(2.85%)	8,999	(4)
Millstone No. 3	Nuclear	1986	1,150	29	(2.50%)	18,595	49,100
Sears Island (5)	Coal	1989	568	341	(5)	6,975	475,100

- (1) The completion dates of these units have been deferred from time to time and additional deferrals may occur due to licensing delays, economic and political conditions and other factors. Deferrals have the effect of significantly increasing the cost of a unit.
- (2) Estimated construction expenditures relating to the jointly owned units shown above are based upon information furnished by the utility responsible for the construction of such unit. The Company has been advised by each of the sponsoring utilities that construction budgets are continuously under review in light of increased costs due to deferrals, delays and other factors. The estimated expenditures, completion dates and completion of all the above units may also be affected by the various factors referred to below and other events and conditions which cannot now be predicted.
- (3) As of December 31, 1980, the Company had a 5.04178% interest in Seabrook. An adjustment of the ownership interests in the units over a period of approximately 13 months commencing January 31, 1981 will ultimately result in a 6.04178% ownership interest for the Company. See "Seabrook" under this caption below for a discussion of the possible deferral of the Seabrook units and of possible increased costs.
- (4) Boston Edison Company, the utility responsible for construction of Pilgrim No. 2, has announced that due to the time required for the construction of the unit and completion of licensing and regulatory proceedings and the greatly increasing construction costs no firm date can be established for the commencement of construction or commercial operation of the unit. As a result, estimates of construction expenditures and scheduling are no longer realistic. Such utility has also stated that when a more definitive schedule is set for the granting of a construction permit, it will be able to develop revised cost estimates. At that time such utility has stated that it is its intention to review the feasibility of the project and to decide whether to cancel or continue construction of the project. In the meantime procurement commitments for the project are being deferred.
- (5) The Company's projected ownership share of this unit has recently been changed from approximately 80% to approximately 60%. The amount shown above with respect to expenditures through December 31, 1980 are based upon a current ownership interest of 80% while the amount with respect to total estimated construction costs assumes a 60% ownership.

Due to the time required for the construction of generating facilities and the completion of licensing and regulatory proceedings relating thereto, substantial investments in the above units will be required prior to the completion of licensing and regulatory proceedings. There is no assurance that all necessary approvals, permits or licenses will be obtained, or if obtained, will not be modified or revoked or that the units will be completed.

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Seabrook. The necessary approvals and permits for the construction of the Seabrook units have been obtained and have been upheld by the courts on appeal by a number of opposition groups. Construction is currently in progress, although at a reduced level from that originally scheduled for 1980-1981 (see below). One appeal is still pending and a further limited evidentiary hearing on the seismic issue has been ordered by the NRC. Further proceedings before the NRC relating to the licensing of the units will be required for operation, and other proceedings and appeals are possible. The Company is unable to predict the outcome of such proceedings or what effect current or further administrative or court proceedings may have on the cost or completion of the project or on the Company.

Public Service Company of New Hampshire ("PSNH") has experienced difficulties in financing its 50% share of the Seabrook units. Consequently, PSNH has obtained commitments for the sale of about a 15% share to several New England utilities, including 1% to be sold to the Company. Commencing January 31, 1981 certain of these utilities, including the Company, began making payments which over a period of time will reduce PSNH's ownership interest from 50% to about 44%. A further reduction to about 37% will commence when Massachusetts Municipal Wholesale Electric Company receives its initial financing and to about 35% when two remaining utilities obtain necessary regulatory approvals and financing. There can be no assurance that such approvals will be granted and financings obtained.

In January, 1981, PSNH sought emergency rate relief from the NHPUC in order to obtain sufficient revenues to ensure that the earnings coverage test applicable to the issue of bonds under its mortgage bond indenture would be satisfied in connection with a substantial bond issue planned for the fourth quarter of 1981. In February, 1981 the NHPUC summarily denied PSNH's request for emergency rate relief stating that an emergency had not been demonstrated, PSNH is unable to predict the effect of this denial on its plans for financing its interest in the Seabrook project during 1981.

In March, 1980, PSNH announced that due to the unsettled state of the capital markets and the high cost of external funds and the delay in obtaining approvals for the reduction in its interest in the Seabrook project it was substantially reducing the overall level of construction of the Seabrook project in order to lessen PSNH's external financing

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requirements. PSNH has stated that such reduction and a ten-week ironworkers' strike in the summer of 1980 have affected the completion dates. The extent to which such dates have been affected will not be known until PSNH completes its next review of the project schedule in late March or early April, 1981. However, the figures for estimated construction expenditures and costs of the Seabrook plant set forth above give effect to the reduced level of construction (assumed for this purpose to continue through March, 1981) which PSNH has stated would postpone the scheduled completion dates of the units to 1984 and 1986, respectively, and would increase the estimated cost of the units. It is anticipated that the reduction will continue until the reductions of PSNH's interest in the plant to 35% have commenced, assuming that the capital markets are reasonably stable at that time and that adequate rate relief is granted to PSNH.

Various orders of the NHPUC have required delays of work or deferral of costs on Unit No. 2 of the Seabrook plant until commencement of the reduction of PSNH's ownership interest in the Seabrook plant.

Montague. On December 31, 1980 the lead owner of the two nuclear generating units planned for construction at Montague, Massachusetts announced the cancellation of the project, in which the Company owned a 3% interest. Recovery by the Company of its investment of approximately \$1,700,000 (including AFC of \$691,000) which is included in deferred charges, net of income taxes, is dependent upon regulatory approval. If any amounts are determined not to be recoverable they would be charged, net of related income taxes, against earnings in the period such determination is made.

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Fuel Supply

The Company's kilowatt-hour production by energy source for each of the last two years and as estimated for 1981 is shown below:

<u>Source</u>	<u>Actual</u>		<u>Estimated</u>
	<u>1979</u>	<u>1980</u>	<u>1981</u>
Nuclear (principally from Maine Yankee)	33%	30%	32%
Hydro	19	15	18
Oil	16	23	29
Purchased (principally from oil-fired sources)	<u>32</u>	<u>32</u>	<u>21</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

The 1981 estimated kilowatt-hour output from oil and purchased power may vary depending upon the relative costs of Company-generated power versus power purchased through NEPOOL.

Oil. The Company's steam and internal combustion electric generating units are oil-fired. The Company has a contract which expires on June 1, 1982 for the supply of essentially all of the Company's oil requirements at world market prices. Under the contract, the Company retains the right to purchase 25% of its quarterly requirements in the open market.

The average cost per barrel of fuel oil purchased by the Company during the past five calendar years was \$10.38, \$12.17, \$12.05, \$16.95 and \$25.32, respectively. Most of the fuel oil burned by the Company and the other member utilities of NEPOOL is imported. The availability and cost of oil to the Company, both under any contract and in the open market, could continue to be adversely affected by policies and events in oil-producing nations, other factors affecting world supplies and domestic governmental action. It is impossible to predict the impact on the Company's operations of possible action by the President or Congress with respect to import fees, duties or quotas on oil, or

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restrictions on the use of oil for generating electricity. The Company's electric sales are subject to fuel adjustment clauses which enable the Company to pass on to customers its fuel costs and the fuel component of purchased power.

Nuclear. As described above, the Company has interests in a number of nuclear generating units. The cycle of production and utilization of nuclear fuel for such units consists of (1) the mining and milling of uranium ore, (2) the conversion of the resulting concentrate to uranium hexafluoride, (3) the enrichment of the uranium hexafluoride, (4) the fabrication of fuel assemblies, (5) the utilization of the nuclear fuel and (6) the disposition of spent fuel.

The Company has been advised by Maine Yankee that it has contracted for the purchase of all of its uranium concentrate requirements through 1986. Maine Yankee has a conversion contract through 1983 and is presently negotiating for conversion services expected to meet requirements through 1995. It has a contract with DOE for enrichment services through 2002 and its fabrication requirements are covered through 1993. As is the case throughout the nuclear industry, Maine Yankee has no contractual arrangements for the final disposition of spent fuel.

In September, 1979, Maine Yankee filed with the NRC a proposed change to its operating license relating to increasing its existing spent fuel storage capacity by providing more compact fuel rod storage and in September, 1980 Maine Yankee filed an amendment to its application. The NRC has published notices of the proposed issuance of a license amendment implementing the change and providing an opportunity for interested persons to petition for leave to intervene and request a hearing. A timely petition and request was filed by a Maine group and the Attorney General of Maine filed a notice of his intent to participate in any hearing. The NRC has established an Atomic Safety and Licensing Board to preside over the proceeding. The Company anticipates that adjudicatory hearings will commence in the latter half of 1981. The Company cannot predict the scope of the proceeding, its duration or its outcome.

The present capacity of the spent fuel pool at the Company's plant will be filled in 1987 and after 1984 would not accommodate a full core removal. The modification of

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this capacity proposed by the Company differs from designs heretofore implemented at other nuclear facilities but is essentially the same basic concept of more compact storage in the existing spent fuel pool. If the proposed modification is not approved, the Company will have to develop alternative plans which would involve further approval by the NRC.

The Company has been advised by the companies operating or planning nuclear generating stations in which the Company has or expects to have an interest that they have contracted for certain segments of the nuclear fuel production cycle through various dates. Contracts for other segments of the fuel cycle will be required in the future, but their availability, prices and terms cannot now be predicted.

Coal

Although the Company currently does not have a contract for coal supply, it has started to explore possible arrangements for a supply at the Mason Station units currently proposed for conversion to coal-fired operation in 1984 and at the Sears Island unit presently scheduled for commercial operation in 1989.

Item 3. Legal Proceedings.

Regulation

The Company is subject to the regulatory authority of the Maine Public Utilities Commission ("PUC") as to retail rates, accounting, service standards, territory served, the issuance of securities and various other matters. The Company is also subject as to some phases of its business, including licensing of its hydro-electric stations, accounts, rates relating to wholesale sales (which constitute less than 1% of operating revenues) and to interstate transmission and sales of energy and certain other matters, to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") under Parts I, II and III of the Federal Power Act. Other activities of the Company from time to time are subject to the jurisdiction of various other state and federal regulatory agencies.

The nuclear generating facility of Maine Yankee and the other nuclear facilities in which the Company has an interest are subject to extensive regulation by the NRC.

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The NRC is empowered to authorize the siting, construction and operation of nuclear reactors after consideration of public health, safety, environmental and anti-trust matters. Under its continuing jurisdiction, the NRC may, after appropriate proceedings, require modification of units for which construction permits or operating licenses have already been issued, or impose new conditions on such permits or licenses, and may require that the operation of a unit cease or that the level of operation of a unit be temporarily or permanently reduced. See Item 1 "Problems Affecting the Industry" for a discussion of the impact of the TMI incident on Maine Yankee and the other nuclear facilities in which the Company has an interest.

The Environmental Protection Agency ("EPA") administers programs established under the Federal Water Pollution Control Act and the Clean Air Act which affect all of the Company's thermal generating facilities, as well as the nuclear facilities in which it has an interest. The former Act establishes a national objective of complete elimination of discharges of pollutants into the nation's water and creates a rigorous permit program designed to achieve these effluent limitations. The latter Act empowers the EPA to establish clean air standards which are implemented and enforced by state agencies. EPA has broad authority in administering these programs, including the ability to require installation of pollution control and mitigation devices. The Company is also subject to regulation with regard to environmental matters and land use by various state and local authorities.

The Price-Anderson Act is a federal statute providing, among other things, that the maximum liability for damages resulting from a nuclear incident would be \$560 million, to be provided by private insurance and governmental sources. As required by the NRC regulations, prior to operation of a nuclear reactor, the licensee of the reactor is required to insure against this exposure by purchasing the maximum available private insurance (presently \$160 million), the remainder to be covered by retrospective premium insurance and by an indemnity agreement with the NRC. Owners of operating nuclear facilities may be assessed a retrospective premium of up to \$5 million for each reactor owned in the event of any one nuclear incident occurring at any reactor in the United States, with a maximum assessment of \$10 million per year per reactor owned. As a part owner of Maine Yankee and other operating New England nuclear

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facilities, the Company would be obligated to pay its proportionate share of any such assessments, which presently amounts to a maximum of \$2,875,000 per incident.

Under the Federal Power Act, the Company's hydro-electric projects (including storage reservoirs) on navigable waters of the United States are required to be licensed by the FERC. Twenty projects, some of which include more than one generating unit, have been licensed to date. The licenses so far granted to the Company's projects do not in any instance expire before 1987; most expire in 1993; and two expire after the year 2000. The United States has the right upon or after expiration of a license to take over and thereafter maintain and operate a project upon payment to the licensee of the lesser of its "net investment" or the fair value of the property taken, and any severance damages, less certain amounts earned by the licensee in excess of specified rates of return. If the United States does not exercise its statutory right, the FERC is authorized to issue a new license to the original licensee, or to a new licensee upon payment to the original licensee of the amount the United States would have been obligated to pay had it taken over the project.

A petition calling for the enactment of a bill creating a Maine Energy Commission was signed by more than the required number of voters and has been presented to the Maine legislature. Under Maine law, the legislature must enact the proposed legislation at its 1981 session or refer it to a vote of the electorate to be held in November, 1981. The Maine Energy Commission would be a new state agency replacing the PUC and the Office of Energy Resources and would have three commissioners elected for terms of four years. The bill would also revise the rate making and capital construction approval procedures for utilities by requiring that all applications for rate increases and authorizations for new capital construction be consistent with an annual state energy budget. The bill also establishes an Energy Development Fund consisting of funds raised from general obligation bonds, revenue bonds issued by the Maine Energy Commission and other sources to be used for financing projects within the guidelines to be set forth in the state energy budget. The Company is currently unable to predict the result of the electorate vote or what effect the bill would have on the Company, if adopted.

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Rates

On February 1, 1980, the Company filed with the PUC an application for a \$35,000,000 increase in annual revenues, which was subsequently increased to \$36,859,000. On October 31, 1980, the PUC authorized the Company to file retail rates designed to increase annual gross revenues by approximately \$16,185,000 (including an attrition adjustment of \$2,300,000). Such rates are based upon an allowed overall return of 10.78%, including a return of 13.75% on common equity. The new rates were implemented for kilowatt-hour sales on and after November 13, 1980. The Company's prior rate decision in October, 1978 had allowed an overall return of 9.48% including a return of 12.50% on common equity.

The Company intends to file an application for additional rate relief in 1981.

The PUC's order allows the Company to recover over a five-year period, through rates to be charged to its customers, approximately \$3,154,000 of expenditures for a proposed nuclear plant. The PUC disallowed recovery of AFC of \$827,000 recorded on such expenditures and related uranium enrichment contracts. The Company has appealed this disallowance and certain other portions of the order to the Maine Supreme Judicial Court. If finally determined not to be recoverable, the costs would be charged net of related income taxes against earnings in the period in which such determination is made.

Fuel Cost Adjustment Charges

Regulations adopted by the PUC pursuant to a Maine statute effective in 1978, and implemented with respect to the Company effective April 1, 1980, allow the Company to recover currently the cost of fuel consumed in the Company's generating stations and the fuel component of purchased power by the application of a single uniform rate in the monthly bills to the Company's retail customers. The single uniform rate is based upon the Company's projected cost of fuel and the fuel component of purchased power over a 12-month forward-looking period (eight months in the case of the transitional period) and must be approved by the PUC after public notice and hearings. The Company may at intervals of not less than 90 days request changes in the uniform rate to reflect actual experiences during any period

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as well as new forecasts. In addition, the Company's fuel adjustment charge provides for recovery over a twelve-month period of unbilled fuel costs at the time that the new regulation became effective. Over- or under-collections resulting from differences between estimated and actual fuel costs for a period as well as an amount for the actual cost of short-term borrowings used to finance the unbilled balances are included in the computation of the fuel amounts to be recovered during the succeeding fuel adjustment period.

Under the federal Public Utility Regulatory Policies Act of 1978, the Company's fuel adjustment charge may be subject to periodic review by the FUC to ensure that the charge provides incentives for efficient use of fuel and for maximum economies in operations and purchases that affect utility rates.

Environmental Matters

The application of federal, state and local standards to protect the environment, including but not limited to those hereinafter described, involves or may involve review, certification or issuance of permits by various federal, state and local authorities. Such standards, particularly in regard to emissions into the air and water, thermal mixing zones and water temperature variations, may halt, limit or prevent operations, or prevent or substantially increase the cost of construction and operation of installations and may require substantial investments in new equipment at existing installations. They may also require substantial investments above the figures stated under "Operations - Properties and Power Supply - Planned Facilities" for proposed new projects.

Water Quality Control. As of late 1979 the Company held all discharge permits required under the Federal Water Pollution Control Act Amendments of 1972 (the "Act") for its existing plants. Some of these permits have since expired by their terms, and the Company has made timely applications for renewal while continuing to operate under the terms and conditions of the expired permits. Although, as is the case throughout the industry, applications have not yet been acted upon, the Company has no reason to believe that the licenses will not be renewed upon essentially the same terms and conditions. The Company has also received all permits required under the Rivers and Harbors Act of 1899 for its

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existing plants. In general, these water quality control permits as well as siting permits issued by the Maine Department of Environmental Protection ("DEP") require the subject plant to meet prescribed environmental quality standards in its ongoing operations and impose monitoring requirements on the Company intended to insure compliance with the standards.

With respect to effluent discharges, including heat, from existing plants, the Act, as amended in December, 1977, requires the application of the "best practicable control technology currently available" by July 1, 1977 and the "best available technology economically achievable" by July 1, 1984. In addition, the Act also requires that cooling water intake structures must reflect the "best technology available for minimizing adverse environmental impact". Regulations promulgated under the Act, unless waived, require non-exempt generating units to use closed-cycle cooling systems such as cooling towers by July 1, 1981. Certain of these regulations have been remanded for further deliberation by the EPA, and further administrative hearings and court proceedings are expected. In addition, the December, 1977 amendments to the Act call for the promulgation of additional pollution control technology requirements relating to matters such as toxic pollutants and waste management practices. The Company believes that it is in compliance with the July 1, 1977 guidelines referred to above. Although the Company is presently unable to determine with certainty whether changes in cooling water intake structures or the installation of closed-cycle cooling systems will be required, it does not believe that the guidelines will materially affect the operations of its generating units. However, if changes were required, the Company's expenditures could be substantial.

Air Quality Control. Pursuant to the federal Clean Air Act of 1970, the DEP has issued preliminary and secondary ambient air quality standards with respect to certain air pollutants including particulates, sulphur oxides and nitrogen oxides. One of the effects of these regulations is to restrict the sulphur content of the fuel oil which the Company is permitted to burn. Under regulations adopted by the DEP, the sulphur content of fuel oil burned in the Company's generating plants may not exceed 2.5%. All oil burned at Wyman Unit No. 4 is required to have a sulphur content of not in excess of 0.7% and the other three units at Wyman Station are required to have a sulphur content of

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not in excess of 1.5% while Wyman Unit No. 4 is in operation. The Company believes that it will be able to arrange for supply of sufficient oil with the required sulphur contents, subject to unforeseen events and the factors influencing the availability of oil discussed under "Operations - Fuel Supply". The operation of the Company's present fuel adjustment charge permits it to pass on the additional cost of such fuel to its customers. See "Fuel Cost Adjustment Charges".

The Clean Air Act Amendments of 1977, among other things, require the Administrator of EPA to promulgate revised New Source Performance Standards. The amendments also provide that state implementation plans contain emission limitations and such other measures as may be necessary, as determined under regulations to be promulgated by the EPA, to prevent "significant deterioration" of air quality, prescribe new classifications of non-degradation areas and permit a redesignation of areas under certain conditions. In addition, the amendments limit maximum allowable increases in concentrations of sulphur oxides and particulates in the various areas and require the promulgation of regulations with respect to certain other pollutants. The effect of the amendments on the existing regulations or on the Company cannot presently be determined.

Other. On February 13, 1979, the Maine Board of Environmental Protection ("BEP") held a public hearing to investigate the causes of excessive noise emanating from Wyman Unit No. 4 during operation. To minimize the effect on the surrounding area, the BEP ordered that the unit be operated only on weekdays between the hours of 6 A.M. and 11 P.M., except in the case of emergencies. This restriction required the Company to buy additional replacement power from time to time from NEPOOL. The Company has completed the installation of new sound-attenuating mufflers and Wyman Unit No. 4 is currently in full commercial operation. The BEP initiated a suit against the Company seeking payment of a civil penalty for alleged violation of the siting permit for Wyman Unit No. 4.

Item 4. Security Ownership of Certain Beneficial Owners and Management.

(a) Security ownership of certain beneficial owners:
As of December 31, 1980, there was no person who was known

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to registrant to be the beneficial owner of more than five percent of any class of registrant's voting securities.

(b) Security ownership of management: The following is a tabulation of the equity securities of the registrant beneficially owned by its directors, and its directors and officers as a group, as of March 1, 1981:

<u>Title of Class</u>	<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
Common Stock, \$5 Par Value	Priscilla A. Clark	651	.005%
	Galen L. Cole	1,100	.008
	E. James Dufour	445	.003
	George H. Ellis	133	.001
	Leon A. Gorman	669	.005
	E. Clifford Ladd	1,250	.009
	Roland L. Marcotte	100	.001
	Charles E. Monty	595	.004
	Carlton D. Reed; Jr.	732	.005
	John J. Russell	500	.004
	Robert F. Scott	827	.006
	Halsey Smith	100	.001
	Elwin W. Thurlow	2,422	.017
	James H. Titcomb	400	.003
	All Directors and Officers as a group	15,551	.111%

(c) Changes in control: Not applicable.

PART II

Item 5. Market for Registrant's Common Stock and Related
Security Holder Matters.

See the information under the heading "Price Range and Dividends of Voting Stock", "Statistical Review" and Note 12 of "Notes to Financial Statements" on pages 22, 34 and 31 of the registrant's 1980 Annual Report to Stockholders, which is hereby incorporated herein by reference; said Annual Report to Stockholders is filed as an exhibit hereto.

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As of December 31, 1980 there were 50,015 holders of the Company's Common Stock.

Item 6. Selected Financial Data.

See the information under the heading "Statistical Review" on pages 34 and 35 of the registrant's 1980 Annual Report to Stockholders, which is hereby incorporated herein by reference; said Annual Report to Stockholders is filed as an exhibit hereto.

Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations.

See the information under the heading "Management Analysis of Operating Results and Financial Condition" on page 36 of the registrant's 1980 Annual Report to Stockholders, which is hereby incorporated herein by reference; said Annual Report to Stockholders is filed as an exhibit hereto.

Item 8. Financial Statements and Supplementary Data.

See the information under the heading "Financial Statements" on pages 17 through 33 of the registrant's 1980 Annual Report to Stockholders, which is hereby incorporated herein by reference; said Annual Report to Stockholders is filed as an exhibit hereto.

PART III

Item 9. Directors and Executive Officers of the Registrant.

See the information under the heading "Election of Directors" of the registrant's definitive proxy material for its annual meeting of stockholders to be held on May 21, 1981, which is hereby incorporated herein by reference.

Item 10. Management Remuneration and Transactions.

See the information under the heading "Election of Directors" of the registrant's definitive proxy material for its annual meeting of stockholders to be held on May 21, 1981, which is hereby incorporated herein by reference.

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PART IV

Item 11. Exhibits, Financial Statements, Schedules and Reports on Form 8-K.

(a) 1. and 2. - The response to this portion of Item 11 is submitted as a separate section of this report. See pages F-1 et. seq.

3. Listing of Exhibits.

		<u>Incorporated Documents</u>		<u>Filed herewith at</u>
		<u>Exhibit</u>	<u>SEC Docket</u>	<u>Page</u>
A. <u>Articles of incorporation and bylaws</u>				
Incorporated herein by reference:				
A-1	Article of Incorporation, as amended	2.2	2-68184	
A-2	Bylaws, as amended	2.3	2-68184	
B. <u>Instruments defining the rights of security holders</u>				
Incorporated herein by reference:				
B-1	First and General Mortgage between the Company and Old Colony Trust Company, as trustee, as amended by Supplemental Indentures to and including September 15, 1942.	7.1	2-7589	
B-2	Supplemental Indenture dated as of November 1, 1951, relating to the Series T Bonds.	7.10	2-9257	
B-3	Supplemental Indenture dated as of March 1, 1953, relating to the Series U Bonds.	4.15	2-10051	

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		Incorporated Documents	SEC Docket	Filed herewith at Page
B-4	Supplemental Indenture dated as of April 1, 1955, relating to the Series V Bonds.	4.15	2-11908	
B-5	Supplemental Indenture dated as of May 1, 1957, relating to the Series W Bonds.	4.16	2-17196	
B-6	Supplemental Indenture dated as of November 1, 1960, relating to the Series X Bonds.	4.17	2-17196	
B-7	Supplemental Indenture dated as of May 1, 1969, relating to the Series Y Bonds.	2.17	2-32333	
B-8	Supplemental Indenture dated as of August 1, 1970, relating to the Series Z Bonds.	2.18	2-37987	
B-9	Supplemental Indenture dated as of July 1, 1972, relating to the Series AA Bonds.	2.19	244611	
B-10	Supplemental Indenture dated as of August 15, 1975, relating to the Series BB Bonds.	2.18	2-54240	
B-11	Supplemental Indenture to the First and General Mortgage dated as of April 15, 1976, relating to the closing of such Mortgage.	2.17	2-58251	

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		Incorporated Documents	Filed herewith
		SEC Exhibit	at Page
B-12	General and Refunding Mortgage between the Company and The First National Bank of Boston, as Trustee, dated as of April 15, 1976, relating to the Series A Bonds.	2.18	2-58251
B-13	First Supplemental Indenture as of March 15, 1977 to General and Refunding Mortgage.	2.19	2-60786
B-14	Supplemental Indenture to the General and Refunding Mortgage Indenture dated as of October 1, 1978 relating to the Series B Bonds.	A	Annual Report 1-6554 for 1978
B-15	Supplemental Indenture to the General and Refunding Mortgage Indenture dated as of October 18, 1979 relating to the Series C Bonds.	A	Report on Form 10-Q 1-5139 for September 30, 1979
C. <u>Material Contracts</u>			
Filed herewith:			
C-1	Amendment to Exhibit C-53 dated December 11, 1980.		
Incorporated herein by reference:			
C-2	Agreement dated April 1, 1968 between the Company and Northeast Utilities Service Company relating to services in connection with the New England Power Pool and NEPEX.	4.27	2-30554

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		Incorporated Documents	SEC Docket	Filed herewith at Page
C-3	Form of New England Power Agreement dated as of September 1, 1971 as amended to November 1, 1975.	4.8	2-55385	
C-4	Agreement setting out Supplemental NEPOOL Understandings as of April 2, 1973.	5.10	5-50198	
C-5	Sponsor Agreement among the Company and the other sponsors of Vermont Yankee Nuclear Power Corporation, dated as of August 1, 1968.	4.27	2-32333	
C-6	Power Contract between the Company and Vermont Yankee Nuclear Power Corporation, dated as of February 1, 1968.	4.28	2-32333	
C-7	Amendment to Exhibit C-6 dated as of June 1, 1972.	13-21	2-46612	
C-8	Capital Funds Agreement between the Company and Vermont Yankee Nuclear Power Corporation, dated as of February 1, 1968.	4.29	2-32333	
C-9	Amendment to Exhibit C-8 dated as of March 12, 1968.	B-3	70-4611	
C-10	Stockholder Agreement among the Company and the other stockholders of Maine Yankee Atomic Power Company, dated as of May 20, 1968.	4.30	2-32333	

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		Incorporated Documents	Filed herewith at Page
		Exhibit	SEC Docket
C-11	Power Contract between the Company and Maine Yankee Atomic Power Company, dated as of May 20, 1968.	4.31	2-32333
C-12	Capital Funds Agreement between the Company and Maine Yankee Atomic Power Company, dated as of May 20, 1968.	4.32	2-32333
C-13	Agreement dated October 13, 1972 for Joint Ownership, Construction and Operation of Pilgrim Unit No. 2 among Boston Edison Company and other utilities including the Company.	5.3(d)	2-45990
C-14	Amendments to Exhibit C-13 dated September 20, 1973 and September 15, 1974.	5.14	2-51999
C-15	Amendment to Exhibit C-13 dated December 1, 1974.	13-45	2-54449
C-16	Amendment to Exhibit C-13 dated February 15, 1975.	13-52A	2-53819
C-17	Amendment to Exhibit C-13 dated April 30, 1975.	13.52B	2-53819
C-18	Amendment to Exhibit C-13 dated as of June 30, 1975.	13-45(a)	2-54449
C-19	Amendment to Exhibit C-13 dated as of November 30, 1975.	5.9(f)	2-55748

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		<u>Incorporated Documents</u>	<u>Filed herewith at Page</u>
		<u>Exhibit</u>	<u>SEC Docket</u>
C-20	Addendum dated as of October 1, 1974 to Exhibit C-13 by which Green Mountain Power Corporation became a party thereto.	5.41	2-52177
C-21	Addendum dated as of January 17, 1975 to Exhibit C-13 by which the Burlington Electric Department became a party thereto.	5.45	2-55450
C-22	Addendum dated as of October 1, 1976 by which MMWEC became a party thereto.	10.1	Annual Report 1-2301-2 for 1976
C-23	Agreement for Sharing Costs Associated with Pilgrim Unit No. 2 Transmission dated October 13, 1972 among Boston Edison Company and other utilities including the Company.	5-3(e)	2-45990
C-24	Addendum dated as of October 1, 1974 to Exhibit C-23 by which Green Mountain Power Corporation became a party thereto.	5.41	2-52177
C-25	Addendum dated as of January 17, 1975 to Exhibit C-23 by which Burlington Electric Department became a party thereto.	5.46	2-55458

Central Maine Power Company
Form 10-K - 1980

Central Maine Power Company

	<u>Incorporated Documents</u>	<u>Filed herewith at Page</u>
	<u>Exhibit</u>	<u>SEC Docket</u>
C-26 Agreement dated as of May 1, 1973 for Joint Ownership, Construction and Operation of New Hampshire Nuclear Units among Public Service Company of New Hampshire and other utilities including the Company.	13-57	2-48966
C-27 Amendments to Exhibit C-26 dated May 24, 1974, June 21, 1974 and September 25, 1974.	5.15	2-51999
C-28 Amendments to Exhibit C-26 dated as of October 25, 1974 and January 31, 1975.	5.1-12	2-53674
C-29 Sixth Amendment to Exhibit C-26 dated as of April 18, 1979.	5.4.3	2-64294
C-30 Seventh Amendment to Exhibit C-26 dated as of April 18, 1979.	5.4.4	2-64294
C-31 Eighth Amendment to Exhibit C-26 dated as of April 25, 1979.	5.4.5	2-64815
C-32 Ninth Amendment to Exhibit C-26 dated as of June 8, 1979.	5.4.6	2-64815
C-33 Tenth Amendment to Exhibit C-26 dated as of October 10, 1979.	5.4.2	2-66334
C-34 Eleventh Amendment to Exhibit C-26 dated as of December 15, 1979.	5.4.8	2-66492

Central Maine Power Company
Form 10-K - 1980

Central Maine Power Company

	<u>Incorporated Documents</u>	<u>Filed herewith at Page</u>
	<u>Exhibit</u>	<u>SEC Docket</u>
C-35 Twelfth Amendment to Exhibit C-26 dated as of June 16, 1980.	5.4.9	2-68168
C-36 Thirteenth Amendment to Exhibit C-26 dated as of December 31, 1980.	10.6.10	2-70579
C-37 Transmission Support Agreement dated as of May 1, 1973 among Public Service Company of New Hampshire and other utilities including the Company with respect to New Hampshire Nuclear Units.	13-58	2-48966
C-38 Agreements relating to purchase and transmission power from New Brunswick Electric Power Commission, as follows:		
C-39 Participation Agreement, dated June 20, 1969 between Maine Electric Power Company, Inc. registrant and other utilities.	4.23.1	2-35073
C-40 Power Purchase and Transmission Agreement between Maine Electric Power Company, Inc., registrant and other utilities, dated August 1, 1969.	4.23.2	2-35073
C-41 Agreement amending Exhibit C-40 dated June 24, 1970.	4.41	2-37987
C-42 Agreement supplementing Exhibit C-40 dated December 1, 1971.	5.7.4	2-51545

Central Maine Power Company
Form 10-K - 1980

Central Maine Power Company

	<u>Incorporated Documents</u>	<u>SEC Docket</u>	<u>Filed herewith at Page</u>
C-43 Assignment Agreement dated March 20, 1972, between Maine Electric Power Company, Inc., and The New Brunswick Electric Power Commission.	5.7.5	2-51545	
C-44 Capital Funds Agreement dated as of September 1, 1964 between Connecticut Yankee Atomic Power Company, the registrant and others.	4.19.1	2-24123	
C-45 Power Contract dated as of July 1, 1964 between Connecticut Yankee Atomic Power Company, the registrant and others.	4.19.2	2-24123	
C-46 Stockholder Agreement dated as of July 1, 1964 among the Stockholders of Connecticut Yankee Atomic Power Company, including the registrant.	4.19.3	2-24123	
C-47 Connecticut Yankee Transmission Agreement dated as of October 1, 1964 among Stockholders of Connecticut Yankee Atomic Power Company, including the registrant.	4.19.4	2-24123	
C-48 Agreements with Yankee Atomic Electric Company (Yankee), dated June 30, 1959, as follows:			
Stockholder Agreement.	4.17.1	2-15553	
Power Contract.	4.17.2	2-15553	
Research Agreement.	4.17.3	2-15553	

Central Maine Power Company
Form 10-K - 1980

Central Maine Power Company

	<u>Incorporated</u> <u>Documents</u>	<u>Filed</u> <u>herewith</u>
	<u>SEC</u> <u>Exhibit Docket</u>	<u>at</u> <u>Page</u>
C-49 Transmission Agreement with Cambridge Electric Light Company and other sponsoring stockholders of Yankee.	4.18 2-15553	
C-50 Agreement for Joint Ownership, Construction and Operation of William F. Wyman Unit No. 4 between Central Maine Power Company, and other utilities dated November 1, 1974.	5.16 2-52900	
C-51 Amendment to Exhibit C-50 dated as of June 30, 1975.	5.48 2-55458	
C-52 Amendment to Exhibit C-50 dated as of August 16, 1976.	5.19 2-58251	
C-53 Unit Participation Agreement relating to purchase and transmission of power from New Brunswick Electric Power Commission dated November 15, 1971.	13-43.1 2-44377	
C-54 Preliminary Agreement dated as of July 5, 1974 among The Connecticut Light and Power Company and other utilities including the registrant, with respect to two nuclear generating units to be constructed in Montague, Massachusetts.	13-65 2-44377	
C-55 Amendment to Exhibit C-54 dated June 30, 1975.	13-58(a) 2-54449	

Central Maine Power Company
Form 10-K - 1980

Central Maine Power Company

	<u>Incorporated Documents</u>	<u>Filed herewith at Page</u>
	<u>Exhibit</u>	<u>SEC Docket</u>
C-56 Transmission Agreement dated November 1, 1974 among Central Maine Power Company, and other utilities including the Company with respect to William F. Wyman Unit No. 4.	13-57	2-54449
C-57 Shaving Agreement--1979 Connecticut Nuclear Unit dated September 1, 1973 to which the Company is a party.	2.43	2-50142
C-58 Amendment to Exhibit C-57 dated as of August 1, 1974.	5.16	251999
C-59 Agreement dated as of February 25, 1977 among the registrant, the Connecticut Light and Power Company; the Hartford Electric Light Company and Western Massachusetts Electric Company relating to Millstone Unit No. 3.	5.24	2-58251
C-60 Trust Indenture dated as of June 1, 1977 between the Town of Yarmouth and Casco Bank & Trust Company, as trustee, relating to the Town of Yarmouth's 6 3/4% Pollution Control Revenue Bonds (Central Maine Power Company, 1977 Series A).	5.27	2-60786
C-61 Installment Sale Agreement dated as of June 1, 1977 between the Town of Yarmouth and the Company.	5.28	2-60786

Central Maine Power Company
Form 10-K - 1980

Central Maine Power Company

	<u>Incorporated</u> <u>Documents</u>	<u>Filed</u> <u>herewith</u>
	<u>SEC</u> <u>Exhibit Docket</u>	<u>at</u> <u>Page</u>
C-62 Joint Ownership Agreement dated as of December 22, 1977 among the Company, Massachusetts Municipal Wholesale Electric Company and Green Mountain Power Corporation relating to Sears Island Coal Unit.	5.29 2-60786	
C-63 Transmission Support Agreement dated as of December 22, 1977 among the Company, Massachusetts Municipal Wholesale Electric Company and Green Mountain Power Corporation relating to Sears Island Coal Unit.	5.30 2-60786	
C-64 Agreement to Transfer Ownership Share dated as of April 30, 1979 between The United Illuminating Company and Central Maine Power Company.	5.31 2-60786	
C-65 Amendment to Exhibit C-51 dated as of December 31, 1978.	5.31 2-68184	
C-66 Uranium Concentrates Sales Agreement dated as of November 6, 1978 between International Minerals & Chemical Corporation and Maine Yankee Atomic Power Company, as amended.	5.33 2-68184	
C-67 Revolving Credit and Term Loan Agreement dated as of April 29, 1980.	5.34 2-68184	

Central Maine Power Company
Form 10-K - 1980

Central Maine Power Company

		<u>Incorporated</u> <u>Documents</u>		<u>Filed</u> <u>herewith</u> <u>at</u> <u>Page</u>
		<u>Exhibit</u>	<u>SEC</u> <u>Docket</u>	
C-68	Labor Agreements dated as of May 1, 1980 between the Company and Local No. 1837 of the International Brotherhood of Electric Workers.	5.35	2-68184	
C-69	Agreements for the assignment of a portion of the Company's rights to receive uranium enriching services from the Department of Energy.	5.36	2-68184	
	a) Assignment to Gulf States Utilities Company dated as of June 20, 1980.			
	b) Assignment to Maine Yankee Atomic Power Company dated as of June 24, 1980.			
	c) Assignment to Texas Utilities Generating Company dated as of June 18, 1980.			
	d) Assignment to The Tokyo Electric Power Company, Inc. dated as of June 13, 1980.			
	e) Assignment to The Japan Atomic Power Company dated as of June 24, 1980.			
C-70	Settlement Agreement between the Company and its wholesale electric customers, effective March 1, 1980.	5.37	2-68184	
D.	Statement re Computation of <u>per share earnings</u>			
	Not Applicable			

Central Maine Power Company
Form 10-K - 1980

Central Maine Power Company

Incorporated Documents	SEC Docket	Filed herewith at Page
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E. Statements re computation of ratios

Not Applicable

F. Annual Report to Security Holders

Filed herewith:

F-1 1980 Annual Report to Stockholders

G. Letter re change in accounting principles

Not Applicable

H. Previously unfiled documents

Not Applicable

I. Subsidiaries of the registrant

Filed herewith:

I-1 List of subsidiaries of registrant.

(b) A report on Form 8-K was filed on November 4, 1980. The items reported on in said Form 8-K were under Item 5 of said Form and related to a rate decision issued by the Maine Public Utilities Commission on October 31, 1980 and recent developments with respect to the Seabrook project.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Augusta, and State of Maine on the 19th day of March, 1981.

CENTRAL MAINE POWER COMPANY

Thomas C. Webb

By

THOMAS C. WEBB, Senior Vice President, Finance

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>Elwin W. Thurlow</u> ELWIN W. THURLOW (Principal Executive Officer)	President of the Company and Chief Executive Officer; Director	March 19, 1981
<u>Thomas C. Webb</u> THOMAS C. WEBB (Principal Financial and Accounting Officer)	Senior Vice President, Finance	March 19, 1981
<u>Charles E. Monty</u> CHARLES E. MONTY	Senior Vice President, Engineering and Production; Director	March 19, 1981
<u>E. Clifford Ladd</u> E. CLIFFORD LADD	Chairman of the Board of Directors	March 19, 1981
<u>Robert F. Scott</u> ROBERT F. SCOTT	Senior Vice President, Customer Services; Director	March 19, 1981
<u>Priscilla A. Clark</u> PRISCILLA A. CLARK	Director	March 19, 1981
<u>Galen L. Cole</u> GALEN L. COLE	Director	March 19, 1981
<u>E. James Dufour</u> E. JAMES DUFOUR	Director	March 19, 1981

<u>George H. Ellis</u> GEORGE H. ELLIS	Director	March 19, 1981
<u>Leon A. Gorman</u> LEON A. GORMAN	Director	March 19, 1981
<u>Roland L. Marcotte</u> ROLAND L. MARCOTTE	Director	March 19, 1981
<u>Carlton D. Reed, Jr.</u> CARLTON D. REED, JR.	Director	March 19, 1981
<u>John J. Russell</u> JOHN J. RUSSELL	Director	March 19, 1981
<u>Halsey Smith</u> HALSEY SMITH	Director	March 19, 1981
<u>James H. Titcomb</u> JAMES H. TITCOMB	Director	March 19, 1981

ANNUAL REPORT ON FORM 10-K

ITEM 11(a)(1) and (2) and ITEM 11(d)

LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

FINANCIAL STATEMENT SCHEDULES

YEAR ENDED DECEMBER 31, 1980

CENTRAL MAINE POWER COMPANY

FORM 10-K - ITEM 11(a)(1) and (2)

CENTRAL MAINE POWER COMPANY

LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

I. The following financial statements of Central Maine Power Company, included in the annual report of the registrant to its shareholders for the year ended December 31, 1980, are incorporated by reference in Item 8.

	<u>Annual Report</u>
Report of independent public accountants	Page 33
Balance Sheet as of December 31, 1980 and 1979	Pages 18, 19
Statement of Earnings for the three years ended December 31, 1980	Page 20
Statement of capitalization and interim financing as of December 31, 1980 and 1979	Page 21
Statement of changes in Common Stock investment for the three years ended December 31, 1980	Page 22
Statement of sources of funds for construction for the three years ended December 31, 1980	Page 23
Notes to financial statements	Pages 24-33

II. The following report and consent relating to the financial statements of Central Maine Power Company are filed herewith and included in Item 11(a)(1):

	<u>Page</u>
Report of independent public accountants as to financial statement schedules	F-4
Consent of independent public accountants	F-5

III. The following financial statements of significant subsidiaries of the registrant are filed herewith and included in Item 11(a)(1):

MAINE ELECTRIC POWER COMPANY, INC.

Report of Independent Public Accountants	F-6
Statement of Income for the three years ended December 31, 1980	F-7
Balance Sheet at December 31, 1980 and 1979	F-8
Statement of Changes in Common Stock Investment for the three years ended December 31, 1980	F-9

Statement of Changes in Financial Position
for the three years ended December 31, 1980 F-10

Notes to Financial Statements F-11

MAINE YANKEE ATOMIC POWER COMPANY

Report of Independent Public Accountants F-15

Statement of Income for the three years ended
December 31, 1980 F-16

Balance Sheet at December 31, 1980 and 1979 F-17

Statement of Capitalization at December 31,
1980 and 1979 F-19

Statement of Changes in Common Stock Investment
for the three years ended December 31, 1980 F-20

Statement of Sources of Funds for Acquisition
of Nuclear Fuel and Construction of Electric
Property for the three years ended December 31,
1980 F-21

Notes to Financial Statements F-22

IV. The following financial statement schedules of Central Maine
Power Company and its significant subsidiaries are filed herewith
and included in Item 11(a)(2):

Schedule III - Investments in, Equity in Earnings
of, and Dividends from Associated Companies F- 37

Schedule V - Property, Plant and Equipment F- 40

Schedule VI - Reserves for Depreciation of Property,
Plant and Equipment F- 43

Schedule VIII - Reserves Exclusive of Reserves for
Depreciation F- 46

SIGNIFICANT SUBSIDIARIES

MAINE ELECTRIC POWER COMPANY, INC.

Schedule V - Electric Property for the three years
ended December 31, 1980 F- 49

Schedule VI - Accumulated Provisions for Depreciation
of Electric Property for the three years ended
December 31, 1980

F-50

MAINE YANKEE ATOMIC POWER COMPANY

Schedule V - Electric Property and Nuclear Fuel

F-51

Schedule VI - Accumulated Provision for Depreciation
and Amortization of Electric Plant and Nuclear
Fuel

F-54

Schedule IX - Short-Term Borrowings

F-55

All other schedules are omitted as the required information is
inapplicable or the information is presented in the financial state-
ments or related notes.

Central Maine Power Company

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULES

TO CENTRAL MAINE POWER COMPANY:

In connection with our examinations of the financial statements included in Central Maine Power Company's annual report to stockholders and incorporated by reference in this Form 10-K, we have also examined the supporting schedules listed in the accompanying index. In our opinion, these schedules present fairly, when read in conjunction with the related financial statements, the financial data required to be set forth therein, in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.

Boston, Massachusetts,
February 6, 1981.

Central Maine Power Company
Form 10-K - 1980

Central Maine Power Company

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports appearing in the annual report on Form 10-K for the year ended December 31, 1980, of Central Maine Power Company in its Registration Statement on Form S-16 (File No. 2-66624).

ARTHUR ANDERSEN & CO.

Boston, Massachusetts,
March 23, 1981.

To the Board of Directors of
Maine Electric Power Company, Inc.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

We have examined the balance sheet of Maine Electric Power Company, Inc. (a Maine corporation) as of December 31, 1980 and 1979, and the related statements of income, changes in common stock investment and changes in financial position for the three years ended December 31, 1980, and the supporting schedules as listed on the accompanying index. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Maine Electric Power Company, Inc., as of December 31, 1980 and 1979, and the results of its operations and the changes in its financial position for the three years ended December 31, 1980, and the supporting schedules present fairly the information required to be set forth therein, all in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.

Boston, Massachusetts,
February 6, 1981.

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Maine Electric Power Company, Inc.

STATEMENT OF INCOME

For the Three Years Ended December 31, 1980
(Dollars in Thousands Except per Share Amounts)

	Year Ended December 31,		
	1980	1979	1978
ELECTRIC OPERATING REVENUES	\$111,604	\$98,122	\$59,860
OPERATING EXPENSES			
Purchased Power (Note 1)	108,756	95,368	57,181
Operation	303	206	182
Maintenance (Note 1)	136	153	44
Depreciation (Note 1)	735	735	736
Taxes			
Federal and State Income			
(Note 2)	152	162	197
Local Property and Other	716	217	229
Total Operating Expenses	<u>110,298</u>	<u>96,841</u>	<u>58,569</u>
OPERATING INCOME	1,306	1,281	1,291
OTHER INCOME AND DEDUCTIONS, NET	<u>110</u>	<u>112</u>	<u>74</u>
INCOME BEFORE INTEREST CHARGES	<u>1,416</u>	<u>1,393</u>	<u>1,365</u>
INTEREST CHARGES			
Long-Term Debt (Note 3)	993	1,056	1,127
Other	277	182	74
Total Interest Charges	<u>1,270</u>	<u>1,238</u>	<u>1,201</u>
NET INCOME	<u>\$ 146</u>	<u>\$ 155</u>	<u>\$ 164</u>
Weighted Average Number of Shares of Common Stock Outstanding	<u>12,161</u>	<u>12,923</u>	<u>13,677</u>
EARNINGS PER SHARE OF COMMON STOCK	<u>\$ 12.00</u>	<u>\$ 12.00</u>	<u>\$ 12.00</u>
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	<u>\$ 12.00</u>	<u>\$ 12.00</u>	<u>\$ 12.00</u>

The accompanying notes are an integral part of these financial statements.
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Central Maine Power Company
Form 10-K-1980

Maine Electric Power Company, Inc.

BALANCE SHEET
(Dollars in Thousands)

ASSETS

	December 31,	
	<u>1980</u>	<u>1979</u>
ELECTRIC PROPERTY, at Original Cost (Notes 1 and 3) (Sch. V)	\$18,588	\$18,617
Less: Accumulated Depreciation (Note 1) (Sch. VI)	<u>7,207</u>	<u>6,482</u>
	<u>11,381</u>	<u>12,135</u>
CURRENT ASSETS		
Cash (Note 4)	828	129
Temporary Investments, at Cost which approximates market value	-	275
Accounts Receivable		
Associated Companies	1,579	1,165
Other	17,054	8,852
Other Current Assets	<u>156</u>	<u>154</u>
Total Current Assets	<u>19,617</u>	<u>10,575</u>
DEFERRED CHARGES	<u>102</u>	<u>94</u>
	<u>\$31,100</u>	<u>\$22,804</u>

STOCKHOLDERS' INVESTMENT AND LIABILITIES

CAPITALIZATION

Common Stock Investment		
Common Stock, \$100 Par Value, Authorized 20,000 Shares, Outstanding 11,733 in 1980 and 12,467 in 1979	\$ 1,173	\$ 1,247
Retained Earnings	-	-
Total Common Stock Investment	<u>1,173</u>	<u>1,247</u>
Series A 9½% First Mortgage Bonds due in Annual Installments through August 1, 1996-Less Sinking Fund Requirements (Note 3)	<u>9,900</u>	<u>10,560</u>
Total Capitalization	<u>11,073</u>	<u>11,807</u>

CURRENT LIABILITIES

Current Sinking Fund Requirements (Note 3)	584	660
Notes Payable - Banks (Note 3)	1,515	-
Accounts Payable		
Associated Companies	36	90
Other	10	468
Dividends Payable	35	37
Accrued Purchased Power	15,350	7,547
Accrued Interest and Taxes	427	466
Other	74	-
Total Current Liabilities	<u>18,031</u>	<u>9,268</u>

DEFERRED CREDITS

Accumulated Deferred Income Taxes (Note 2)	1,818	1,696
Unamortized Investment Tax Credits (Note 2)	9	10
Unamortized Gain on Reacquired Debt (Note 1)	169	23
Total Deferred Credits	<u>1,996</u>	<u>1,729</u>
	<u>\$31,100</u>	<u>\$22,804</u>

The accompanying notes are an integral part of these financial statements.

Maine Electric Power Company, Inc.

STATEMENT OF CHANGES IN COMMON STOCK INVESTMENT
For the Three Years Ended December 31, 1980
(Dollars in Thousands)

	<u>Shares</u>	<u>Amount at Par Value</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance December 31, 1977	13,984	\$1,398	\$	\$1,398
Add (Deduct)				
Net Income			164	164
Dividends Declared			(164)	(164)
Redemption of Stock	<u>(736)</u>	<u>(73)</u>	<u>—</u>	<u>(73)</u>
Balance December 31, 1978	13,248	1,325		1,325
Add (Deduct)				
Net Income			155	155
Dividends Declared			(155)	(155)
Redemption of Stock	<u>(781)</u>	<u>(78)</u>	<u>—</u>	<u>(78)</u>
Balance December 31, 1979	<u>12,467</u>	<u>1,247</u>	<u>—</u>	<u>1,247</u>
Add (Deduct)				
Net Income			146	146
Dividends Declared			(146)	(146)
Redemption of Stock	<u>(734)</u>	<u>(74)</u>	<u>—</u>	<u>(74)</u>
Balance December 31, 1980	<u>11,733</u>	<u>\$1,173</u>	<u>\$</u>	<u>\$1,173</u>

The accompanying notes are an integral part of these financial statements. _____

Maine Electric Power Company, Inc.

STATEMENT OF CHANGES IN FINANCIAL POSITION
For the Three Years Ended December 31, 1980
(Dollars in Thousands)

	<u>Year Ended December 31,</u>		
	<u>1980</u>	<u>1979</u>	<u>1978</u>
Funds Provided			
From Operations			
Net Income	\$ 146	\$ 155	\$ 164
Depreciation	735	735	736
Deferred Income Taxes and			
Investment Tax Credit, Net	<u>121</u>	<u>140</u>	<u>186</u>
	<u>1,002</u>	<u>1,030</u>	<u>1,086</u>
Funds Used			
Sinking Fund Requirements of			
Long-Term Debt	736	660	660
Dividends on Common Stock	146	155	164
Redemption of Common Stock	74	78	73
Other	<u>(157)</u>	<u>(23)</u>	<u>(5)</u>
	<u>799</u>	<u>870</u>	<u>892</u>
Increase in Working Capital,			
exclusive of sinking fund			
requirements	\$ <u>203</u>	\$ <u>160</u>	\$ <u>194</u>
Increase in Working Capital,			
exclusive of sinking fund			
requirements-			
Cash, Receivables and			
Temporary Investments	\$ 9,040	\$ 2,730	\$ (421)
Other Current Assets	2	7	4
Notes Payable	(1,515)	-	-
Other Current Liabilities	<u>(7,324)</u>	<u>(2,577)</u>	<u>611</u>
	\$ <u>203</u>	\$ <u>160</u>	\$ <u>194</u>

The accompanying notes are an integral part of these financial statements.

Maine Electric Power Company, Inc.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company: The Company owns and operates a 345,000 volt transmission interconnection, completed in 1971, extending from Wiscasset, Maine to the Canadian border at Orient, Maine, where it connects with a line of The New Brunswick Electric Power Commission (New Brunswick) under a 25-year Interconnection Agreement. Under a Participation Agreement which terminates in 1996, all costs of the Company (including a return on invested capital), to the extent not met by transmission revenues, are paid by the participating utilities (Participants), which include most of the larger companies in New England and a group of publicly-owned systems. Under a Power Purchase Agreement, New Brunswick provided to the Participants over the interconnection up to 400,000 kilowatts of base load power in 1980.

Under an Amendment Agreement, effective January 1, 1981, New Brunswick will provide 133,000 kilowatts through October 31, 1985.

The following is a list of those companies that purchase power from the Company and their respective entitlements:

<u>Participant</u>	<u>Percent of Entitlement</u>	
	<u>1980 (400MW)</u>	<u>1981 (133MW)</u>
Bangor Hydro-Electric Company	2.395%	1.9962%
Boston Edison Company	16.250	13.5429
Boylston Municipal Light Department	.030	.0248
Central Maine Power Company	10.274	5.8443
Danvers Municipal Light Department	.371	1.1158
Eastern Maine Electric Co-operative, Inc.	2.583	7.7684
Fitchburg Gas and Electric Company	.770	2.3158
Maine Public Service Company	.844	6.2977
Marblehead Municipal Light Department	.170	.1413
Middleborough Municipal Light Department	.769	1.1098
Middleton Municipal Light Department	.056	.2820
Montaup Electric Company	5.792	4.6714
New England Power Company	22.500	13.3158
Newport Electric Corporation	2.260	1.8823
Peabody Municipal Light Department	.546	.4549
Public Service Company of New Hampshire	26.250	20.8354
Shrewsbury Municipal Light Department	.275	.8271
Union River Co-op	.005	.0045
Vermont Electric Power Company, Inc.	7.509	16.5135
Wakefield Municipal Light Department	.268	.8060
West Boylston Municipal Lighting Department	.083	.2496
Total	<u>100.000%</u>	<u>100.0000%</u>

Maine Electric Power Company, Inc.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company: (continued)

The following Maine electric utilities own all of the Company's Common Stock:

<u>Sponsor</u>	<u>Ownership Interest</u>
Central Maine Power Company	78.15%
Bangor Hydro-Electric Company	14.19
Maine Public Service Company	7.49
Woodland Water and Electric Company	.17
Total	<u>100.00%</u>

Regulation: The Company is subject to the regulatory authority of the Federal Energy Regulatory Commission and the Public Utilities Commission of the State of Maine as to operations, accounting and other matters.

Depreciation and Maintenance: Depreciation is provided using the composite and straight-line methods at rates designed to fully depreciate all properties over the period ending July 1, 1996.

Under the composite depreciation method, at the time depreciable properties are retired, the original cost, plus cost of removal, less salvage, of such property is charged to accumulated depreciation.

Unamortized Gains and Losses: Gains and losses on bonds reacquired to satisfy sinking fund requirements are deferred and amortized over the remaining original term of the Series A Bonds.

2. INCOME TAX EXPENSE

The components of Federal and State income taxes reflected in the statement of income are as follows:

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Maine Electric Power Company, Inc.

NOTES TO FINANCIAL STATEMENTS

2. INCOME TAX EXPENSE (continued)

	Year Ended December 31,		
	1980	1979	1978
	(Dollars in Thousands)		
Federal:			
Current	\$ 30	\$ 21	\$ 10
Deferred	105	121	162
Investment Tax Credit, Net	(1)	-	(1)
	<u>134</u>	<u>142</u>	<u>171</u>
State:			
Current	1	1	1
Deferred	17	19	25
	<u>18</u>	<u>20</u>	<u>26</u>
Total Income Taxes	<u>\$152</u>	<u>\$162</u>	<u>\$197</u>

The Company provides deferred Federal and state income taxes for the tax effects of timing differences between pre-tax accounting income and income subject to tax. The deferred provision represents principally the tax effects arising from the use of accelerated depreciation for income tax purposes which currently exceeds the amounts provided in the income statements. Investment tax credits are deferred and amortized over the lives of the related properties.

The table below reconciles a provision calculated by multiplying income before Federal taxes by the statutory Federal income tax rate to the provision for Federal income taxes:

	1980		1979		1978	
	Amount	%	Amount	%	Amount	%
	(Dollars in Thousands)					
Federal income tax provision at statutory rate	\$129	46.0%	\$137	46.0%	\$161	48.0%
Difference in tax expense:						
Depreciation and amortization for accounting purposes not allowed for tax purposes	22	8.0	22	7.6	22	6.7
Surtax exemption	(19)	(6.8)	(19)	(6.4)	(13)	(3.9)
Other	2	.7	2	.6	1	.3
Federal income tax provision	<u>\$134</u>	<u>47.9%</u>	<u>\$142</u>	<u>47.8%</u>	<u>\$171</u>	<u>51.1%</u>

Maine Electric Power Company, Inc.

NOTES TO FINANCIAL STATEMENTS

3. FIRST MORTGAGE BONDS

Under the terms of the indenture securing the First Mortgage Bonds substantially all electric property of the Company is subject to a first mortgage lien.

The annual sinking fund requirement for First Mortgage Bonds is \$660,000.

4. COMPENSATING BALANCES

The Company had lines of credit at year-end 1980 totaling \$10,400,000. With respect to \$1,400,000, the average compensating balance is 15% of outstanding borrowings. The average compensating balance requirement for \$2,500,000 is 10% of the line or 20% of outstanding borrowings, whichever is greater. With respect to \$1,500,000 the compensating balance requirement is 2% of the line plus 13% of outstanding borrowings. With respect to \$3,000,000 there is no compensating balance requirement but there is an annual fee of 5/8 of 1% of the line with interest at 110% of prime. The remaining \$2,000,000 has no compensating balance requirement but has an annual fee of 3/8 of 1% of the line on the unused portion.

Certain information related to these lines is as follows:

	<u>1980</u>	<u>1979</u>	<u>1978</u>
	(Dollars in Thousands)		
Total lines of credit at end of periods	\$10,400	\$8,400	\$8,400
Borrowings outstanding at end of the periods	1,515	-	-
Average daily outstanding borrowings for the twelve months ended	1,574	1,179	765
Average annual interest rate for the twelve months ended	16.18%	13.65%	9.02%
Highest level of borrowing at any time during the twelve months periods	\$10,250	\$8,150	\$5,300

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Maine Yankee Atomic Power Company:

We have examined the balance sheet and statement of capitalization of Maine Yankee Atomic Power Company (a Maine corporation) as of December 31, 1980 and 1979, and the related statements of income, changes in common stock investment and sources of funds for acquisition of nuclear fuel and construction of electric property for the three years ended December 31, 1980, and the supporting schedules as listed on the accompanying index. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Maine Yankee Atomic Power Company as of December 31, 1980 and 1979, and the results of its operations and its sources of funds for acquisition of nuclear fuel and construction of electric property for the three years ended December 31, 1980, and the supporting schedules present fairly the information required to be set forth therein, all in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.

Boston, Massachusetts,

February 6, 1981.

Maine Yankee Atomic Power Company

STATEMENT OF INCOME
(Dollars in Thousands Except Per Share Amounts)

	Year Ended December 31,		
	1980	1979	1978
ELECTRIC OPERATING REVENUES	<u>\$84,245</u>	<u>\$68,867</u>	<u>\$70,373</u>
OPERATING EXPENSES			
Fuel (Notes 1 and 10)	24,024	15,319	17,411
Operation	18,370	14,193	10,684
Maintenance (Note 1)	4,392	2,544	4,496
Depreciation and Amortization (Notes 1 and 10)	8,319	8,279	8,173
Taxes			
Federal and State Income (Note 2)	7,305	7,864	8,703
Local Property	<u>3,801</u>	<u>3,750</u>	<u>4,094</u>
Total Operating Expenses	<u>66,211</u>	<u>51,949</u>	<u>53,561</u>
OPERATING INCOME	18,034	16,918	16,812
OTHER INCOME (EXPENSES)			
Allowance for Other Funds Used:			
During Construction (Note 1)	253	76	50
For Nuclear Fuel (Note 1)	1,118	1,547	1,341
Other	<u>(145)</u>	<u>(113)</u>	<u>(6)</u>
INCOME BEFORE INTEREST CHARGES	<u>19,260</u>	<u>18,428</u>	<u>18,197</u>
INTEREST CHARGES			
Long-Term Debt (Notes 4 and 5)	14,171	13,307	11,534
Other	1,480	205	49
Allowance for Borrowed Funds Used:			
During Construction (Note 1)	(409)	(133)	(90)
For Nuclear Fuel (Note 1)	<u>(3,490)</u>	<u>(2,602)</u>	<u>(1,023)</u>
Total Interest Charges	<u>11,752</u>	<u>10,777</u>	<u>10,470</u>
NET INCOME	7,508	7,651	7,727
Dividends on Preferred Stock	<u>934</u>	<u>1,001</u>	<u>1,025</u>
EARNINGS APPLICABLE TO COMMON STOCK	<u>\$ 6,574</u>	<u>\$ 6,650</u>	<u>\$ 6,702</u>
SHARES OF COMMON STOCK OUTSTANDING	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
EARNINGS PER SHARE OF COMMON STOCK	<u>\$13.15</u>	<u>\$13.30</u>	<u>\$13.40</u>
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	<u>\$13.19</u>	<u>\$13.25</u>	<u>\$13.40</u>

The accompanying notes are an integral part of these financial statements.

Central Maine Power Company
Form 10-K-1980

Maine Yankee Atomic Power Company

BALANCE SHEET
(Dollars in Thousands)

ASSETS

	December 31,	
	<u>1980</u>	<u>1979</u>
ELECTRIC PROPERTY, at Original Cost (Notes 4 and 10) (Sch. V)	\$246,921	\$240,061
Less: Accumulated Depreciation and Amortization (Note 1) (Sch. VI)	61,803	54,105
	<u>185,118</u>	<u>185,956</u>
Construction Work in Progress	9,124	8,951
Net Electric Property	<u>194,242</u>	<u>194,907</u>
NUCLEAR FUEL, at Original Cost (Notes 1 and 10) (Sch. V)		
Nuclear Fuel in Reactor	74,346	52,564
Nuclear Fuel-Spent	51,814	42,557
Nuclear Fuel-Stock	4,895	35,679
	<u>131,055</u>	<u>130,800</u>
Less: Accumulated Amortization (Note 1) (Sch. VI)		
Original Cost	91,023	76,443
Permanent Disposal, Net	24,845	15,401
	<u>15,187</u>	<u>38,956</u>
Nuclear Fuel in Process	70,240	40,394
Net Nuclear Fuel	<u>85,427</u>	<u>79,350</u>
Net Electric Property and Nuclear Fuel	<u>279,669</u>	<u>274,257</u>
CURRENT ASSETS		
Cash (Note 3)	62	139
Accounts Receivable	9,544	6,474
Materials and Supplies, at Average Cost	3,746	3,503
Prepayments	<u>1,042</u>	<u>949</u>
Total Current Assets	<u>14,394</u>	<u>11,065</u>
DEFERRED CHARGES AND OTHER ASSETS	<u>3,001</u>	<u>1,783</u>
	<u>\$297,064</u>	<u>\$287,105</u>

The accompanying notes are an integral part of these financial statements.

Maine Yankee Atomic Power Company

BALANCE SHEET
(Dollars in Thousands)

STOCKHOLDERS' INVESTMENT AND LIABILITIES

	December 31,	
	<u>1980</u>	<u>1979</u>
CAPITALIZATION (See Separate Statement)		
Common Stock Investment	\$ 67,052	\$ 66,857
Redeemable Preferred Stock	11,980	13,070
Long-Term Debt	101,598	105,923
Total Capitalization	<u>180,630</u>	<u>185,850</u>
NOTES PAYABLE TO MYA FUEL COMPANY (Note 5)	<u>33,225</u>	<u>33,450</u>
CURRENT LIABILITIES		
Notes Payable to Banks (Note 3) (Sch. IX)	16,000	3,925
Current Sinking Fund Requirements (Note 4)	1,084	1,822
Accounts Payable	2,600	3,412
Bank Checks Outstanding	671	-
Dividends Payable	2,000	1,919
Accrued Interest and Taxes	2,877	2,739
Other Current Liabilities	53	47
Total Current Liabilities	<u>25,285</u>	<u>13,864</u>
COMMITMENTS AND CONTINGENCIES (Note 8)		
DEFERRED CREDITS		
Accumulated Deferred Income Taxes (Note 2)	47,004	45,224
Unamortized Investment Tax Credits (Note 2)	8,166	7,346
Unamortized Gains on Reacquired Debt (Note 1)	2,754	1,371
Total Deferred Credits	<u>57,924</u>	<u>53,941</u>
	<u>\$297,064</u>	<u>\$287,105</u>

The accompanying notes are an integral part of these financial statements.

Central Maine Power Company
Form 10-K-1980

Maine Yankee Atomic Power Company

STATEMENT OF CAPITALIZATION
(Dollars in Thousands)

	<u>December 31.</u>	
	<u>1980</u>	<u>1979</u>
COMMON STOCK INVESTMENT		
Common Stock, \$100 Par Value, Authorized and Outstanding 500,000 Shares	\$ 50,000	\$ 50,000
Other Paid-in Capital	16,805	16,805
Capital Stock Expense	(255)	(281)
Gain on Cancellation of Preferred Stock	316	110
Premiums on Preferred Stock	180	196
Retained Earnings	6	27
	<u>67,052</u>	<u>66,857</u>
REDEEMABLE PREFERRED STOCK - 7.48% Series, \$100 Par Value, Authorized 170,000 Shares, Outstanding 119,805 at December 31, 1980 and 130,700 at December 31, 1979 (Note 19)	<u>11,980</u>	<u>13,070</u>
LONG-TERM DEBT (Note 17)		
First and General Mortgage Bonds		
Series A - 9.10 % due May 1, 2002	55,050	58,161
Series B - 8 1/2% due May 1, 2002	37,034	38,911
Series C - 7 5/8% due May 1, 2002	10,752	10,842
Less: Current Sinking Fund Requirements	(1,084)	(1,822)
Unamortized Debt Discount, Net of Premium	(154)	(169)
	<u>101,598</u>	<u>105,923</u>
Total Capitalization	<u>\$180,630</u>	<u>\$185,850</u>

The accompanying notes are an integral part of these financial statements.

Maine Yankee Atomic Power Company

STATEMENT OF CHANGES IN COMMON STOCK INVESTMENT
For the Three Years Ended December 31, 1980
(Dollars in Thousands)

	<u>Shares</u>	<u>Amount at Par Value</u>	<u>Other, Net</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance December 31, 1977	500,000	\$50,000	\$16,769	\$ -	\$66,769
Add (Deduct)					
Net Income	-	-	-	7,727	7,727
Cash Dividends Declared on -					
Common Stock	-	-	-	(6,700)	(6,700)
Preferred Stock	-	-	-	(1,025)	(1,025)
Capital Stock Expense	-	-	13	-	13
Balance December 31, 1978	500,000	50,000	16,782	2	66,784
Add (Deduct)					
Net Income	-	-	-	7,651	7,651
Cash Dividends Declared on -					
Common Stock	-	-	-	(6,625)	(6,625)
Preferred Stock	-	-	-	(1,001)	(1,001)
Redemption of Preferred Stock	-	-	35	-	35
Capital Stock Expense	-	-	13	-	13
Balance December 31, 1979	500,000	50,000	16,830	27	66,857
Add (Deduct)					
Net Income	-	-	-	7,508	7,508
Cash Dividends Declared on -					
Common Stock	-	-	-	(6,595)	(6,595)
Preferred Stock	-	-	-	(934)	(934)
Redemption of Preferred Stock	-	-	206	-	206
Capital Stock Expense	-	-	10	-	10
Balance December 31, 1980	<u>500,000</u>	<u>\$50,000</u>	<u>\$17,046</u>	<u>\$ 6</u>	<u>\$67,052</u>

The accompanying notes are an integral part of these financial statements.

Central Maine Power Company
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Maine Yankee Atomic Power Company

STATEMENT OF SOURCES OF FUNDS FOR ACQUISITION
OF NUCLEAR FUEL AND CONSTRUCTION OF ELECTRIC PROPERTY
(Dollars in Thousands)

	Year Ended December 31,		
	<u>1980</u>	<u>1979</u>	<u>1978</u>
FUNDS PROVIDED			
Internal Sources			
From Operations			
Net Income	\$ 7,508	\$ 7,651	\$ 7,727
Amortization of Nuclear Fuel	24,024	15,319	17,411
Depreciation and Amortization	8,319	8,279	8,173
Deferred Income Tax and Investment			
Tax Credits, Net	2,600	6,918	7,583
Allowance for Other Funds Used for			
Nuclear Fuel and During Construction	(1,371)	(1,623)	(1,391)
	<u>41,080</u>	<u>36,544</u>	<u>39,503</u>
Less:			
Sinking Fund Requirements:			
Long-Term Debt	5,078	4,850	5,555
Preferred Stock	1,090	626	-
Dividends on Preferred Stock	934	1,001	1,025
Dividends on Common Stock	6,595	6,625	6,700
Other, Net	(567)	505	46
	<u>27,950</u>	<u>22,937</u>	<u>26,177</u>
(Increase) Decrease in Working Capital,			
Exclusive of Notes Payable to Banks			
and Sinking Fund Requirements			
Cash and Receivables	(2,993)	425	(616)
Other Current Assets	(336)	(466)	(66)
Other Current Liabilities	84	(533)	(7,776)
	<u>(3,245)</u>	<u>(574)</u>	<u>(8,458)</u>
Net Available from Internal Sources	<u>24,705</u>	<u>22,563</u>	<u>17,719</u>
External Sources			
Increase (Decrease) in Notes			
Payable:			
MYA Fuel Company	(225)	15,800	8,750
Banks	12,075	3,925	-
Net Available from External Sources	<u>11,850</u>	<u>19,725</u>	<u>8,750</u>
	<u>\$36,555</u>	<u>\$42,088</u>	<u>\$26,469</u>
FUNDS USED FOR ACQUISITION OF NUCLEAR FUEL			
AND CONSTRUCTION OF ELECTRIC PROPERTY			
Acquisition of Nuclear Fuel	\$30,101	\$35,244	\$25,732
Allowance for Other Funds Used for			
Nuclear Fuel	(1,118)	(1,547)	(1,341)
Construction of Electric Property	7,825	8,467	2,128
Allowance for Other Funds Used			
During Construction	(253)	(76)	(50)
	<u>\$36,555</u>	<u>\$42,088</u>	<u>\$26,469</u>

The accompanying notes are an integral part of these financial statements.

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company: The Company owns and operates a pressurized-water nuclear-powered electric generating plant with a current net capacity of approximately 830 megawatts. The plant commenced commercial operation on January 1, 1973. The following New England electric utilities own all of the Company's common stock:

<u>Sponsor/Participant</u>	<u>Ownership Interest</u>
Central Maine Power Company	38%
New England Power Company	20
The Connecticut Light and Power Company	
Bangor Hydro-Electric Company	7
Maine Public Service Company	5
Public Service Company of New Hampshire	5
Cambridge Electric Light Company	4
Montaup Electric Company	4
The Hartford Electric Light Company	4
Western Massachusetts Electric Company	3
Central Vermont Public Service Corporation	2
	<u>100%</u>

For a period of thirty years, commencing on January 1, 1973, in accordance with the Power Contracts and, subject to certain limitations, each participant shall receive its entitlement percentage of plant output and is obligated to pay its entitlement percentage of the Company's total costs, including a return on invested capital regardless of the level of operation of the plant.

Regulation: The Company is subject to the regulatory authority of the Federal Energy Regulatory Commission (FERC), the Nuclear Regulatory Commission (NRC) and the Public Utilities Commission of the State of Maine (PUC) as to accounting, operations and other matters.

Depreciation: Depreciation is provided using a composite remaining life method designed to fully depreciate electric plant over the period ending May 1, 2002. Under the

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation: (continued)

composite method, at the time depreciable property is retired, the original cost, plus cost of removal, less salvage, of such property is charged to accumulated depreciation.

Decommissioning: The NRC currently recognizes three decommissioning methods - complete dismantling and removal, in-place encapsulation or "entombment" and mothballing - or a combination of these methods. [(USAEC Regulatory Guide 1.86, Termination of Operating Licenses for Nuclear Reactor (1974).] Although the Company presently does not provide for nuclear plant decommissioning costs, it is considering immediate dismantling as the most desirable and probably the only acceptable method of decommissioning its nuclear reactor. Based on a study performed by Stone and Webster Engineering Corporation and Nuclear Energy Services, Incorporated, the estimated cost of decommissioning utilizing this methodology is \$57,600,000 in 1980 dollars. Accordingly, the Company proposes to bill out through May 1, 2002, under the terms and conditions of its Power Contract and pending FERC approval, an amount equal to the current estimate of the cost of decommissioning. The Company fully recognizes the relative uncertainty of the future cost of decommissioning, the changing technology of decommissioning or new requirements of the law and, therefore, recognizes the need to constantly monitor and adjust, if necessary, the amount of collection.

Deferred Charges: The Company has adopted the policy of deferring and amortizing over a five year period the costs of unusual and irregularly recurring studies and inspections. This is in response to recent events and orders requiring the Company to undertake significant analyses of specified operating design procedures and equipment.

Amortization of Nuclear Fuel: The cost of nuclear fuel in the reactor, plus the estimated cost of disposal of that nuclear fuel, is amortized to Fuel Expense based on the

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortization of Nuclear Fuel: (continued)

ratio of energy produced during the period to the estimated total core capability with a corresponding credit to Accumulated Amortization.

During 1978 and 1979 the Company provided for permanent storage of nuclear fuel in reactor using an estimated cost of permanent storage which was based on a study by the NRC. Specifically the disposal estimate provided was at a rate of \$100/kilogram of uranium (KGU) originally contained in the assemblies in 1977 dollars escalated at 8% per year to the time of discharge from the reactor.

Beginning in March 1980 the Company's cost estimate for permanent disposal of Nuclear Fuel in Reactor was increased to \$130/KGU originally contained in the assemblies, expressed in 1978 dollars, escalated at 8% per year to the time of permanent disposal (currently estimated to be 1988). This estimate of the cost of permanent disposal (\$130/KGU) is based on a report issued by the Department of Energy. This report estimated the cost of permanent storage to be \$117/KGU originally contained in the assemblies (in 1978 dollars). This estimate did not include the cost of transportation to the disposal center, which has been estimated by the Company to be \$13/KGU.

The disposal cost for Nuclear Fuel in Reactor is being recovered from participants, based on generation, over the period that the fuel is consumed. Through 1988 the Company is also adjusting the disposal reserve collected for Spent Fuel to reflect the current disposal cost estimate. This adjustment which amounts to approximately \$40,000,000 is being recovered based on estimated electric kilowatt hour generation from March 1980 through 1988.

The estimate of cost of disposal of nuclear fuel is subject to a number of uncertainties including the timing of available storage capacity, the extent of future inflation, regulatory requirements and the cost of future services, all of which may require periodic revisions in future nuclear fuel amortization rates. However, the Company believes that its estimate is reasonable.

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Funds Used During Construction (AFC) and Allowance for Funds Used for Nuclear Fuel (AFN): The Company records the net cost of borrowed funds and a reasonable return on other funds used to finance construction and nuclear fuel acquisition programs. The amount of the allowance recorded is determined by multiplying the average monthly dollar balance of Construction Work in Progress (CWIP) and Nuclear Fuel in Process (NFIP) by rates related to the cost of the capital used to finance the respective additions. The following table contains the weighted average rates used for the most recent three annual periods:

	<u>AFC</u> <u>on CWIP</u>	<u>AFN</u> <u>on NFIP</u>
1980	7.26%	8.90%
1979	7.40	7.68
1978	7.60	7.00

Unamortized Gain or Loss on Reacquired Debt: Gains and losses on bonds reacquired to satisfy sinking fund requirements of First Mortgage Bonds have been deferred and are being amortized to income over the remaining original terms of the applicable series as prescribed by the Uniform System of Accounts of the FERC.

2. INCOME TAX EXPENSE

The components of Federal and state income taxes reflected in the statements of income are as follows:

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

2. INCOME TAX EXPENSE (continued)

	Year Ended December 31,		
	1980	1979	1978
	(Dollars in Thousands)		
Federal			
Current	\$ 3,242	\$ 602	\$ 625
Deferred	(2,545)	5,264	4,845
Investment Tax Credits, Net	<u>5,468</u>	<u>812</u>	<u>1,986</u>
	<u>6,165</u>	<u>6,678</u>	<u>7,456</u>
State			
Current	1,463	344	495
Deferred	<u>(323)</u>	<u>842</u>	<u>752</u>
	<u>1,140</u>	<u>1,186</u>	<u>1,247</u>
Total Federal and State income taxes	<u>\$ 7,305</u>	<u>\$7,864</u>	<u>\$8,703</u>

The Company provides deferred taxes for the tax effects of timing differences, primarily accelerated depreciation and certain expenditures related to nuclear fuel, between pre-tax accounting income and taxable income. Prior to 1975 the Company did not provide fully for the tax effects of timing differences and began in 1976 to provide additional deferred taxes to recognize the tax effects of these prior timing differences through 1980.

Investment tax credits are deferred and amortized over the life of the assets giving rise to such credits. At December 31, 1979 the Company had available a carryover of unused investment tax credits of approximately \$5,800,000 to be applied to reduce Federal income taxes.

The Company had provided for, and deducted for tax purposes, certain costs associated with nuclear fuel reprocessing and permanent storage. In the recent examination of the Company's Federal income tax returns for years 1973 through 1977, the Internal Revenue Service examining agent disallowed the current deduction of these costs. The Internal Revenue Services position was sustained at the Appellate level which resulted in the Company fully utilizing the \$5,800,000 of investment tax credit available as of December 31, 1979 and paying

Central Maine Power Company
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Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

2. INCOME TAX EXPENSE (continued)

additional Federal and State income tax assessments cumulative through 1979 of \$2,728,530 exclusive of interest. These assessments had no effect on total income tax expense because the Company had provided income taxes for the effects of all timing differences.

The following table reconciles the statutory income tax rate to the rate determined by dividing the total Federal income tax expense by income before that expense.

	Dollars in Thousands					
	1980		1979		1978	
	Amount	%	Amount	%	Amount	%
Statutory Federal income tax rate	\$6,290	46.0	\$6,591	46.0	\$7,288	48.0
(Increase) Reductions in taxes resulting from:						
Deferred taxes not provided on certain timing differences	418	3.1	411	2.9	429	2.8
Amortization of investment tax credits	(890)	(6.5)	(678)	(4.7)	(573)	(3.8)
Other	347	2.5	354	2.4	312	2.1
Calculated rate	<u>\$6,165</u>	<u>45.1%</u>	<u>\$6,578</u>	<u>46.6%</u>	<u>\$7,456</u>	<u>49.1%</u>

3. NOTES PAYABLE TO BANKS

The Company had bank lines of credit totaling \$29,000,000 as of December 31, 1980, of which \$28,000,000 requires an annual fee of 1/2 to 5/8 of 1% of the line. There are no compensating balance requirements for these lines. The remaining \$1,000,000 dollar line requires a compensating balance of 10% of the line or 20% of relating borrowings, whichever is greater.

The Company had lines of credit at December 31, 1979 totaling \$14,000,000. With respect to \$13,000,000 of the line, there was a required annual fee of 5/8 of 1%. There are no compensating balance requirements for these lines.

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

3. NOTES PAYABLE TO BANKS (continued)

The compensating balance requirement for the remaining \$1,000,000 dollar line was 10% of the line or 20% of outstanding borrowings, whichever was greater.

4. FIRST MORTGAGE BONDS

The annual sinking fund requirements of the First Mortgage Bonds currently outstanding amount to \$4,775,000 for each of the years 1981 through 1985. Bonds repurchased amounted to \$3,739,000 at December 31, 1980 and \$3,436,000 at December 31, 1979.

Under the terms of the Indenture securing the First Mortgage Bonds, substantially all electric plant of the Company is subject to a first mortgage lien.

5. MYA FUEL COMPANY

On August 26, 1976, the Company entered into a Loan Agreement covering the issuance of up to \$35,000,000 principal amount of promissory notes to MYA Fuel Company, a subsidiary of BSC Holdings, Inc. BSC is owned by a partnership composed of partners of Goldman, Sachs & Co. Certain information related to this loan arrangement is as follows for the years ended December 31:

	1980	1979
	(Dollars in Thousands)	
Promissory notes outstanding	\$33,225	\$33,450
Average daily outstanding borrowings	\$32,901	\$28,252
Highest level of borrowings	\$33,500	\$34,250
Annual interest rate at end of periods	20.58%	14.18%
Effective average annual interest rate	15.42%	13.33%

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

5. MYA FUEL COMPANY (continued)

The Loan Agreement provides that, in the absence of an Event of Default (as defined) or occurrence of a Terminating Event (as defined) the arrangement will extend to May 1, 2002, unless terminated by either party upon proper notice. The Company must provide 90 days written notice while MYA Fuel Company must give at least three years written notice. In order for the arrangement to extend beyond August 26, 1981, the PUC must extend its present approval of the arrangement.

6. REDEEMABLE PREFERRED STOCK

The Company may redeem, in whole or in part, any of the 7.48% Series Preferred Stock upon not less than thirty or more than fifty days' notice at \$107.11 per share on or before December 31, 1982, and at amounts decreasing to \$100.00 thereafter; in each case plus accrued dividends.

The Company must redeem and cancel 6,000 shares annually, at par, and at the election of the Company an additional 6,000 shares may be redeemed and cancelled, at par, on each redemption date. The optional provision is not cumulative.

Preferred Stock repurchased and not cancelled amounted to 12,195 shares at December 31, 1980, 7,300 shares at December 31, 1979 and 7,040 shares at December 31, 1978.

7. PENSION PLANS

The Company has two noncontributory pension plans which cover substantially all full-time employees. The Company's policy is to fund pension costs accrued on an annual basis, including amounts sufficient to amortize unfunded prior service costs over 30 years. The plans expenses approximated \$183,000 for 1980, \$182,000 for 1979 and \$130,000 for 1978.

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

7. PENSION PLANS (continued)

	<u>January 1</u>	
	<u>1980</u>	<u>1979</u>
Actuarial present value of accumulated plan benefits:		
Vested	\$173,000	\$124,000
Nonvested	<u>166,000</u>	<u>118,000</u>
	<u>\$339,000</u>	<u>\$242,000</u>
Net assets available for benefits	<u>\$913,000</u>	<u>\$656,000</u>

The assumed weighted average rate of return used in determining the actuarial present value of accumulated plan benefits was 6.25%.

8. COMMITMENTS AND CONTINGENCIES

Nuclear Fuel: The Company anticipates nuclear fuel expenditures of \$30,079,000 for 1981 (exclusive of AFN) and \$113,362,000 for the period 1982 through 1985 (exclusive of AFN).

The Company has contracted for the purchase of all of its uranium concentrate requirements through 1986. The Company has conversion contracts through 1983 and is presently negotiating for conversion services which are expected to meet requirements through 1995. Uranium enrichment services are covered through 2002 under a contract with the Department of Energy. Nuclear fuel fabrication service requirements are covered through 1983 and a contract is presently being negotiated which is expected to meet services through 1988. The Company is expanding its on-site spent fuel storage facility to provide capacity to store such fuel through 1984 while maintaining a full core discharge capability. In addition, in September 1979 the Company filed with the NRC a proposed change in its operating license relating to increasing its existing spent fuel storage capacity by providing more compact fuel

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

8. COMMITMENTS AND CONTINGENCIES (continued)

storage. An intervenor has requested a hearing and the Company cannot predict the scope of that proceeding, its duration or its outcome. If the proposed change is not approved, the Company will have to develop alternative plans which would involve further approval by the NRC.

Construction: The Company anticipates construction expenditures to amount to \$15,400,000 for 1981 including \$4,200,000 towards the installation of a steam turbine driven feedpump and \$3,200,000 for computer equipment.

Price-Anderson: The Price-Anderson Act requires each reactor licensee to carry \$160 million of primary public liability insurance, supplemented by a mandatory industry-wide program of self insurance. Under the program, in the event of a nuclear incident at any operating reactor in the United States, each licensee could be assessed up to \$5 million with a limit of two assessments per reactor owned per calendar year in the event of more than one incident.

Three Mile Island: The events during the spring of 1979 at the Three Mile Island Nuclear Unit No. 2 in Pennsylvania ("TMI") caused widespread concern about the safety of nuclear generating plants and prompted a rigorous reexamination of safety-related equipment and operating procedures in all nuclear facilities by their owners and the NRC. The commission formed by President Carter to investigate the causes of the TMI incident issued its report in 1979, recommending a number of changes in NRC organization and practices, licensing of nuclear plants, plant operating practices, operator training and other safety-related matters and in 1980, a NRC-commissioned report containing similar recommendations was released. As a result, the NPC has promulgated numerous requirements, including both near-term modifications and longer-term design changes. The Company has made the modifications required to date by the NRC, but cannot predict what further modifications will be required, their cost, or their effect on the operation of the Maine Yankee plant.

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Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

9. UNAUDITED QUARTERLY FINANCIAL DATA

Unaudited quarterly financial data pertaining to the results of operations are shown below.

	<u>1980 Quarter Ended</u>			
	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>
	(Dollars in Thousands, Except Per Share Amounts)			
Electric Operating Revenues	\$16,911	\$24,065	\$19,678	\$21,591
Operating Income	4,297	4,718	4,546	4,473
Net Income	1,921	1,837	1,836	1,914
Earnings Per Share of Common Stock	3.35	3.22	3.21	3.37

	<u>1979 Quarter Ended</u>			
	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>
	(Dollars in Thousands, Except Per Share Amounts)			
Electric Operating Revenues	\$16,592	\$15,324	\$17,686	\$19,265
Operating Income	4,334	4,234	4,145	4,205
Net Income	1,933	1,930	1,876	1,912
Earnings Per Share of Common Stock	3.35	3.35	3.26	3.34

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

10. SUPPLEMENTARY INFORMATION TO DISCLOSE THE EFFECTS OF CHANGING PRICES
(UNAUDITED)

The following supplementary information is supplied in accordance with the requirements of the Statement of Financial Accounting Standards No. 33 for the purpose of providing certain information about the effect of changing prices. It should be viewed as an estimate of the approximate effect of inflation, rather than as a precise measure.

Constant dollar-amounts represent historical costs stated in terms of dollars of equal purchasing power, as measured by the Consumer Price Index for All Urban Consumers (CPI-U). Current cost amounts reflect the changes in specific prices of plant from the date the plant was acquired to the present, and differ from constant dollar amounts to the extent that specific prices have increased more or less rapidly than the general rate of inflation. The current cost of nuclear generating plant is estimated based on an engineering study of the current cost (per kilowatt) of replacing the present generating plant. This study was updated in 1980 resulting in an increased cost (per kilowatt) from \$871 to \$1,276. This adjustment was reflected in January 1, 1980 beginning current cost values.

Nuclear fuel used in generation has been restated from historical cost using current market prices of uranium, conversion, enrichment and fabrication. Nuclear fuel expense was developed by dividing the estimated current cost of the in-reactor fuel by the expected generation of the core times the actual generation produced during the year 1980.

Depreciation expense for the current cost of productive capacity was developed by applying the depreciation rate to the current cost value adjusted by the ratio of average historical cost to year-end historical cost.

Since only historical costs are deductible for income tax purposes, the income tax expense in the historical cost financial statements is not adjusted.

Under the rate-making practices prescribed by the regulatory commissions to which the Company is subject, only the depreciation of historical cost of utility property is included in the cost of service used to establish the Company's rates. Therefore, the cost of

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

10. SUPPLEMENTARY INFORMATION TO DISCLOSE THE EFFECTS OF CHANGING PRICES
(UNAUDITED) (continued)

plant and nuclear fuel stated in terms of constant dollars or current cost that exceeds the historical cost of plant is not presently recoverable in rates, and is reflected as a reduction to net recoverable costs. While the rate-making process gives no recognition to the current cost of replacing property, plant and equipment, based on past practices the Company believes it will be allowed to earn on and recover the increased cost of its net investment when replacement of facilities actually occurs.

To properly reflect the economics of rate regulation in the Statement of Income from Operations Adjusted for Changing Prices, the reduction of utility plant and nuclear fuel to net recoverable cost should be offset by the gain from the decline in purchasing power of net amounts owed as shown below. During a period of inflation, holders of monetary assets suffer a loss of general purchasing power while holders of monetary liabilities experience a gain. The gain from the decline in purchasing power of net amounts owed is primarily attributable to the substantial amount of debt which has been used to finance property, plant, equipment and nuclear fuel. Since the depreciation on utility plant and amortization of nuclear fuel is limited to amounts based on historical costs, the Company does not have the opportunity to realize a holding gain on debt and is limited to recovery only of the embedded cost of debt capital.

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

10. SUPPLEMENTARY INFORMATION TO DISCLOSE THE EFFECTS OF CHANGING PRICES
(UNAUDITED) (continued)

Statement of Income and Operations Adjusted
for Changing Prices for the Year Ended
December 31, 1980 (Dollars in Thousands)

	Conventional Historical Cost	Constant Dollar Average 1980 Dollars	Current Dollar Average 1980 Dollars
Operating Revenues	\$84,245	\$84,245	\$ 84,245
Operation & Maintenance	22,762	22,762	22,762
Fuel Expense	24,024	28,351	33,117
Depreciation & Amortization	8,319	15,951	41,419
Taxes	11,106	11,106	11,106
Interest Charges	11,752	11,752	11,752
Other, Net	<u>(1,226)</u>	<u>(1,226)</u>	<u>(1,226)</u>
Income (Loss) from Operations (excluding reduction to net recoverable amount)	<u>\$ 7,508</u>	<u>\$(4,451)</u>	<u>\$(34,685)</u>
Increase in specific prices (current cost) of plant and Nuclear Fuel held dur- ing the year*			\$ 84,845
Reduction to net recov- erable amount		\$(20,757)	(24,229)
Effect of increase in general price level			<u>(51,139)</u>
Net			<u>9,477</u>
Gain from decline in pur- chasing power of net amounts owed		\$ 24,791	\$24,791
		<u>\$ 4,034</u>	<u>\$34,268</u>

Maine Yankee Atomic Power Company

NOTES TO FINANCIAL STATEMENTS

10. SUPPLEMENTARY INFORMATION TO DISCLOSE THE EFFECTS OF CHANGING PRICES
(UNAUDITED) (continued)

*At December 31, 1980 current cost of Plant and Nuclear Fuel, net of accumulated depreciation and amortization was \$1,031,135 while historical costs or net cost recoverable through rates was \$279,669.

Five Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices (Dollars in Thousands, Average 1980 Dollars)

	Years Ended December 31,				
	1980	1979	1978	1977	1976
Operating Revenues	\$ 84,245	\$78,180	\$88,385	\$89,232	\$85,200
Historical Cost Information					
Adjusted for General Inflation					
Loss from operations excluding reduction to net recoverable amount	\$ (4,451)	\$ (670)			
Loss from operations per common share (after preferred dividend requirement)	\$ (10.77)	\$ (3.61)			
Current Cost Information					
Loss from operations excluding reduction to net recoverable amount	\$ (34,685)	\$ (26,755)			
Loss from operations per common share (after preferred dividend requirement)	\$ (71.24)	\$ (55.79)			
Excess of increase in general price level over increase in specific prices after reduction to net recoverable amount	\$9,477	\$ (2,106)			
General Information					
Net assets at year end at recoverable amount	\$64,042	\$ 71,772			
Gain from decline in purchasing power of net amounts owed	\$24,791	\$ 28,002			
Cash dividends per common share	\$13.19	\$15.04	\$16.92	\$18.23	\$19.40
Average Consumer Price Index	246.3	217.4	195.4	181.5	170.5

Central Maine Power Company

Investments in, Equity in Earnings of, and Dividends Received from Associated Companies
for the Year Ended December 31, 1980
(Dollars in Thousands)

Col. A Name of Issuer and Description of Investment	Col. B Balance at Beginning of Period			Col. C Additions		Col. D Deductions		Col. E Balance at End of Period			Col. F Dividend Received During the Period Not Accounted For by the Equity Method
	Number of Shares	Percent of Ownership	Amount	Equity in Earnings	Other	Dividends Received	Other	Number of Shares	Percent of Ownership	Amount	
Subsidiaries Not Consolidated											
Yankee Atomic Electric Company:											
Common Stock	14,573	9.5%	\$ 1,457	\$	\$	\$	\$	14,573	9.5%	\$ 1,457	
Equity in earnings			505	164		178				491	
			<u>1,962</u>	<u>164</u>		<u>178</u>				<u>1,948</u>	None
Connecticut Yankee Atomic Power Company:											
Common Stock	21,000	6.0	2,100					21,000	6.0	2,100	
Capital Contribution			180							180	
Capital Contribution Agreement - Subordinated Loans					300					300	
Equity in earnings			762	197		168				791	
			<u>3,042</u>	<u>197</u>	<u>300</u>	<u>168</u>				<u>3,371</u>	None
Vermont Yankee Nuclear Power Corporation:											
Common Stock	16,001	4.0	1,600					16,001	4.0	1,600	
Return During Construction			507							507	
Equity in earnings			221	228		239				210	
			<u>2,328</u>	<u>228</u>		<u>239</u>				<u>2,317</u>	None
Maine Yankee Atomic Power Company:											
Common Stock	190,000	38.0	19,000					190,000	38.0	19,000	
Return During Construction			6,386							6,386	
Equity in earnings			10	2,498		2,506				2	
			<u>25,396</u>	<u>2,498</u>		<u>2,506</u>				<u>25,388</u>	None
Maine Electric Power Company, Inc.:											
Common Stock	9,743	78.2	974				58	9,169	78.1	916	
Equity in earnings				114		114				916	None
			<u>974</u>	<u>114</u>		<u>114</u>	58 (Note)			<u>916</u>	None
Cumberland Securities Corporation:											
Common Stock	110	100.0	11					110	100.0	11	
Open Account			1,777		1,257					3,034	
Equity in earnings			(5)	2						(3)	
			<u>1,783</u>	<u>2</u>	<u>1,257</u>					<u>3,042</u>	None
Central Securities Corporation:											
Common Stock	10	100.0	1					10	100.0	1	
Open Account			763		44					807	
Equity in earnings			306	35						341	
			<u>1,070</u>	<u>35</u>	<u>44</u>					<u>1,149</u>	None
The Union Water-Power Company:											
Common Stock	2,470	100.0	258					2,470	100.0	258	
Equity in earnings			(72)	53						(19)	
			<u>186</u>	<u>53</u>						<u>239</u>	None
			<u>\$36,741</u>	<u>\$3,291</u>	<u>\$1,601</u>	<u>\$3,205</u>	<u>\$ 58</u>			<u>\$38,370</u>	

Note: Redemption of Common Stock in cash at book cost.

Central Maine Power Company

Investments in, Equity in Earnings of, and Dividends Received from Associated Companies
for the Year Ended December 31, 1979
(Dollars in Thousands)

Col. A Name of Issuer and Description of Investment	Col. B			Col. C		Col. D		Col. E			Col. F
	Balance at	Beginning of Period		Additions		Deductions		Balance at End of Period			Dividend Received During the Period
	Number of Shares	Percent of Ownership	Amount	Equity in Earnings	Other	Dividends Received	Other	Number of Shares	Percent of Ownership	Amount	Not Accounted For by the Equity Method
Subsidiaries Not Consolidated											
Yankee Atomic Electric Company:											
Common Stock	14,573	9.5%	\$ 1,457	\$	\$	\$	\$	14,573	9.5%	\$ 1,457	
Equity in earnings			510	199		204				505	
			<u>1,967</u>	<u>199</u>		<u>204</u>				<u>1,962</u>	None
Connecticut Yankee Atomic Power Company:											
Common Stock	21,000	6.0	2,100					21,000	6.0	2,100	
Capital Contribution			180							180	
Equity in earnings			516	415		169				762	
			<u>2,796</u>	<u>415</u>		<u>169</u>				<u>3,042</u>	None
Vermont Yankee Nuclear Power Corporation:											
Common Stock	16,001	4.0	1,600					16,001	4.0	1,600	
Return During Construction			507							507	
Equity in earnings			225	237		241				221	
			<u>2,332</u>	<u>237</u>		<u>241</u>				<u>2,328</u>	None
Maine Yankee Atomic Power Company:											
Common Stock	190,009	38.0	19,000					190,000	38.0	19,000	
Return During Construction			6,386							6,386	
Equity in earnings				2,527		2,517				10	
			<u>25,386</u>	<u>2,527</u>		<u>2,517</u>				<u>25,396</u>	None
Maine Electric Power Company, Inc.:											
Common Stock	10,353	78.1	1,035				61	9,743	78.2	974	
Equity in earnings				121		121					
			<u>1,035</u>	<u>121</u>		<u>121</u>	61 (Note)			<u>974</u>	None
Cumberland Securities Corporation:											
Common Stock	110	100.0	11					110	100.0	11	
Open Account			1,817				40			1,777	
Equity in earnings			(22)	17						(5)	
			<u>1,806</u>	<u>17</u>			<u>40</u>			<u>1,783</u>	None
Central Securities Corporation:											
Common Stock	10	100.0	1					10	100.0	1	
Open Account			393		370					763	
Equity in earnings			274	32						306	
			<u>668</u>	<u>32</u>	<u>370</u>					<u>1,070</u>	None
The Union Water-Power Company:											
Common Stock	2,470	100.0	258					2,470	100.0	258	
Open Accounts											
Equity in earnings			(119)	47						(72)	
			<u>139</u>	<u>47</u>						<u>186</u>	None
			<u>\$36,129</u>	<u>\$3,595</u>	<u>\$370</u>	<u>\$3,252</u>	<u>\$101</u>			<u>\$36,741</u>	

Note: Redemption of Common Stock in cash at book cost.

Central Maine Power Company

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Schedule III

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Central Maine Power Company

Investments in, Equity in Earnings of, and Dividends Received from Associated Companies
for the Year Ended December 31, 1978
(Dollars in Thousands)

Col. A	Col. B		Col. C		Col. D		Col. E		Col. F
Name of Issuer and Description of Investment	Balance at Beginning of Period Number of Shares	Percent of Ownership	Additions		Deductions		Balance at End of Period Number Percent of Ownership	Amount	Dividend Received During the Period Not Accounted For by the Equity Method
			Equity in Earnings	Other	Dividends Received	Other			
Subsidiaries Not Consolidated									
Yankee Atomic Electric Company:									
Common Stock	14,573	9.5%	\$ 1,457	\$	\$	\$	14,573	9.5%	\$ 1,457
Equity in earnings			495		233				510
			1,952		233				1,967
Connecticut Yankee Atomic Power Company:									
Common Stock	21,000	6.0	2,100				21,000	6.0	2,100
Capital Contribution			180						180
Equity in earnings			529	154		167			516
			2,809	154		167			2,196
Vermont Yankee Nuclear Power Corporation:									
Common Stock	16,001	4.0	1,600				16,001	4.0	1,600
Return During Construction			507						507
Equity in earnings			270	235		280			225
			2,377	235		280			2,332
Maine Yankee Atomic Power Company:									
Common Stock	190,000	38.0	19,000				190,000	38.0	19,000
Return During Construction			6,386						6,386
Equity in earnings			25,386	2,546		2,546			25,386
				2,546					
Maine Electric Power Company, Inc.:									
Common Stock	10,926	78.1	1,092		128	57	10,353	78.1	1,035
Equity in earnings			1,092		128	57 (Water)			1,035
Cumberland Securities Corporation:									
Common Stock	110	100.0	11				110	100.0	11
Open Account			1,367	450					1,817
Equity in earnings			(14)	(8)					(22)
			1,364	(8)					1,806
Central Securities Corporation:									
Common Stock	10	100.0	1				10	100.0	1
Open Account			488			95			393
Equity in earnings			221	53					274
			710	53		95			668
The Union Water-Power Company:									
Common Stock	2,470	100.0	258				2,470	100.0	258
Open Accounts			20			20			(119)
Equity in earnings			(139)	20					139
			139	20					
			\$35,829	\$450	\$3,354	\$172			\$36,129

Note: Redemption of Common Stock in cash at book cost.

Central Maine Power Company
PROPERTY, PLANT AND EQUIPMENT
For the Year Ended December 31, 1980
(Dollars in Thousands)

Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sale (A)	Other Changes Miscellaneous Adjustments	Balance at End of Period
Electric Department					
Intangible Property	\$ 285	\$	\$	\$	\$ 285
Generating Plant - Steam	177,446	1,485	(21)	146	179,056
Generating Plant - Hydro	68,914	361	(8)	(29)	69,238
Generating Plant - Internal Combustion	4,246		(521)		3,725
Transmission	134,478	5,725	(1,149)		139,754
Distribution	245,386	19,759	(2,762)	9	262,392
Other Property and Equipment	30,546	4,497	(162)		34,881
Electric Plant Acquisition Adjustment	190				190
Unfinished Construction (B)	70,888	63,636			134,524
Total Electric Department	732,379	95,463	(3,523)	126	824,045
Miscellaneous Properties (C)	919	4	(8)	3	918
Total Property, Plant and Equipment	\$733,298	\$95,467	\$(-3,531)	\$129	\$824,963

Notes: (A) Includes Land Retirements of \$7.
(B) Refer to Note 3 of Notes to Financial Statements for discussion of status of several projects.
(C) Included in Deferred Charges and Other Assets on Balance Sheet.

Central Maine Power Company
PROPERTY, PLANT AND EQUIPMENT
For the Year Ended December 31, 1979
(Dollars in Thousands)

Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sale (A)	Other Changes Miscellaneous Adjustments	Balance at End of Period
Electric Department					
Intangible Property	\$ 285	\$	\$	\$	\$ 285
Generating Plant - Steam	172,235	8,379	(2,832)	(336)	177,446
Generating Plant - Hydro	68,716	370	(155)	(17)	68,914
Generating Plant - Internal Combustion	4,245	1			4,246
Transmission	129,775	5,132	(429)		134,478
Distribution	228,259	20,031	(2,905)	1	245,386
Other Property and Equipment	26,708	3,914	(74)	(2)	30,546
Electric Plant Acquisition Adjustment	190				190
Unfinished Construction (B)	46,161	22,727			70,888
Total Electric Department	678,574	60,554	(6,395)	(354)	732,379
Miscellaneous Properties (C)	857	68	(6)		919
Total Property, Plant and Equipment	\$679,431	\$60,622	\$ (6,401)	\$ (354)	\$733,298

Notes: (A) Includes Land Retirements of \$18.

(B) Refer to Note 3 of Notes to Financial Statements for discussion of the status of several major projects.

(C) Included in Deferred Charges and Other Assets on Balance Sheet.

Central Maine Power Company
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Schedule V
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Central Maine Power Company

PROPERTY, PLANT AND EQUIPMENT
For the Year Ended December 31, 1978
(Dollars in Thousands)

<u>Classification</u>	<u>Balance at Beginning of Period</u>	<u>Additions at Cost</u>	<u>Retirements or Sale (A)</u>	<u>Other Changes Miscellaneous Adjustments</u>	<u>Balance at End of Period</u>
Electric Department					
Intangible Property	\$ 285	\$	\$	\$	\$ 285
Generating Plant - Steam	67,686	104,563	(14)		172,235
Generating Plant - Hydro	68,395	377	(38)	(18)	68,716
Generating Plant - Internal Combustion	4,244	1			4,245
Transmission	111,365	18,680	(270)		129,775
Distribution	211,287	19,446	(2,468)	(6)	228,259
Other Property and Equipment	23,190	5,015	(1,497)		26,708
Electric Plant Acquisition Adjustment	197			(7)	190
Unfinished Construction (B)	<u>125,158</u>	<u>(76,997)</u>	—	—	<u>48,161</u>
Total Electric Department	611,807	71,085	(4,287)	(31)	678,574
Miscellaneous Properties (C)	<u>1,375</u>	—	<u>(464)</u>	<u>(57)</u>	<u>857</u>
Total Property, Plant and Equipment	<u>\$613,182</u>	<u>\$ 71,085</u>	<u>\$(4,748)</u>	<u>\$(88)</u>	<u>\$679,431</u>

Notes: (A) Includes Land Retirements of \$17.

(B) Refer to Note 3 of Notes to Financial Statements for discussion of the status of several major projects.

(C) Included in Deferred Charges and Other Assets on Balance Sheet.

Central Maine Power Company
Form 10-K - 1980
Schedule V
Page 3 of 3

Central Maine Power Company

RESERVES FOR DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
For the Year Ended December 31, 1980
(Dollars in Thousands)

	Balance Beginning of Period	Charged to Profit and Loss (A)	Additions to Reserves		Deductions from Reserves			Balance at Close of Period
			Description	Amount	Retirements, Renovals and Replacements	Description	Amount	
Electric	\$179,995	\$21,233	Salvage of Retired Materials and Equipment	\$1,810(C)	\$3,893(D)	Cost of Removing Retired Plant	\$1,914	\$
			Auto Depreciation/Amortization Charged to Clearing Accounts	1,008				
			HEPCo. Microwave Reserve Transferred to CMPCo.	10				
	179,995	21,233		2,828	3,893		1,914	198,249
Miscellaneous Properties	15							15
	\$180,010	\$21,233		\$2,828	\$3,893		\$1,914	\$198,264

Notes: (A) Refer to Note 1 of Notes to Financial Statements for depreciation policies.

(B) Retirements are made at cost.

(C) Includes \$2 adjustment of prior years salvage.

(D) Includes \$9 adjustment of prior years retirements.

Central Maine Power Company
RESERVES FOR DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
For the Year Ended December 31, 1979
(Dollars in Thousands)

	Balance Beginning of Period	Charged to Profit and Loss (A)	Additions to Reserves		Deductions from Reserves		Balance at Close of Period
			Description	Amount	Retirements, Renovals and Replacements	Other Description Amount	
Electric	\$165,404	\$20,142	Salvage of Retired Materials and Equipment	\$ 1,871 (C)	\$ 6,372	Cost of Removing Retired Plant 1,743	\$
			Auto Depreciation/Amortization Charged to Clearing Accounts	670		Gain on Sale of Property 5	
	165,404	20,142	Loss on Disposition of Property	28 2,569	6,372		179,995
Miscellaneous Properties							15
	\$165,419	\$20,142		\$2,569	\$6,372		\$180,010

Notes: (A) Refer to Note 1 of Notes to Financial Statements for depreciation policies.
(B) Retirements are made at cost.
(C) Includes \$94 adjustment of prior years salvage.

Central Maine Power Company

RESERVES FOR DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
For the Year Ended December 31, 1978
(Dollars in Thousands)

	Balance Beginning of Period	Charged to Profit and Loss (A)	Additions to Reserves		Deductions from Reserves		Balance at Close of Period
			Description	Amount	Retirements, (B) Renewals and Replacements	Other Description Amount	
Electric	\$152,112	\$15,944	Salvage of Retired Materials and Equipment	\$ 2,227	\$ 4,269	Cost of Removing Retired Plant 1,205	\$
						Electric Plant Acquisition Adjustment 7	
			Auto Depreciation/Amortization Charged to Clearing Accounts	287		Transferred to Operating Property 6	
			Loss on Disposition of Property	5			
			Transferred from Miscellaneous Property	316 2,835	4,269		1,216 165,404
Miscellaneous Properties	393	16	Sale of Property	388	461	Transferred to General Property	316
						Cost of Removing Property	5
					461		321 15
	\$152,505	\$15,960		\$3,223	\$4,730		\$1,539 \$165,419

Notes: (A) Refer to Note 1 of Notes to Financial Statements for depreciation policies.

(B) Retirements are made at cost.

Central Maine Power Company

Form 10-K - 1980

Schedule VIII

Page 1 of 3

Central Maine Power Company

RESERVES

EXCLUSIVE OF RESERVES FOR DEPRECIATION
For the Year Ended December 31, 1980
(Dollars in Thousands)

	Balance at Beginning of Period	Charged to Income	Charged to Other Accounts	Deductions From Reserves	Balance at Close of Period
Reserve for casualty and insurance	\$1,000	\$ 457	\$130	\$ 587	\$1,000
Reserve for uncollectible accounts	371	1,437	-	1,233	575

Central Maine Power Company

RESERVES
EXCLUSIVE OF RESERVES FOR DEPRECIATION
For the Year Ended December 31, 1979
(Dollars in Thousands)

<u>Description</u>	<u>Balance at</u> <u>Beginning</u> <u>of Period</u>	<u>Charged</u> <u>to</u> <u>Income</u>	<u>Charged</u> <u>to Other</u> <u>Accounts</u>	<u>Deductions</u> <u>From</u> <u>Reserves</u>	<u>Balance</u> <u>at Close</u> <u>of Period</u>
Reserve for casualty and insurance	\$1,000	\$380	\$105	\$485	\$1,000
Reserve for uncollectible accounts	380	923	-	932	371

Page 3 of 3

(Dollars in Thousands)

Note: As required by Order 5 of the FERC, the Equity Reserve provided for certain licensed hydro projects has been reclassified from Other Reserves and Deferred Credits to Retained Earnings.

Central Maine Power, Company
Form 10-K-1980

Schedule V

Maine Electric Power Company, Inc.

ELECTRIC PROPERTY
(Dollars in Thousands)

<u>Classification</u>	<u>Balance at December 31,</u>		
	<u>1980</u>	<u>1979</u>	<u>1978</u>
<u>Intangible plant</u>			
Organization	\$ 4	\$ 4	\$ 4
Franchises and consents	4	4	4
Miscellaneous intangible plant	25	25	25
Total intangible plant	<u>33</u>	<u>33</u>	<u>33</u>
<u>Transmission plant</u>			
Land and land rights	914	914	914
Structures and improvements	180	180	180
Section equipment	3,040	3,040	3,040
Towers and fixtures	615	615	615
Poles and fixtures	9,029	9,029	9,029
Overhead conductors and devices	4,563	4,563	4,563
Total transmission plant	<u>18,341</u>	<u>18,341</u>	<u>18,341</u>
<u>General plant</u>			
Land and land rights	4	4	4
Structures and improvements	9	9	9
Tools, shop and garage equipment	14	14	14
Communication equipment	187	216	216
Total general plant	<u>214</u>	<u>243</u>	<u>243</u>
Total electric property	<u>\$18,588</u>	<u>\$18,617</u>	<u>\$18,617</u>

Schedule VI

Maine Electric Power Company Inc.

Accumulated Provision for Depreciation and Amortization
of Electric Property For the Years Ended
December 31, 1980, 1979 and 1978
(Dollars in Thousands)

	<u>Balance at Beginning of Period</u>	<u>Additions Charged to Profit and Loss*</u>	<u>Retire- ments</u>	<u>Other Changes</u>	<u>Balance at End of Period</u>
<u>1978</u>					
Electric property	\$5,011	\$736	\$ -	\$ -	\$5,747
<u>1979</u>					
Electric property	\$5,747	\$735	\$ -	\$ -	\$6,482
<u>1980</u>					
Electric property	\$6,482	\$735	\$29	\$19	\$7,207

*See Note 1 of "Notes to Financial Statements" for the Company's depreciation policy.

Central Maine Power Company
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Schedule V

Maine Yankee Atomic Power Company

ELECTRIC PROPERTY AND NUCLEAR FUEL
For The Year Ended December 31, 1980
(Dollars in Thousands)

	Balance at Beginning of Period	Additions at Cost	Retirements or Sales	Transfers and Other Charges	Balance at End of Period
<u>Electric Property</u>					
Organization	\$ 7	\$ -	\$ -	\$ -	\$ 7
Miscellaneous					
Intangible Plant	601	-	-	-	601
Land and land rights	522	-	-	-	522
Structures and improvements	57,527	356	9	-	57,874
Reactor plant equipment	101,468	1,714	-	-	103,182
Turbogenerator units	56,997	3,812	505	-	60,304
Accessory electric equipment	14,498	2	-	-	14,500
Miscellaneous					
power plant equip.	5,128	380	278	-	5,230
Substation equip.	3,239	1,388	-	-	4,627
Miscellaneous					
electric property	74	-	-	-	74
Unfinished construction	8,951	173	-	-	9,124
Total Electric Property	<u>\$249,012</u>	<u>\$ 7,825</u>	<u>\$792</u>	<u>\$ -</u>	<u>\$256,045</u>
<u>Nuclear Fuel</u>					
Nuclear fuel in reactor	\$ 52,564	\$ -	\$ -	\$ 21,782	\$ 74,346
Nuclear fuel in process	40,394	30,084	-	(238)	70,240
Nuclear fuel - spent	42,557	-	-	9,257	51,814
Nuclear fuel - stock	35,679	17	-	(30,801)	4,895
	<u>\$171,194</u>	<u>\$30,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$201,295</u>

Central Maine Power Company
Form 10-K-1980

Schedule V

Maine Yankee Atomic Power Company

ELECTRIC PROPERTY AND NUCLEAR FUEL
For The Year Ended December 31, 1979
(Dollars in Thousands)

	balance at Beginning of Period	Additions at Cost	Retirements or Sales	Transfers and Other Charges	Balance at End of Period
<u>Electric Property</u>					
Organization	\$ 7	\$ -	\$ -	\$ -	\$ 7
Miscellaneous					
Intangible Plant	-	601	-	-	601
Land and land rights	522	-	-	-	522
Structures and improvements	56,025	1,505	3	-	57,527
Reactor plant equipment	101,189	280	1	-	101,468
Turbogenerator units	57,605	-	608	-	56,997
Accessory electric equipment	14,498	-	-	-	14,498
Miscellaneous					
power plant equip.	4,725	405	2	-	5,128
Substation equip.	3,239	-	-	-	3,239
Miscellaneous electric property	74	-	-	-	74
Unfinished construction	3,275	5,676	-	-	8,951
 Total Electric Property	 \$241,159	 \$ 8,467	 \$614	 \$ -	 \$249,012
<u>Nuclear Fuel</u>					
Nuclear fuel in reactor	\$ 52,564	\$ -	\$ -	\$ -	\$ 52,564
Nuclear fuel in process	35,905	35,167	-	(30,678)	40,394
Nuclear fuel - spent	42,557	-	-	-	42,557
Nuclear fuel - stock	4,924	77	-	30,678	35,679
	<u>\$135,950</u>	<u>\$35,244</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$171,194</u>

Central Maine Power Company
Form 10-K-1980

Schedule V (continued)

Maine Yankee Atomic Power Company

ELECTRIC PROPERTY AND NUCLEAR FUEL
For The Year Ended December 31, 1978
(Dollars in Thousands)

	<u>Balance at Beginning of Period</u>	<u>Additions at Cost</u>	<u>Retirements or Sales</u>	<u>Transfers and Other Charges</u>	<u>Balance at End of Period</u>
<u>Electric Property</u>					
Organization	\$ 7	\$ -	\$ -	\$ -	\$ 7
Land and land rights	522	-	-	-	522
Structures and improvements	55,861	166	2	-	56,025
Reactor plant equipment	101,084	126	21	-	101,189
Turbogenerator units	56,658	947	-	-	57,605
Accessory electric equipment	14,477	21	-	-	14,498
Miscellaneous power plant equip.	4,607	130	12	-	4,725
Substation equip.	3,239	-	-	-	3,239
Miscellaneous electric property	74	-	-	-	74
Unfinished construction	<u>2,537</u>	<u>738</u>	<u>-</u>	<u>-</u>	<u>3,275</u>
Total Electric Property	<u>\$239,006</u>	<u>\$ 2,128</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$241,159</u>
<u>Nuclear Fuel</u>					
Nuclear fuel in reactor	\$ 33,812	\$ -	\$ -	\$ 12,752	\$ 52,564
Nuclear fuel in process	33,140	25,665	-	(22,900)	35,905
Nuclear fuel - spent	33,202	-	-	9,355	42,557
Nuclear fuel - stock	<u>4,064</u>	<u>67</u>	<u>-</u>	<u>793</u>	<u>4,924</u>
	<u>\$110,218</u>	<u>\$25,732</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$135,950</u>

Central Maine Power Company
Form 10-K-1980

Schedule VI

Maine Yankee Atomic Power Company

ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION
OF ELECTRIC PLANT AND NUCLEAR FUEL
For The Years Ended December 31,
(Dollars in Thousands)

	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Retirements	Other Changes	Balance at End of Period
<u>1978</u>					
Electric Property	<u>\$38,313</u>	<u>\$ 8,173</u>	<u>\$35</u>	<u>\$ (3)</u>	<u>\$46,448</u>
Nuclear Fuel	<u>\$59,114</u>	<u>\$17,411</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$76,525</u>
<u>1979</u>					
Electric Property	<u>\$46,448</u>	<u>\$ 8,279</u>	<u>\$614</u>	<u>\$ (8)</u>	<u>\$54,105</u>
Nuclear Fuel	<u>\$76,525</u>	<u>\$15,319</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$91,844</u>
<u>1980</u>					
Electric Property	<u>\$54,105</u>	<u>\$ 8,319</u>	<u>\$792</u>	<u>\$171</u>	<u>\$ 61,803</u>
Nuclear F	<u>\$91,844</u>	<u>\$24,024</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$115,868</u>

See Note 1 of "Notes to Financial Statements" for the Company's depreciation and amortization policies.

Maine Yankee Atomic Power Company

Schedule IX
Short-Term Borrowings
(Dollars in Thousands)

	Column A Category of Short-Term Borrowings	Column B Balance at End of Year	Column C Weighted Average Interest Rate	Column D Maximum Amount Outstanding During the Year	Column E Average Amt. Outstanding During the Year	Column F Weighted Daily Average Interest Rate During the Year
Year Ended						
December 31, 1980	Banks (1)	\$16,000	22.51%	\$20,155	\$6,992	17.90%
Year Ended						
December 31, 1979	Banks (1)	\$ 3,925	15.25%	\$ 9,300	\$1,148	15.40%
Year Ended						
December 31, 1978	Banks (1)	-	-	\$ 3,900	\$ 97	7.79%

(1) See Note 3 to Notes to Financial Statements

ANNUAL REPORT ON FORM 10-K
ITEM 11(a)(3) AND ITEM 11(c)

EXHIBITS FILED HERewith AS LISTED ON
PAGES 29 THROUGH 41 OF THIS FORM 10-K

CENTRAL MAINE POWER COMPANY

Filed herewith:

Filed herewith
at Page

- C-1 Amendment to Unit Participation
 Agreement with the New Brunswick
 Electric Power Commission dated
 December 11, 1980
- F-1 1980 Annual Report to
 Stockholders
- I-1 List of subsidiaries of
 registrant

Amendment to
Unit Participation Agreement
Between
The New Brunswick Electric Power Commission
and
Maine Electric Power Company, Inc.

Amendment dated December//, 1980, to the Unit Participation Agreement, dated November 15, 1971 (the "Agreement") between The New Brunswick Electric Power Commission (the "Commission") and Maine Electric Power Company, Inc. (the "Company").

WHEREAS the Commission desires to continue to sell and the Company desires to continue to purchase a portion of the capacity and energy of the generating units described in the Agreement.

WHEREAS the Commission and the Company desire, among other things, to reduce the term of the Agreement and to reduce the entitlements provided in the Agreement; and

WHEREAS the Commission and the Company have determined that it is desirable to amend the Agreement as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein set forth, it is mutually agreed, unless the National Energy Board of Canada fails to approve this Agreement, as follows:

Section 1. The fourth paragraph of Section 1 of the Agreement is hereby deleted and the following paragraphs

are hereby inserted in place thereof which shall read in their entirety:

"The parties mutually agree that the Commission may at its discretion withdraw from service any or all of the units for the purpose of converting such units to burn coal.

The Termination Date of this Agreement shall be October 31, 1985, or such earlier date as the Commission shall remove the last of the units from commercial operation for the purpose of converting such unit to burn coal, whichever is earlier.

The Commission shall give written notice to the Company six (6) months prior to any such earlier Termination Date."

Section 2. Clause (c) of section 3 of the Agreement is hereby amended by deleting therefrom "October 31, 1985", and by inserting in place thereof "December 31, 1980".

Section 3. Clause (d) of section 3 of the Agreement is hereby amended by deleting therefrom "For the final twelve months" and by inserting in place thereof "From January 1, 1981 through the balance"; and by deleting therefrom "200" and by inserting in place thereof "133".

Section 4. Section 3 of the Agreement is hereby amended by the addition of a new clause (e), immediately following clause (d), which shall read in its entirety

"(e) Notwithstanding the provisions of clauses (a), (b), (c) and (d) of this section 3, the units in which

the Company is participating shall not include any unit which has been removed from commercial operation for the purpose of converting such unit to burn coal".

Section 5. Clause (c) of section 10 of the Agreement is hereby amended by adding the following sentence at the end of such clause (c) which shall read in its entirety

"Such fuel charges are to be based on the uncompensated cost of fuel, less any Canadian governmental compensation which may, from time to time, be payable with respect to such fuel used to generate the energy purchased by the Company within its entitlement, provided, however, that should any Canadian regulation, legislation or other act of the Canadian government reduce the level of such Canadian governmental compensation below \$4 (Canadian) per barrel during the time when the program provided for by the Emergency Petroleum Allocation Act of 1973, as amended, or any similar or successor program, remains in effect, then the Company may terminate this Agreement upon giving six (6) months notice in writing to the Commission, such notice to be given within thirty (30) days of the Commission's having notified the Company of anticipated or actual Canadian governmental action causing such level to drop below \$4 (Canadian), and, provided further, that the Commission shall not be liable for damages to the Company in the event of such termination by the Company".

Section 6. Clause (d) of section 10 of the Agreement is hereby amended by deleting therefrom the last two

sentences and by inserting in place thereof a new sentence which shall read in its entirety, "The transmission use charge shall be at the rate of \$57,250.00 per month - until December 31, 1980 and shall be at the rate of \$19,083.33 per month from January 1, 1981 to the Termination Date of the Agreement".

Section 7. Clause (f) of section 10 of the Agreement is hereby amended by deleting therefrom "For the period from the Starting Date of the second of the units to be placed in commercial operation until October 31, 1985", and by inserting in place thereof "From January 1, 1981 to the Termination Date of the Agreement" by deleting therefrom "section 3(b)" and by inserting in place thereof "section 3(d)"; and by adding the following sentence at the end of such clause (f) which sentence shall read in its entirety, "Should one of the first two units be taken out of service for the purpose of converting such unit to burn coal, the charges under clause (a) shall be calculated on the basis of the capital costs of such first two units at the time such unit is taken out of service, or shall be calculated on such other basis as the parties may mutually agree".

Section 8. Clause (g) of section 10 of the Agreement is hereby deleted in its entirety.

Section 9. Clause (h) of section 10 of the Agreement is hereby amended by redesignating such clause as clause "(g)"; and subclause (ii) of such clause (h) is

hereby amended to read in its entirety "(ii) "Plant" shall be the facilities in which the Gross Capital Investment has been made, but should one of the first two units be taken out of service for the purpose of converting such unit to burn coal, the Gross Capital Investment shall be the capital costs of such first two units at the time such unit is taken out of service or shall be calculated on such other basis as the parties may mutually agree".

Section 10. Clause (c) of section 13 of the Agreement is hereby amended by deleting therefrom "In the event that the third unit is placed in commercial operation prior to December 1, 1979"; by capitalizing the letter "f" in the word "for" immediately following such deleted language; and by deleting therefrom "all three units" and by inserting in place thereof "those units in which the Company is participating pursuant to section 3(d)".

IN WITNESS WHEREOF the parties have caused this Amendment to the Unit Participation Agreement to be executed in duplicate by their respective officers thereunto duly authorized, and their corporate seals affixed, as of the first date herein above written.

THE NEW BRUNSWICK ELECTRIC
POWER COMMISSION

Edmund J. Stet
Witness

[Signature]
Chairman

[Signature]
Secretary

MAINE ELECTRIC POWER COMPANY,
INC.

[Signature]
Witness

[Signature]
President
[Signature]
Secretary

LIST OF SUBSIDIARIES OF CENTRAL MAINE POWER COMPANY

<u>Name</u>	<u>Jurisdiction of Incorporation</u>	<u>Percent Ownership</u>
Maine Yankee Atomic Power Company	Maine	38%
Maine Electric Power Company	Maine	78%
Central Securities Corporation	Maine	100%
Cumberland Securities Corporation	Maine	100%
The Union Water-Power Company	Maine	100%

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

Quarterly report under Section 13 or 15(d) of the
Securities Exchange Act of 1934

For Quarter Ended March 31, 1981 Commission file number 1-5139

CENTRAL MAINE POWER COMPANY

(Exact name of registrant as specified in its charter)

Incorporated in Maine

(State or other jurisdiction of
incorporation or organization)

01-0042740

(I.R.S. Employer
Identification No.)

Edison Drive, Augusta, Maine

(Address of principal executive offices)

04336

(Zip Code)

Registrant's telephone number including area code 207-623-3521

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for at least the past 90 days.

Yes ☒ No ☐

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the close of the latest practicable date.

<u>Class</u>	<u>Shares Outstanding</u> <u>as of April 30, 1981</u>
Common Stock	14,032,609

PART I - FINANCIAL INFORMATION

Item 1. Financial StatementsCentral Maine Power Company

STATEMENT OF EARNINGS

(Unaudited)

(Dollars in Thousands Except Per Share Amounts)

	For the Three Months Ended March 31,	
	<u>1981</u>	<u>1980</u>
ELECTRIC OPERATING REVENUES	\$95,575	\$101,165
OPERATING EXPENSES		
Fuel Used for Company Generation	30,052	23,732
Purchased Power		
Fuel	16,350	33,267
Other	6,279	8,249
Other Operation	11,177	9,745
Maintenance	3,890	2,801
Depreciation	5,605	5,223
Taxes		
Federal and State Income (Note 2)	4,722	3,570
Local Property and Other	2,641	2,412
	<u>80,716</u>	<u>88,999</u>
EQUITY IN EARNINGS OF ASSOCIATED COMPANIES	840	739
OPERATING INCOME	<u>15,699</u>	<u>12,905</u>
OTHER INCOME (EXPENSE)		
Allowance for Other Funds Used		
During Construction	2,078	310
Other, Net	64	68
INCOME BEFORE INTEREST CHARGES	<u>17,841</u>	<u>13,283</u>
INTEREST CHARGES		
Long-Term Debt	5,716	5,681
Other	3,988	1,970
Allowance for Borrowed Funds Used		
During Construction	(1,698)	(2,175)
	<u>8,006</u>	<u>5,476</u>
NET INCOME	<u>9,835</u>	<u>7,807</u>
Dividends on Preferred Stock	<u>1,865</u>	<u>1,141</u>
EARNINGS APPLICABLE TO COMMON STOCK	<u>\$ 7,970</u>	<u>\$ 6,666</u>
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING	13,964,799	12,084,453
EARNINGS PER SHARE OF COMMON STOCK	\$.57	\$.55
DIVIDENDS PER SHARE OF COMMON STOCK	\$.43	\$.41

The accompanying notes are an integral part of these financial statements.

Central Maine Power Company

BALANCE SHEET
(Dollars in Thousands)

	March 31, 1981 (Unaudited)	December 31, 1980
ASSETS		
ELECTRIC PROPERTY, at Original Cost	\$694,779	\$689,521
Less: Accumulated Depreciation	<u>203,461</u>	<u>198,249</u>
	491,318	491,272
Construction Work in Progress		
Jointly-Owned Projects	123,037	113,466
Company Projects	<u>23,784</u>	<u>21,058</u>
	146,821	134,524
	<u>638,139</u>	<u>625,796</u>
INVESTMENTS IN ASSOCIATED COMPANIES, at Equity	<u>39,753</u>	<u>38,370</u>
Net Electric Property and Investments in Associated Companies	<u>677,892</u>	<u>664,166</u>
CURRENT ASSETS		
Cash	2,704	1,862
Accounts Receivable, Less Allowances for Uncollectible Accounts of \$575 in 1981 and in 1980		
Service - Billed	34,695	31,346
- Unbilled	32,174	41,701
Other	10,903	13,509
Inventories, at Average Cost		
Fuel Oil	24,735	19,155
Materials and Supplies	11,173	10,819
Prepayments and Other Current Assets	<u>2,282</u>	<u>3,929</u>
Total Current Assets	<u>118,666</u>	<u>122,321</u>
DEFERRED CHARGES AND OTHER ASSETS	<u>8,228</u>	<u>8,554</u>
	<u>\$804,736</u>	<u>\$795,041</u>

The accompanying notes are an integral part of these financial statements.

Central Maine Power Company

BALANCE SHEET
(Dollars in Thousands)

	March 31, 1981 (Unaudited)	December 31, 1980
STOCKHOLDERS' INVESTMENT AND LIABILITIES		
CAPITALIZATION		
Common Stock Investment	\$237,878	\$235,711
Preferred Stock	35,571	35,571
Redeemable Preferred Stock	58,305	58,305
Long-Term Debt	<u>264,008</u>	<u>273,219</u>
Total Capitalization	<u>595,762</u>	<u>602,806</u>
CURRENT LIABILITIES		
Interim Financing	<u>95,182</u>	<u>72,131</u>
Other Current Liabilities -		
Sinking Fund Requirements	423	394
Accounts Payable	20,639	42,824
Dividends Payable	6,007	-
Accrued Interest	7,756	6,519
Accrued Income Taxes	2,137	1,766
Other	<u>4,794</u>	<u>3,651</u>
	<u>41,756</u>	<u>55,154</u>
Total Current Liabilities	<u>136,938</u>	<u>127,285</u>
COMMITMENTS AND CONTINGENCIES (Note 4)		
RESERVES AND DEFERRED CREDITS		
Accumulated Deferred Income Taxes	33,910	32,708
Unamortized Investment Tax Credits	33,661	30,644
Other	<u>4,515</u>	<u>1,598</u>
Total Reserves and Deferred Credits	<u>72,086</u>	<u>64,950</u>
	<u>\$804,786</u>	<u>\$795,041</u>

The accompanying notes are an integral part of these financial statements.

Central Maine Power Company

STATEMENT OF SOURCES OF FUNDS FOR CONSTRUCTION
(Unaudited)
(Dollars in Thousands)

	For the Three Months Ended March 31,	
	<u>1981</u>	<u>1980</u>
FUNDS PROVIDED		
Internal Sources		
From operations		
Net income	\$ 9,835	\$ 7,807
Depreciation	5,605	5,223
Deferred income taxes and investment tax credit, net	4,141	3,069
Allowance for other funds used during construction	(2,078)	(310)
	<u>17,503</u>	<u>15,789</u>
Less:		
Sinking fund requirements of long-term debt and preferred stock	179	599
Dividends declared	7,872	6,097
Other, net	(2,152)	(597)
	<u>5,899</u>	<u>6,099</u>
(Increase) decrease in working capital, exclusive of interim financing and sinking fund requirements		
Cash and receivables	7,942	(31,530)
Other current assets	(4,287)	455
Other current liabilities	(13,427)	16,327
	<u>(9,772)</u>	<u>(14,748)</u>
Internal Sources, Net	<u>1,832</u>	<u>(5,058)</u>
External Sources		
Common Stock	214	189
Long-term debt		16,500
Revolving Credit Agreement	(9,000)	-
Increase in short-term borrowings	23,051	4,320
External Sources, Net	<u>14,265</u>	<u>21,009</u>
	<u>\$16,097</u>	<u>\$ 15,951</u>
FUNDS USED FOR CONSTRUCTION		
Jointly-owned projects	\$ 9,423	\$ 5,611
Other construction and plant additions	8,752	10,650
Allowance for other funds used during construction	(2,078)	(310)
	<u>\$16,097</u>	<u>\$ 15,951</u>

The accompanying notes are an integral part of these financial statements.

Central Maine Power Company

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Certain information in footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. However, the disclosures herein, when read with the annual report for 1980 filed on Form 10-K, are adequate to make the information presented not misleading.

The Company's significant accounting policies are contained in Note 1 to the financial statements in the Company's Form 10-K for 1980. For interim accounting periods the policies are the same. However, the Company considers each interim period as an integral part of the entire year and allocates certain revenues and expenses to the interim period on the basis of estimates of such revenues and expenses on an annual basis.

2. Income Taxes

The components of Federal and state income taxes reflected in the Statement of Earnings are as follows:

	For the Three Months Ended March 31,	
	1981	1980
	(Dollars in Thousands)	
Federal:		
Current	\$ 50	\$ 138
Deferred	1,135	1,197
Investment tax credit, net	3,017	1,873
	<u>4,202</u>	<u>3,208</u>
State:		
Current	531	363
Deferred	(11)	(1)
	<u>520</u>	<u>362</u>
Total Federal and state income taxes	<u>\$4,722</u>	<u>\$3,570</u>

Central Maine Power Company

Notes to Financial Statements

2. Income Taxes (continued)

The following table reconciles the statutory Federal income tax rate to a rate determined by dividing the total Federal income tax expense by income before that expense.

	For the Three Months Ended			
	March 31, 1981		March 31, 1980	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
	(Dollars in Thousands)			
Statutory Federal income tax rate	\$ 6,457	46.0 %	\$ 5,067	46.0 %
Permanent reductions in tax expense resulting from statutory exclusions from taxable income	(1,437)	(10.2)	(680)	(6.2)
Effect of timing differences for which deferred taxes are not recorded (flow-through)	<u>(818)</u>	<u>(5.9)</u>	<u>(1,179)</u>	<u>(10.7)</u>
Calculated rate	<u>\$4,202</u>	<u>29.9 %</u>	<u>\$ 3,208</u>	<u>29.1 %</u>

3. Financings

On April 15, 1981 the Company publicly solicited to sell \$45 million of its General and Refunding Mortgage Bonds, Series D 16 1/8% Due 1991. The sale of \$36.5 million was completed April 23, 1981 and the balance of \$8.5 million was contracted by certain institutions under Delayed Delivery Contracts with delivery anticipated on or before October 15, 1981. Proceeds from the sale of these bonds will be used to reduce short-term debt and bank borrowings incurred in connection with the Company's construction program.

4. Contingencies

There have been no significant changes in the commitments and contingencies reported in the Company's 10-K report for the year ended December 31, 1980 except as discussed in "Part II, Item 5 - Other Information".

Central Maine Power Company

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Operating Results

Electric Operating Revenues decreased \$5.6 million during the first quarter of 1981. The primary reason for the decrease was a \$10.6 million reduction in fuel revenues resulting from the fact that the Maine Yankee nuclear facility was down for refueling from January 11, 1980 to March 15, 1980 and that it operated at record levels in the first quarter of 1981. The next refueling is scheduled during the second quarter of 1981. Since money collected from customers through the fuel used for generation charge is a 100 percent non-profit pass-through, increased or decreased revenues from fuel do not effect net earnings. Operating Revenues also include a 2.5% increase in KWH sales and three months effect of a \$16.2 million rate increase implemented in November 1980.

Lower purchased power capacity costs result from a decrease in the Company's share of base load power received from a Canadian electric system (41.1 megawatts to 7.8 megawatts effective January 1, 1981). Other operation included higher wages and costs of material and supplies while maintenance expenditures increased at the Company's steam generating plants.

Interest charges reflect greater borrowings to finance higher investments in plant under construction and working capital requirements, primarily for fuel costs. Larger allowance for funds used during construction (AFC) results from the Company's growing investment in projects under construction, principally its share of jointly-owned nuclear generating plants.

The current period also includes the effects of the issuance of 250 thousand shares of Preferred Stock 11.75% Series in July 1980 and 1.6 million shares of common stock in November 1980.

Financial Condition

During the first quarter of 1981, funds from operations (principally net income, depreciation and deferred taxes net of AFC) amounted to approximately \$17.5 million. Of these funds, \$7.9 million were used to provide for dividends on preferred and common stocks. These sources of funds were further reduced by an increase in working capital requirements of \$9.8 million dollars (exclusive of short-term borrowings and the current portion of long-term debt). The net funds available from internal sources were \$1.8 million. Funds Used for Construction amounted to \$16.1 million (net of \$2.1 million of allowance for equity funds used during construction). The Company funded \$14.3 million or the remaining amount of these requirements from increased short-term borrowings. (See footnote 3 of the notes to financial statements for information relative to a long-term debt financing in April.)

Central Maine Power Company

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (contd)

Annual earnings levels are expected to increase somewhat in 1981 over 1980 as a result of the November 1980 rate increase, a colder than normal 1980-81 winter and a planned expansion by a major industrial customer, but it is anticipated that the Company will earn below its allowed return on equity. As a result of this and continuing inflationary pressures, the Company intends to file for additional rate relief during this year.

Central Maine Power Company

PART II - OTHER INFORMATION

Item 5. Other Information

Construction Program

The utility responsible for the construction of the Seabrook project, Public Service Company of New Hampshire ("PSNH"), has recently released revisions to its estimated construction budget and scheduled completion dates, which increased the Company's share of the total estimated construction costs of the Seabrook units by approximately \$16,000,000 (excluding AFC) and deferred the completion dates of the units from 1983-1985 to 1984-1986.

The Company's estimated construction costs have been further increased by its recent decision to increase the size of its Brunswick-Topsham hydroelectric project. The Company estimates that this will raise the total capital expenditures for the 1981-1985 period by \$5,100,000 (excluding AFC).

Seabrook

On April 2, 1981, PSNH filed with the New Hampshire Public Utilities Commission ("NHPUC") a request for permanent rates designed to increase annual revenues by approximately \$34,900,000 together with a request for temporary rates at the increased level to be effective at the earliest possible date. On May 1, 1981, the NHPUC granted PSNH temporary rates (to be collected subject to refund) designed to increase annual revenues by approximately \$17,400,000, effective immediately. PSNH has estimated that the additional revenues provided by the temporary rates will enable it to issue somewhat less than the \$50,000,000 of mortgage bonds planned for the fourth quarter of 1981 unless the NHPUC grants increased permanent rates, and has stated that it considers its ability to issue mortgage bonds in adequate amounts and in a timely fashion to be an essential part of its financing program.

Purchase of Southern Maine Properties of PSNH

On March 30, 1981, the Company entered into a preliminary agreement, subject to the receipt of regulatory approvals, for the purchase by the Company of certain electric distribution and supporting transmission facilities of PSNH located in Kittery and other southern Maine towns for an anticipated purchase price of approximately \$3,000,000.

Central Maine Power Company

The information furnished in this report reflects all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim period. However, the results for the interim period are not necessarily indicative of results for the entire year.

The required information for unconsolidated subsidiaries, Maine Yankee Atomic Power Company and Maine Electric Power Company, Inc., is attached hereto in accordance with Instruction D.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CENTRAL MAINE POWER COMPANY
(Registrant)

Date May 13, 1981

/S/ Robert S. Howe
Robert S. Howe, Comptroller

/S/ Thomas C. Webb
Thomas C. Webb, Senior Vice President,
Finance

PROSPECTUS

(Exhibit C - 3)

\$45,000,000

Central Maine Power Company

**General and Refunding Mortgage Bonds
Series D 16 $\frac{1}{8}$ % Due 1991**

Interest on the Series D Bonds is payable on November 1, 1981 and semi-annually thereafter on each May 1 and November 1. The Series D Bonds are redeemable at any time at the option of the Company at the prices set forth under "Description of Bonds — Series D Bonds" herein, except that prior to May 1, 1986, the Series D Bonds are not refundable at an interest cost less than 16 $\frac{1}{8}$ % per annum. The Series D Bonds are to be issued under and secured by a General and Refunding Mortgage Indenture which is subject to the prior lien of the Company's First and General Mortgage. So long as the Series D Bonds are outstanding, the Company may not issue further First and General Mortgage Bonds. See "Description of Bonds".

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE
SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION
PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS.
ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

	Price to Public (1)	Underwriting Discounts and Commissions (2)	Proceeds to Company (3)
Per Bond	100.00%	.75%	99.25%
Total	\$45,000,000	\$337,500	\$44,662,500

- (1) Plus accrued interest, if any, from the date of issue.
- (2) The Company has agreed to indemnify the several Underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933.
- (3) Before deduction of expenses payable by the Company, estimated at \$120,000.

The Series D Bonds are offered by the several Underwriters when, as and if issued by the Company and accepted by the Underwriters and subject to their right to reject orders in whole or in part. The Series D Bonds are also being offered to certain institutions by the Company through the several Underwriters pursuant to Delayed Delivery Contracts. See "Delayed Delivery Arrangements". It is expected that delivery of the Series D Bonds purchased from the several Underwriters will be made at the office of Kidder, Peabody & Co. Incorporated, 10 Hanover Square, New York, New York 10005, on or about April 23, 1981 and that delivery of the Series D Bonds purchased from the Company pursuant to Delayed Delivery Contracts will be made on or before October 15, 1981.

Kidder, Peabody & Co.
Incorporated

Lehman Brothers Kuhn Loeb
Incorporated

The date of this Prospectus is April 15, 1981.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE COMPANY'S BONDS, INCLUDING THE BONDS OFFERED HEREBY, AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

AVAILABLE INFORMATION

Central Maine Power Company (the "Company") is subject to the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Information for the year 1979 and prior years concerning directors and officers of the Company, remuneration and any material interests of such persons in transactions with the Company, is disclosed in proxy statements distributed to shareholders of the Company and filed with the Commission. Such reports, proxy statements and other information can be inspected and copied at the office of the Commission at Room 6101 at 1100 L Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at Room 1228, Everett McKinley Dirksen Building, 219 South Dearborn Street, Chicago, Ill. 60604; Room 1100, Federal Building, 26 Federal Plaza, New York, N.Y. 10007; and Suite 1710, Tishman Building, 10960 Wilshire Boulevard, Los Angeles, Calif. 90024; and copies of such material can be obtained from the Public Reference Section of the Commission, 500 North Capitol Street, Washington, D.C. 20549, at prescribed rates. Certain securities of the Company are listed on the New York Stock Exchange, where reports, proxy statements and other information concerning the Company can also be inspected.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents heretofore filed with the Commission are hereby incorporated in this Prospectus by reference:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 1980.
2. The Company's definitive proxy statement dated April 19, 1980 in connection with its Annual Meeting of Stockholders held on May 15, 1980.

All documents filed by the Company with the Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act after the date of this Prospectus and prior to the termination of this offering of the Series D Bonds shall be deemed to be incorporated in this Prospectus by reference and to be a part hereof from the date of filing of such documents.

The Company hereby undertakes to provide without charge to each person to whom a copy of this Prospectus has been delivered, on the written request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Prospectus by reference, other than exhibits to such documents. Written requests for such copies should be directed to William M. Finn, Assistant Secretary, Central Maine Power Company, Edison Drive, Augusta, Maine 04336.

THE ISSUE IN BRIEF

The following is a summary of certain pertinent facts, and is qualified in its entirety by detailed information and financial statements appearing elsewhere in this Prospectus and in the documents and information incorporated by reference in this Prospectus.

THE OFFERING

Securities Offered	\$45,000,000 General and Refunding Mortgage Bonds, Series D 16 $\frac{1}{8}$ % Due 1991
Interest Payment Dates	May 1 and November 1 (commencing November 1, 1981)
Redemption Restriction	Series D Bonds are not refundable for five years at an interest cost of less than 16 $\frac{1}{8}$ %
Use of Proceeds	To reduce short-term debt and bank borrowings incurred in connection with the Company's construction program

THE COMPANY

Business and Service Area	Largest electric utility in Maine serving approximately 380,000 customers in southern and central portions of Maine. Population of service area estimated at 800,000 (approximately 70% of the state's population)
1980 Energy Sources	Nuclear 30%; Hydro 15%; Oil 23%; Purchased (principally from oil-fired sources) 32%
Estimated 1981-1985 Construction Expenditures	\$523.4 million (see "Use of Proceeds and Construction Program")

FINANCIAL INFORMATION

(dollars in thousands)

	12 Months Ended		
	February 28, 1981 (unaudited)	December 31, 1980	December 31, 1979
Income Summary:			
Electric Operating Revenues	\$335,674	\$335,265	\$271,764
Operating Income	49,408	47,331	48,230
Net Income	27,865	26,427	29,643
Ratio of Earnings to Fixed Charges — Actual	2.08	2.07	2.79
Pro Forma*	1.79		

*Assumes the issuance of the Series D Bonds and the use of the proceeds therefrom and from presently anticipated financings during 1981 to reduce short-term debt and bank borrowings.

	February 28, 1981 (unaudited)			
	Actual	As Adjusted*		
Capitalization Summary:				
Long-Term Debt	\$264,126	44.1%	\$309,126	48.0%
Preferred Stock	35,571	6.0	35,571	5.5
Sinking Fund Preferred Stock	58,305	9.7	58,305	9.1
Common Stock Investment	240,758	40.2	240,758	37.4
Total	\$598,760	100.0%	\$643,760	100.0%
Short-Term Debt	\$ 92,321		\$ 47,779**	
Long-Term Debt Currently Maturing	\$ 5,971		\$ 5,971	

*Adjusted for the issuance of the Series D Bonds.

**Assumes net proceeds from the issuance of the Series D Bonds of \$44,542,500.

THE COMPANY

The Company, a Maine corporation organized in 1905, is an electric utility engaged in the generation, purchase, transmission, distribution and sale of electric energy in the southern and central part of Maine. It has its principal executive offices at Edison Drive, Augusta, Maine 04336, and its telephone number is (207) 623-3521.

ENERGY SOURCES AND PROPERTIES

The Company is a member of the New England Power Pool ("NEPOOL"), and the Company's electric properties are interconnected with the systems of other NEPOOL members. NEPOOL provides for coordinated planning of future facilities and operation of 98% of existing generating capacity in New England and of related transmission facilities. The Company's system is also connected with the system of The New Brunswick Electric Power Commission, Canada (the "Commission"). The Company is currently negotiating for the purchase of 100 MW of power from the Commission's Point Lepreau nuclear plant, commencing with operation of the plant now scheduled for the spring of 1982, although no contractual commitments for such purchase have been reached.

The maximum one-hour firm system net peak load experienced by the Company was approximately 1,212 MW on January 12, 1981. As of that date the Company's net capability was 1,490 MW, including 14 MW of purchases. At the time of the Company's 1980-81 peak, NEPOOL had 21,372 MW of installed capacity to meet its peak load of 15,518 MW. As a NEPOOL member, the Company is required to maintain its share of an excess capacity reserve of 19%. The Company currently has a capacity reserve of 23%.

The Company's 1980 energy sources were: Nuclear 30%, Hydro 15%, Oil 23% and Purchased 32%. The Company's 1981 estimated energy sources are: Nuclear 32%, Hydro 18%, Oil 29% and Purchased 21%. Purchased power comes principally from oil-fired sources.

The mix of the Company's energy sources for a particular year will generally vary from that available from the Company's electric generating properties. The principal reasons for such variations are the central dispatch by NEPOOL of the region's most economical generating facilities, the temporary shutdown of generating facilities for refueling, maintenance or modification and fluctuations in the amount of water run-off for hydro generation.

The following table lists the Company's electric generating properties:

Unit	Energy Source	Date of First Commercial Operation	Percentage of Capacity	Company's Share of Capacity (MW) (Company's Ownership Interest Indicated in Parenthesis)
Maine Yankee	Nuclear	1973	25.9%	310.9 (38.0%)
Connecticut Yankee	Nuclear	1968		34.8 (6.0%)
Vermont Yankee	Nuclear	1972		19.0 (4.0%)
Yankee Atomic	Nuclear	1961		16.7 (9.5%)
22 Hydro Stations	Hydro	1901 - 56	20.3%	300.2 (100.0%)
Wyman Station	Oil	1957 - 78	53.8%	593.6 ()
Mason Station	Oil**	1941 - 55		153.6 (100.0%)
Internal Combustion	Oil	1940 - 70		47.2 (100.0%)
			<u>100.0%</u>	<u>1,476.0</u>

*Three of the four Wyman units (229.5 MW) are 100% owned by the Company; the Company owns 59.15% of the fourth unit (364.1 MW).

**The Company currently intends to convert three of the five Mason units (108.9 MW) to coal-fired units by some time in 1984.

During 1980, the Company's average fuel cost per kilowatt-hour was \$.043725 for oil-fired power from Company-owned plants and \$.006248 for nuclear power.

RATES

On February 1, 1980, the Company filed with the Maine Public Utilities Commission (the "PUC") an application for a \$35,000,000 increase in annual revenues, subsequently adjusted to \$36,859,000. On October 31, 1980, the PUC authorized the Company to file retail rates designed to increase annual gross revenues by approximately \$16,185,000 (including an attrition adjustment of \$2,300,000). Such rates are based upon an allowed overall return of 10.78%, including a return of 13.75% on common equity. The new rates were implemented for kilowatt-hour sales on and after November 13, 1980. The Company's prior rate decision in October, 1978 had allowed an overall return of 9.48%, including a return of 12.50% on common equity.

The Company intends to file an application for additional rate relief in 1981.

Regulations adopted by the PUC pursuant to a 1978 Maine statute allow the Company to recover currently the cost of fuel consumed in the Company's generating stations and the fuel component of purchased power by the application of a single uniform rate in the monthly bills to the Company's retail customers. The single uniform rate is based upon the Company's projected cost of fuel and the fuel component of purchased power for a 12-month forward-looking period and must be approved by the PUC after public notice and hearings. At intervals of not less than 90 days the Company may request changes in the uniform rate to reflect actual experiences as well as new projections of costs. Over- or under-collections as well as an amount for the actual cost of short-term borrowings used to finance the unbilled balances are included in the computation of the fuel amounts to be recovered during the succeeding fuel adjustment period.

USE OF PROCEEDS AND CONSTRUCTION PROGRAM

The proceeds from the sale of the Series D Bonds will be applied to the payment of a portion of outstanding short-term borrowings and bank borrowings under a revolving credit and term loan agreement, which together amounted to approximately \$84,800,000 on April 14, 1981 and are expected to approximate \$93,000,000 on April 23, 1981, the date the Series D Bonds (other than those to be delivered pursuant to Delayed Delivery Contracts) are expected to be issued. See "Delayed Delivery Arrangements". These borrowings were incurred primarily in connection with the Company's continuing construction program.

During the five-year period ended December 31, 1980, the Company's construction expenditures amounted to \$339,784,000 (including investment in jointly-owned projects), not including allowance for funds used during construction ("AFC") of \$41,330,000. Plant retirements during the period amounted to \$21,746,000. The Company's construction program for the period 1981 through 1985, shown below, is currently estimated at approximately \$523,400,000 (not including AFC estimated at \$147,500,000, but including estimates for nuclear fuel costs of \$22,100,000 where applicable). The Company estimates that construction expenditures for each of the years 1981 through 1985 will be approximately \$86,800,000, \$140,500,000, \$95,500,000, \$89,300,000 and \$111,300,000, respectively.

Type of Facilities	1981	1982-85	Total 1981-85
	(Millions of Dollars)		
Generation			
Central Maine Power Company Projects			
Brunswick-Topsham (Hydro)	\$10.5	\$ 6.0	\$ 16.5
Sears Island (Coal)	1.2	35.5	36.7
Mason Station (Conversion to Coal)	4.8	43.0	47.8
Projects Sponsored by Others			
Seabrook Nos. 1 & 2 (Nuclear)	32.1	84.1	116.2
Millstone No. 3 (Nuclear)	5.0	23.6	28.6
Pilgrim No. 2 (Nuclear)	.8	21.0	21.8
Transmission	2.4	36.9	39.3
Distribution	19.9	104.4	124.3
Other Capital Projects (including small hydro projects)	10.1	82.1	92.2
	<u>\$86.8</u>	<u>\$436.6</u>	<u>\$523.4</u>

The above estimated expenditures for major jointly-owned generating facilities are based upon the latest information furnished by the sponsoring utility.

Based upon the Company's estimate of the average annual compound growth rate in the Company's peak capacity requirements for the years 1981 through 1990 of approximately 2.1% and anticipated growth rates throughout New England, the Company believes that its generating capacity, including and assuming timely additions to generation to be provided by certain of the jointly-owned projects described below, coupled with power purchased from other utilities with excess capacity, will be sufficient to meet such requirements and the Company's reserve obligations to the New England Power Pool through the 1980's.

In 1980 internal sources of funds provided approximately 20% of the Company's total construction requirements with the remainder provided by external sources. The Company estimates that approximately 32% of the Company's total construction requirements will be financed by internal sources in 1981. In addition to the sale of the Series D Bonds, the Company currently plans further sales of approximately \$45,000,000 of long-term debt and 2,000,000 shares of common stock in 1981. However, the nature and timing of future financing will be determined in light of future market conditions, earnings and other relevant factors. The continuation of the Company's 1981-85 construction program at planned levels depends upon the Company's obtaining timely and adequate rate relief and its ability to finance a substantial portion of the program from external sources. In addition to funds required to finance its construction program, funds aggregating \$64,673,000 must be provided for sinking fund requirements and debt maturities during the period 1981-1985.

The Company's actual expenditures through December 31, 1980 and estimated expenditures for jointly-owned generating facilities (excluding AFC which will be substantial but including nuclear fuel costs wherever applicable) are set forth in the following table:

Unit	Energy Source	Estimated Date of Commercial Operation(1)	Capacity (MW)	Company's Share		
				Capacity (MW) Percentage of Total Capacity	Expenditures Through December 31, 1980(1) (thousands)	Total Estimated Construction Costs(1) (thousands)
Seabrook Nos. 1 and 2(2)	Nuclear	1984-1986	2,300	139 (6.04%)	\$58,633	\$166,000
Pilgrim No. 2	Nuclear	(3)	1,150	33 (2.85%)	8,999	(3)
Millstone No. 3	Nuclear	1986	1,150	29 (2.50%)	18,595	49,100
Sears Island(4)	Coal	1989	568	341 (60.0%)(4)	6,975	475,100

- (1) The completion dates of these units have been deferred from time to time and additional deferrals may occur. Deferrals significantly increase the cost of a unit.

Estimated construction expenditures are based upon information furnished by the utility responsible for the construction of the unit and are continuously under review in light of deferrals, delays, and other factors.

Due to the time required for the construction of generating facilities and the completion of licensing and regulatory proceedings relating thereto, substantial investments in the above units will be required prior to the completion of licensing and regulatory proceedings. There is no assurance that all necessary approvals, permits or licenses will be obtained, or if obtained, will not be modified or revoked or that the units will be completed.

- (2) As of December 31, 1980, the Company had a 5.04178% interest in Seabrook. An adjustment of the ownership interests in the units commencing January 31, 1981 will ultimately result in a 6.04178% ownership interest for the Company. Although the necessary approvals and permits for construction of the Seabrook units have been obtained and upheld on appeal by a number of opposition groups, such opposition has resulted in significant construction delays. One appeal from federal regulatory approvals is pending and a further limited evidentiary hearing on the seismic issue has been ordered by the Nuclear Regulatory Commission; licensing proceedings will be necessary before operation; and further appeals and proceedings are possible. Construction is currently in progress, although at a reduced level from that originally scheduled for 1981. The utility responsible for construction of Seabrook, Public Service Company of New Hampshire ("PSNH"), has recently released revisions to its estimated construction budget and scheduled completion dates to give effect to the reduced level of construction and other factors. Such revisions, which are reflected in the table shown above, increased the Company's share of the total estimated construction costs of the Seabrook units by approximately \$16,000,000 (excluding AFC) and deferred the completion dates of the units from 1983-1985 to 1984-1986.

PSNH, experiencing difficulties in financing its 50% share of the units, is currently selling a 6% interest in the units to certain New England utilities (including the 1% interest being sold to the Company as described above) and intends to sell a further 9% interest pending receipt of certain regulatory approvals and financing by certain other utilities. One of such other utilities, Massachusetts Municipal Wholesale Electric Company ("MMWEC"), has obtained regulatory approval and has informed PSNH that it expects to complete its initial financing prior to June 30, 1981 at which time the adjustment period for MMWEC's purchase of an additional 6% interest will commence. PSNH has stated that it plans to resume full construction when MMWEC's initial financing has been completed. On April 2, 1981, PSNH filed a request for tem-

porary rate relief to be effective at the earliest possible date. PSNH has stated that in order to obtain sufficient revenues to ensure that the earnings coverage test applicable to the issuance of bonds under its mortgage bond indenture would be satisfied in connection with a planned issuance of bonds in the fourth quarter of 1981, it will be necessary for a substantial portion of the rates requested to become effective during the second quarter. PSNH has further stated that if adequate and timely temporary rates are not granted or if PSNH's interest in the Seabrook project is not reduced to 35%, PSNH may be unable to obtain the external financing necessary to finance its ownership interest in the Seabrook project.

- (3) Boston Edison Company, the utility responsible for construction of Pilgrim No. 2, has announced that due to the time required for the construction of the unit and completion of licensing and regulatory proceedings and the greatly increasing construction costs no firm date can be established for the commencement of construction or commercial operation of the unit. As a result, estimates of construction expenditures, financing and scheduling are no longer realistic. Boston Edison Company has also stated that when a more definitive schedule is set for the granting of a construction permit, it will be able to develop revised cost estimates and review the feasibility of the project and decide whether to cancel or continue construction of the project. At present, procurement commitments for the project are being deferred.
- (4) On December 31, 1979 the Maine Public Utilities Commission (the "PUC") denied the Company's application for a certificate of public convenience and necessity for the Sears Island coal-fired plant on the basis that the Company's need for baseload power in 1987 did not justify construction of a 568 MW facility in which the Company would have an 80% interest. Hearings before the PUC are in progress on the Company's modified application which includes a reduction in the Company's proposed ownership interest to between 55% and 60% and a 1989 date for commercial operation. The Company will continue to review the proposed schedule for this plant in light of its capacity requirements and other factors. The amounts shown above with respect to expenditures through December 31, 1980 are based upon the Company's present ownership interest of approximately 80%, while total estimated construction costs assume a 60% ownership interest.

The foregoing introduction to the Company contains only a summary of certain pertinent facts and is qualified in its entirety by detailed information and financial statements appearing in the documents and information incorporated by reference in this Prospectus.

General

DESCRIPTION OF BONDS

The Series D Bonds, which will mature May 1, 1991, are to be issued under a Supplemental Indenture to be dated as of April 15, 1981 (the "Supplemental Indenture") to the General and Refunding Mortgage Indenture dated as of April 15, 1976 as amended and supplemented (the "General Mortgage") between the Company and The First National Bank of Boston, Trustee, which provides for the issuance of an unlimited amount of bonds under the circumstances mentioned below. The First National Bank of Boston is the lead participant under a secured two-year revolving credit and term loan agreement of \$40,000,000 with the Company and from time to time makes short-term unsecured loans to the Company. The Company currently has outstanding an aggregate of \$100,000,000 principal amount of Series A, B and C Bonds under the General Mortgage.

At December 31, 1980 the Company had outstanding an aggregate of \$150,933,000 principal amount of First and General Mortgage Bonds (the "First Mortgage Bonds") issued under and secured by its First and General Mortgage dated as of June 1, 1921 between the Company and State

Street Bank and Trust Company, as successor Trustee, as supplemented and amended (the "First Mortgage"). The lien of the First Mortgage is prior to the lien of the General Mortgage. So long as the Series D Bonds or any other Bonds issued under the General Mortgage are outstanding, the Company may not issue further First Mortgage Bonds. The Company has covenanted in the General Mortgage to obtain the release and discharge of the First Mortgage as soon as practicable after it satisfies all of its obligations thereunder including the payment of all outstanding First Mortgage Bonds.

Because certain provisions of the First Mortgage restricted the issue of additional First Mortgage Bonds in a manner which did not permit financing the Company's capital requirements and because such restrictions could not be changed without the unanimous consent of the holders of all First Mortgage Bonds, the Company created the General Mortgage as its primary long-term debt financing instrument.

A copy of the General Mortgage and all supplemental indentures thereto are filed as Exhibits to the Registration Statement, which Exhibits are incorporated herein by reference. The following statements relating to the Series D Bonds and the General Mortgage are subject to and are qualified by the detailed provisions of the General Mortgage and the Supplemental Indenture, particularly the parts thereof specifically referred to. Terms under this heading which are printed in Initial Capital letters are defined in the General Mortgage, as amended, and are given such defined meanings when used under this heading. Copies of the First Mortgage and of the supplemental indentures and the directors' resolutions determining the provisions of the outstanding First Mortgage Bonds are filed as Exhibits to the Registration Statement, which Exhibits are incorporated herein by reference. The following statements with respect to the First Mortgage are subject to and are qualified by the detailed provisions of the First Mortgage, particularly the parts thereof specifically referred to. Terms under this heading which are printed in *Italics* are defined in the First Mortgage and are given such defined meanings when used under this heading.

Series D Bonds

Interest on the Series D Bonds will be paid from their date of issue and will be payable semi-annually on each May 1 and November 1, commencing November 1, 1981, to holders of record on the preceding April 15 and October 15, respectively. Principal will be payable at the principal corporate trust office of The First National Bank of Boston, Boston, Massachusetts, and at the principal corporate trust office of Manufacturers Hanover Trust Company, New York, New York. The Series D Bonds will be issued only in the form of fully registered bonds without coupons, in denominations of \$1,000 and multiples thereof. No charge will be made for any transfer or exchange of Series D Bonds other than for any tax or other governmental charge required to be paid by the Company.

The Series D Bonds will be redeemable at the option of the Company at any time prior to maturity, as a whole or in part, upon at least thirty days' notice, at the applicable Redemption Price, expressed in percentages of the principal amount, specified below, in each case with accrued and unpaid interest to the date fixed for redemption.

<u>During 12 Months' Period Ended April 30</u>	<u>Redemption Price</u>	<u>During 12 Months' Period Ended April 30</u>	<u>Redemption Price</u>
1982	116.13%	1987	106.95%
1983	114.11	1988	104.04
1984	112.10	1989	102.02
1985	110.08	1990	100.00
1986	108.07	1991	100.00

The Supplemental Indenture provides that no bonds of Series D may be redeemed at the option of the Company prior to May 1, 1986, directly or indirectly, from the proceeds of or in anticipation of any refunding operation involving the incurring of debt which has an interest cost to the Company, computed in accordance with generally accepted financial practice, of less than 16 $\frac{1}{8}$ % per annum.

The Series D Bonds will also be redeemable from time to time by operation of various provisions of the General Mortgage at par plus accrued and unpaid interest to the date fixed for redemption.

Security

The Series D Bonds will be secured by the General Mortgage equally and ratably with other bonds heretofore and hereafter issued under the General Mortgage. In the opinion of William M. Finn, Esquire, counsel for the Company, the lien of the General Mortgage constitutes a legal lien on substantially all the properties and franchises of the Company, whether owned at the time of the execution and delivery of the General Mortgage, or acquired thereafter, except that it constitutes an equitable lien on real property acquired after the recording of the Supplemental Indenture. The lien of the General Mortgage is subject only to the prior lien of the First Mortgage, to the Trustee's prior lien for compensation and indemnification (Section 16.10) and to other Permitted Liens (Section 1.01(ii)). No additional First Mortgage Bonds may be issued while the Series D Bonds or any other bonds issued under the General Mortgage are outstanding. Upon the payment in full of all outstanding First Mortgage Bonds (the latest maturity of which is May 1, 1999) either upon maturity or earlier redemption, the General Mortgage will become a first lien upon the properties subject thereto, subject however to Permitted Liens and the prior liens referred to above other than that of the First Mortgage.

There are excepted from the lien of the General Mortgage, among other things: (1) cash and securities not deposited with the Trustee, (2) contracts and receivables not assigned to the Trustee, (3) electricity, appliances, stock in trade, materials, fuel (including nuclear cores and materials) and supplies, timber, gas, oil, minerals and other products of land, (4) automotive and construction equipment, (5) leasehold interests, permits, licenses and similar rights which may not legally be transferred and (6) property not used for producing or furnishing electricity, gas, water or steam. Securities representing the Company's 38% interest in Maine Yankee Atomic Power Company, which have not been deposited with the Trustee, have been pledged by the Company to secure its borrowings under a two-year revolving credit and term loan agreement of \$40,000,000.

Under the Atomic Energy Act of 1954, neither the Trustee nor any other transferee of the mortgaged properties may operate a nuclear generating station without authorization from the Nuclear Regulatory Commission. The Trustee and any other transferee may require similar authorization as to nuclear generating and other properties from state utilities commissions of those states in which the Company owns properties.

Renewal and Replacement Fund

The maintenance covenant contained in the First Mortgage and described below will remain in effect until the First Mortgage is discharged, and upon such discharge the renewal and replacement fund provisions of the General Mortgage will become effective.

The First Mortgage provides that the Company will, so long as any First Mortgage Bonds are outstanding, in each calendar year (a) expend for maintenance and repairs of the *mortgaged property*, or (b) deposit in cash with the Trustee on account of maintenance, repairs, renewals and replacements, or (c) allocate to the same purposes an *amount of additional property*, the aggregate of which shall not be less than 15% of the gross operating revenues from the *mortgaged property*, provided that this percentage may be redetermined by arbitration at intervals of not less than three years (but may not be reduced below 15% of gross operating revenues from the *mortgaged property* so long as any First Mortgage Bonds are outstanding). If in any year the total of (a), (b) and (c) above exceeds the requirements for that year, the excess may either be credited upon the requirements for the subsequent year or any excess of *additional property* allocated shall be available for use under the provisions of the First Mortgage (Section 48 of the First Mortgage).

The General Mortgage provides (Section 9.01) that during each calendar year following the calendar year in which the First Mortgage is discharged, the Company will, as a renewal and replacement fund, (a) deposit with the Trustee a sum of money, and/or (b) allocate Available Bonds which have theretofore been paid at maturity, redeemed or acquired by the Company (other than pursuant to a sinking, purchase, amortization, improvement or other fund, or the renewal and replacement fund, or with eminent domain, release, insurance or certain other moneys deposited with the Trustee or in connection with a refunding of other bonds), and/or (c) allocate an Amount of Available Additional Property, for each calendar year in an amount equal to 2% of the arithmetical average of the Company's gross plant investment in depreciable utility property on the books of the Company on January 1 and December 31 of the preceding calendar year. The General Mortgage also provides for a pro rata deposit or allocation for any portion of a calendar year preceding any use or allocation of a Net Amount of Available Additional Property under the General Mortgage of this renewal and replacement fund or, before the First Mortgage is discharged, of the maintenance fund under the First Mortgage.

Restrictions on the Payment of Dividends on Common Stock

The Company will covenant in the Supplemental Indenture (Section 1.03) that so long as any Series D Bonds are outstanding it will not pay or declare any dividends on its Common Stock (other than dividends payable in Common Stock) or make any distribution on, or purchase or otherwise acquire for value, any shares of its Common Stock (such actions being hereinafter referred to as "dividends on its Common Stock") in an amount which, together with all other dividends on its Common Stock declared within the period from January 1, 1981 to and including the date of such dividend declaration exceeds the sum of \$48,000,000, plus, or minus if a deficit, the Net Income Available for Dividends on Common Stock for the period from January 1, 1981 to a date not more than 45 days prior to the date of such dividend declaration.

Issue of Additional Bonds

Additional bonds may be issued under the General Mortgage, without limit of amount, upon compliance with the stated conditions of issue, as follows: (i) to the extent of 60% of a Net Amount of Available Additional Property, (ii) to refund Available First and General Mortgage Bonds, Available Bonds or Available Underlying Bonds and (iii) against the deposit with the Trustee of an amount of cash equal to the aggregate principal amount of bonds to be issued (Article V). Money deposited pursuant to (iii) above may be withdrawn to the extent of 60% of a Net Amount of Avail-

able Additional Property or to refund Available First and General Mortgage Bonds, Available Bonds or Available Underlying Bonds (Article V). The Series D Bonds will be issued against \$75,000,000 Net Amount of Available Additional Property. Following the issuance of the Series D Bonds, the Net Amount of Available Additional Property remaining available for the issuance of bonds or other action under the General Mortgage will be approximately \$64,000,000.

No bonds may be issued under the General Mortgage (except in connection with the refunding of First Mortgage Bonds, bonds issued under the General Mortgage or Underlying Bonds which, in any such case mature within two years before or after the date of issue of the bonds to be so issued or which bear interest at a rate higher than the rate of interest to be borne by the bonds to be so issued) unless, for a period of 12 consecutive calendar months during the period of 15 calendar months next preceding the application for authentication of the bonds to be so issued, the Net Earnings of the Company (not more than 15% of which may be derived from securities, sources not part of the property mortgaged under the General Mortgage and mortgaged property leased to others which is not used for utility purposes) before income taxes shall have been at least equal to twice the interest for one year upon all bonds outstanding under the General Mortgage at the date of such authentication (excluding any bonds for the retirement of which provision has been made), the bonds to be so issued and all other indebtedness for money borrowed then secured by a lien equal or superior to the lien of the General Mortgage (excluding any such indebtedness the evidence of which is held in any sinking fund or otherwise by the Trustee or by the trustee or mortgagee under any instrument constituting a lien equal to or superior to the lien of the General Mortgage, and any such indebtedness for the payment or the redemption of which the necessary moneys shall have been deposited with the trustee or mortgagee under the mortgage securing the same). (Sections 1.01(ee) and 5.01(f).) The coverages (based on bonds outstanding at the end of such periods) computed under the General Mortgage for the years 1976 through 1980 would have been 2.84, 3.37, 3.85, 3.70 and 3.23, respectively.

Release and Substitution of Property

The General Mortgage (Article X) provides that subject to various limitations property may be released from the lien thereof on a sale or other disposition upon the deposit with the Trustee of cash, obligations or Additional Property equal to the Current Fair Value of the property released. Release moneys held by the Trustee may be withdrawn by the Company for or on account of a Net Amount of Available Additional Property or in connection with the payment, redemption or other discharge of Available Bonds, Available First and General Mortgage Bonds or Available Underlying Bonds.

Modification of Mortgage

The General Mortgage (Section 17.02) permits the provisions thereof, and the rights and obligations of the Company and the bondholders, to be modified with the consent of holders of at least 66 $\frac{2}{3}$ % in principal amount of the bonds then outstanding which would be materially adversely affected; *provided, however*, that (i) the rights of the holders of one or more series of bonds may not be affected differently from other series unless consented to in writing by at least 66 $\frac{2}{3}$ % in principal amount of the bonds of each series so affected, (ii) no modification of the time or terms of payment of principal, premium or interest on any bonds may be made without the consent of the holder of each affected bond, (iii) no liens prior to or on a parity with the lien of the General Mortgage (other

than Permitted Liens) on the mortgaged property may be permitted nor may the percentage of consents required for modification of the General Mortgage be reduced, without the consent of the holders of all outstanding bonds and (iv) the Trustee's rights and obligations may not be changed without its consent. Certain other modifications of the General Mortgage may be made without the consent of the holders of outstanding bonds. (Section 17.01.)

Defaults

The General Mortgage (Section 11.01) provides that the following events constitute "events of default" thereunder: failure to pay the principal of or premium on any bond when due; failure for 10 days to pay interest on any bond when due; failure to pay any sinking fund payment when due; an event of default beyond any period of grace under the First Mortgage; the continuation for 30 days after notice to the Company of a default in the performance of any other General Mortgage covenant; and certain events of bankruptcy, insolvency or reorganization. The Company is required (Section 6.15) to deliver to the Trustee an annual Officers' Certificate as to whether or not any defaults exist under the General Mortgage.

The General Mortgage (Section 11.04) provides that the holders of a majority in principal amount of the bonds outstanding may direct the time, method and place of conducting any proceeding for the enforcement of remedies contained in the General Mortgage. The Trustee is not required to advance or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights, upon default or otherwise, if there is reasonable ground for believing that the repayment thereof is not reasonably assured to it by the security afforded to it under the terms of the General Mortgage (Section 16.03), nor is the Trustee required to exercise any of its trusts or powers at the direction of the bondholders unless such bondholders have offered to the Trustee reasonable security or indemnity. (Section 16.05(5).)

Certain Defined Terms

Additional Property (Section 1.01(c)) means any property acquired or constructed by the Company after May 31, 1970, used or planned to be used in the production or furnishing or both of electricity, gas, water or steam in any form and for any purpose and properly chargeable to the Company's plant or plant addition accounts. Additional Property may include construction work in progress and interests of the Company in property owned jointly or in common with other parties, improvements to public ways paid for by the Company although title thereto may not be in the Company, and movable physical property of the Company situated on land leased by the Company; but does not include leasehold interests, real estate not owned in fee simple or rights in real estate unless owned in perpetuity, property excluded from the General Mortgage or property subject to a lien (other than a Permitted Lien) prior to or on a parity with the lien of the General Mortgage.

Amount of Additional Property (Section 1.01(e)) means the Cost or Current Fair Value, whichever is less, of Additional Property evidenced to the Trustee, less in the case of Additional Property which was subject to an Underlying Mortgage 166 $\frac{2}{3}$ % of the principal amount of the Underlying Bonds outstanding at the time of acquisition of such Additional Property.

Amount of Available Additional Property (Section 1.01(e)) means the Amount of Additional Property remaining after deducting the Amount of Additional Property (i) constructed or acquired

with certain proceeds of insurance paid to the Company, (ii) constructed or acquired with the net proceeds received from certain dispositions of property, (iii) allocated to satisfy the Renewal and Replacement Fund or (iv) allocated or used as a basis of credit under the First Mortgage or any Underlying Mortgage; and also after deducting any Excess of Retirements and the Net Amount of Available Additional Property theretofore used or allocated under the General Mortgage.

Net Amount of Available Additional Property (Section 1.01(dd)) means the Amount of Available Additional Property, less, after the discharge of the First Mortgage, the amount of any Excess of Retirements (being the excess of retirements over the requirements of the renewal and replacement fund). Prior to the discharge of the First Mortgage, retirements are deducted in computing the Amount of Available Additional Property.

Underlying Bonds (Section 1.01(qq)) means obligations secured by an Underlying Mortgage (Section 1.01(rr)), which term includes any mortgage other than the First Mortgage and a purchase money mortgage existing on Additional Property at the time of its acquisition by the Company which is a Prior Lien, but only if the Cost or Fair Value, whichever is less, of such property is at least equal to 166 $\frac{2}{3}$ % of the principal amount of the obligations secured by such Underlying Mortgage, all other Prior Liens on such property except for Permitted Liens have been discharged and the lien of such Underlying Mortgage does not constitute a lien on any other property of the Company. The Company has covenanted not to become liable for any Underlying Bonds if the principal amount of all Underlying Bonds outstanding would thereupon exceed 25% of the sum of the principal amount of all outstanding First Mortgage Bonds, bonds issued under the General Mortgage, and Underlying Bonds (Section 6.05(a)).

LEGAL OPINIONS

The validity of the Series D Bonds will be passed upon for the Company by Messrs. Ropes & Gray, Boston, Massachusetts and by William M. Finn, Esquire, counsel for the Company, and for the Underwriters by Messrs. Choate, Hall & Stewart, Boston, Massachusetts. Certain matters involving Connecticut and New Hampshire law will be passed upon for the Company by Messrs. Day, Berry & Howard, Hartford, Connecticut and by Messrs. Sulloway Hollis & Soden, Concord, New Hampshire, respectively. Messrs. Ropes & Gray and Messrs. Choate, Hall & Stewart may rely upon the opinions of William M. Finn, Esquire as to all legal conclusions affected by the laws of Maine (including the organization and existence of the Company, its title to its properties and the lien of the General Mortgage), and the opinions of Messrs. Day, Berry & Howard and Messrs. Sulloway Hollis & Soden as to all legal conclusions affected by the laws of Connecticut and New Hampshire, respectively.

EXPERTS

The statements made under "Description of Bonds — Security" have been reviewed by William M. Finn, Esquire, counsel for the Company, and are included herein in reliance upon his authority as an expert.

The financial statements of the Company and of its affiliates, Maine Yankee Atomic Power Company and Maine Electric Power Company, Inc., which are incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1980 have been examined by Arthur Andersen & Co., independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

UNDERWRITING

The names of the several Underwriters and the respective amounts of Series D Bonds which they have severally agreed to purchase from the Company, subject to reduction as described under "Delayed Delivery Arrangements" and subject to the terms and conditions specified in the Underwriting Agreement filed as an exhibit to the Registration Statement, are as follows:

Name	Principal Amount	Name	Principal Amount
Kidder, Peabody & Co. Incorporated	\$6,500,000	Alex. Brown & Sons	775,000
Lehman Brothers Kuhn Loeb Incorporated	6,500,000	A. G. Edwards & Sons, Inc.	775,000
Bache Halsey Stuart Shields Incorporated	1,200,000	Moseley, Hallgarten, Estabrook & Weeden Inc.	775,000
The First Boston Corporation	1,200,000	Thomson McKinnon Securities Inc.	775,000
Bear, Stearns & Co.	1,200,000	Tucker, Anthony & R. L. Day, Inc.	775,000
Blyth Eastman Paine Webbe, Incorporated	1,200,000	American Securities Corporation	425,000
Dillon, Read & Co. Inc.	1,200,000	J. C. Bradford & Co.	425,000
Donaldson, Lufkin & Jenrette Securities Corporation	1,200,000	Fahnestock & Co.	425,000
Drexel Burnham Lambert Incorporated	1,200,000	Janney Montgomery Scott Inc.	425,000
Goldman, Sachs & Co.	1,200,000	Josephthal & Co. Incorporated	425,000
E. F. Hutton & Company Inc.	1,200,000	McDonald & Company	425,000
Lazard Freres & Co.	1,200,000	Wm. E. Pollock & Co., Inc.	425,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	1,200,000	Prescott, Ball & Turben	425,000
L. F. Rothschild, Unterberg, Towbin	1,200,000	The Robinson-Humphrey Company, Inc.	425,000
Salomon Brothers	1,200,000	Burgess & Leith Incorporated	275,000
Shearson Loeb Rhoades Inc.	1,200,000	Elkins & Co.	275,000
Smith Barney, Harris Upham & Co. Incorporated	1,200,000	First Albany Corporation	275,000
Warburg Paribas Becker Incorporated	1,200,000	Freehling & Co.	275,000
Wertheim & Co., Inc.	1,200,000	Herzfeld & Stern	275,000
Dean Witter Reynolds Inc.	1,200,000	Laidlaw Adams & Peck Inc.	275,000
Advest, Inc.	775,000	Burton J. Vincent, Chesley & Co.	275,000
		Total	<u>\$45,000,000</u>

The Underwriting Agreement provides that the several Underwriters are required to take and pay for all of the Series D Bonds offered hereby if any are taken, other than Series D Bonds agreed to be sold by the Company pursuant to Delayed Delivery Contracts described below. The obligations of the Underwriters are subject to certain conditions precedent.

The Company has been advised by Kidder, Peabody & Co. Incorporated and Lehman Brothers Kuhn Loeb Incorporated, as Representatives of the several Underwriters, that the Underwriters propose to offer the Series D Bonds to the public initially at the offering price set forth on the cover page of this Prospectus and to certain dealers at such price less a concession of not more than .40% of the principal amount, and that the Underwriters and such dealers may reallow a discount of not more than .25% of the principal amount to other dealers. The public offering price and the concessions and discounts to dealers may be changed by the Representatives.

DELAYED DELIVERY ARRANGEMENTS

The Company has authorized the Underwriters to solicit offers by certain institutions to purchase Series D Bonds from the Company at the public offering price set forth on the cover page of this Prospectus pursuant to Delayed Delivery Contracts providing for payment and delivery on or before October 15, 1981. Each such Delayed Delivery Contract (or the aggregate amount under Delayed Delivery Contracts with related purchasers) must be for a minimum of \$500,000 principal amount of Series D Bonds, each purchaser must be approved by the Company and the aggregate principal amount of Series D Bonds covered by such Delayed Delivery Contracts will not exceed \$9,000,000.

Institutions with whom Delayed Delivery Contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and such other institutions as may be approved by the Company. The Underwriters will receive from the Company, at the time of delivery to the Underwriters of the Series D Bonds to be purchased by them, a commission of .75% of the aggregate principal amount of the Series D Bonds contracted to be sold pursuant to such Contracts. Delayed Delivery Contracts will not be subject to any conditions, except that (i) the purchase by an institution of the Series D Bonds covered by its Delayed Delivery Contract shall not, at the time of delivery thereof, be prohibited under the laws of any jurisdiction to which such institution is subject, (ii) the sale of the Series D Bonds to be purchased by Underwriters shall have been consummated, (iii) all regulatory approvals required in connection with the issuance and sale of the Series D Bonds covered by Delayed Delivery Contracts shall remain in full force and effect at the time of delivery of such Series D Bonds, and (iv) the legal opinions described in such Delayed Delivery Contracts as to the validity of such Series D Bonds shall have been delivered. The Underwriters will not have any responsibility in respect of the validity or performance of Delayed Delivery Contracts.

The principal amount of Series D Bonds to be purchased by each Underwriter will be proportionately reduced by the amount of Series D Bonds contracted to be sold pursuant to Delayed Delivery Contracts, except to the extent that any such Delayed Delivery Contract has been directed and allocated to a particular Underwriter by a purchaser under a Delayed Delivery Contract. The Underwriters may pay a commission to dealers equal to the concession to dealers set forth above in respect of Series D Bonds for which Delayed Delivery Contracts directed and allocated to them are arranged through the Representatives of the Underwriters.

No dealer, salesman or other person has been authorized to give any information or to make any representation not contained in this Prospectus in connection with the offer made by this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or by the Underwriters. This Prospectus does not constitute an offer by the Company or any Underwriter to sell, or a solicitation of an offer to buy, any of these securities in any jurisdiction to any person to whom it is unlawful for the Company or such Underwriter to make such offer or solicitation in such jurisdiction. The delivery of this Prospectus does not imply that the information herein is correct as of any time subsequent to its date.

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\$15,000,000

Central Maine Power Company

General and Refunding
Mortgage Bonds
Series D 16 $\frac{1}{8}$ % Due 1991

PROSPECTUS

Kidder, Peabody & Co.
Incorporated

Lehman Brothers Kuhn Loeb
Incorporated

April 15, 1981

CHAIRMAN
Ralph H. Gelder



COMMISSIONERS
Diantha A. Carrigan
Lincoln Smith

STATE OF MAINE
PUBLIC UTILITIES COMMISSION
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October 31, 1980

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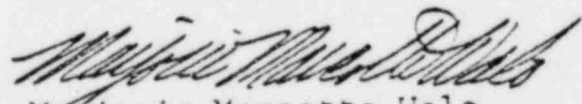
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Virginia E. Davis, Esq.
Richard Thayer
Cabanne Howard, Esq.
Margaret Wells Dobbins

Re: CENTRAL MAINE POWER COMPANY, Proposed Increase in
Rates, Locket Nos. 80-25 and 80-66

TO THE COUNSEL:

Please find enclosed an attested copy of the Commission's
Order on the above-captioned matter rendered today.

Very truly yours,


Marjorie Marcotte Walo
Assistant Secretary

MMW/gjh
Enclosure

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STATE OF MAINE
PUBLIC UTILITIES COMMISSION

October 31, 1980

ORDER

CENTRAL MAINE POWER COMPANY
Re: Proposed Increase in Rates

Docket No. 80-25

CENTRAL MAINE POWER COMPANY
Re: Investigation into Cost of
Service of Customer Classes and
Rate Design

Docket No. 80-66

GELDER, Chairman; SMITH and CARRIGAN, Commissioners

PHASE I. REVENUE REQUIREMENT

APPEARANCES in Phase I of this proceeding are as follows:

Gerald M. Amero, Esquire, Portland, Maine, Seward B. Brewster, Esquire, Augusta, Maine, James Good, Esquire, Portland, Maine for Central Maine Power Company; Wayne R. Crandall, Esquire, Rockland, Maine for Martin Marietta Corporation; Virginia E. Davis, Esquire, Augusta, Maine for the Natural Resources Council of Maine; Ms. Ann DeWitt, Oakland, Maine, Pro Se; Margaret Wells Dobbins, Esquire, New York, New York, Stephen T. Hayes, Esquire, Augusta, Maine for St. Regis Paper Company; Paul A. Fritzsche, Esquire, Lewiston, Maine, Harvey Jalgo, Esquire, Boston, Massachusetts for the Maine Committee for Utility Reform and Bruce Reeves; Mark L. Haley, Esquire, Bath, Maine for Bath Iron Works Corporation; Mr. Donald W. Hopkins, Brunswick, Maine for Pejepscot Paper Division of the Hearst Corporation; Cabanne Howard, Esquire, Assistant Attorney General for the Office of Energy Resources; Stephen A. Johnson, Esquire for the Public Utilities Commission Staff; Peter L. Murray, Esquire, Portland, Maine for Emil Garrett; Roger A. Putnam, Esquire, Portland, Maine for Scott Paper Company; and Frank E. Southard, Jr., Esquire, Augusta, Maine for Keyes Fibre Company.

Pursuant to 35 M.R.S.A. §64, Central Maine Power Company, hereinafter sometimes referred to as CMP, Central Maine or the Company, on February 1, 1980, filed revised schedules of rates and charges* with the Public Utilities Commission,

*

A complete list of the proposed rate changes includes revisions in the following rates:

Rate A	Sheets 1 and 2	Twenty-first Revision
Rate AL	Sheets 1 and 2	Fifth Revision
	Sheet 3	Fourth Revision
	Sheet 4	Cancelled (the subject matter is included in Sheets 1, 2 and 3)
Rate A-TD	Sheets 1 and 2	Third Revision
Rate E	Sheets 1 and 2	First Revision
Rate GSS	Sheets 1 and 2	Third Revision
Rate GST	Sheets 1 and 2	Third Revision
Rate GST-TD	Sheets 1 and 2	Third Revision
Rate M-3	Sheet 1	Ninth Revision
Rate N	Sheet 1	Thirteenth Revision
Rate SL	Sheets 1, 2 and 3	Fifth Revision
	Sheets 4 and 5	Cancelled (the subject matter is included in Sheets 1, 2 and 3)

The new rates filed are:

Rate A-LM	Sheets 1 and 2	Original
Rate A-TDR	Sheets 1 and 2	Original
Rate GS	Sheets 1 and 2	Original
Rate GSP	Sheets 1 and 2	Original
Rate GS-TD	Sheets 1 and 2	Original
Rate GSP-TD	Sheets 1 and 2	Original

hereinafter sometimes referred to as the PUC or the Commission. The rates and charges, as filed, were to be effective on March 2, 1980 and would have increased Central Maine's annual revenues by \$35,000,000. Subsequently, the requested increase in annual revenue was amended to \$36,900,000. Acting pursuant to the authority of 35 M.R.S.A. §69, the Commission suspended the effective date of the schedules. By order dated February 27, 1980, the schedules were suspended for three months from March 2, 1980, and by order dated May 29, 1980 the schedules were suspended for an additional five months from June 2, 1980.

A prehearing conference was held as ordered on March 25, 1980 at the offices of the Commission in Augusta. Petitions to intervene had been filed prior to that date and were considered at the conference. By Order dated April 2, 1980, the

Existing rates to be cancelled are:

Rate GS-1	Sheets 1 and 2	Fifth Revision
Rate GS-2	Sheets 1 and 2	Fifth Revision
Rate GS-3	Sheets 1 and 2	Fourth Revision
Rate GS3-TD	Sheets 1, 2 and 3	Second Revision

Changes are proposed in the following Rules and Regulations:

Section 3	Sheet 3	Fourth Revision
	Sheet 3-A	First Revision (Subsection 3.9 and 3.10 deleted)
Section 4	Sheet 4	Ninth Revision
	Sheet 4-A	Sixth Revision
Section 5	Sheet 5-A	First Revision
Section 6	Sheet 6-A	First Revision
Section 15	Sheet 15	Seventh Revision
Section 17	Sheet 17-A	Fourth Revision
Section 18	Sheet 18-D	First Revision

Commission allowed the petitions of Associated Industries of Maine,* Bath Iron Works, Ann DeWitt, Keyes Fibre Company, Maine Committee for Utility Rate Reform and Bruce Reeves, Maine Office of Energy Resources, Martin Marietta Corporation, Natural Resources Council of Maine, Pejepscot Paper Division of the Hearst Corporation, St. Regis Paper Company, and Scott Paper Company.

The April 2, 1980 Order dealt with another issue considered at the prehearing conference which is relevant here. An investigation pursuant to 35 M.R.S.A. §296 was initiated into Central Maine's cost of service by customer class and rate design. The §296 investigation was assigned Docket No. 80-66 and was consolidated with the §64 filing. The consolidated proceeding was bifurcated for purposes of hearing, with revenue requirement issues being heard as Phase I. Issues dealing with cost of service by customer class and rate design will be heard as Phase II.

Extensive discovery through data requests was conducted and hearings on revenue requirement issues commenced May 19, 1980. Hearings continued on May 20-22, June 23-27, July 7, and August 4, 1980, a total of 12 days. Testimony from the public was received on June 27th and August 4th.

Briefs were filed by the parties on or before August 1, 1980 and reply briefs were filed on or before August 18, 1980.

While certain actions have been taken with respect to the Phase II portion of this proceeding, this order is dispositive of only revenue requirement issues.

Active participants in Phase I were Central Maine, Bath Iron Works, sometimes hereinafter referred to as Bath or BIW, the Maine Committee for Utility Rate Reform and Bruce Reeves, sometimes hereinafter referred to as the Maine Committee, and the Public Utilities Commission Staff, sometimes hereinafter referred to as the Staff. Some other intervenors were present at most of the hearings, but their participation was relatively limited and they have taken no position on issues concerning Central Maine's revenue requirement.

Central Maine presented four witnesses: Mr. Robert F. Scott, Senior Vice-President, Customer Services and Rates; Mr. Thomas C. Webb, Senior Vice-President, Finance; Mr. Robert S. Howe, Comptroller; and Mr. Douglas Stevenson, Assistant to the Comptroller. These witnesses are all officers of the Company.

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The Associated Industries of Maine subsequently withdrew from the case.

The Staff presented three witnesses: Mr. David A. Kosh, President of Kosh, Louiselle, Lurito & Associates, Inc., an Arlington, Virginia consulting firm specializing in public utility economics; Mr. Bruce M. Louiselle, Vice-President of the same firm; and Mr. Richard E. Darling, Supervisor of Conservation Programs for the Maine Office of Energy Resources.

Bath Iron Works presented two witnesses: Dr. Michael J. Ileo, President of Technical Associates, Incorporated, an economic research and consulting firm of Washington, D.C. and Richmond, Virginia and Mr. David Parcell, Vice-President of the same firm.

The Maine Committee called two witnesses who testified: Mr. Charles E. Monty, Senior Vice-President, Engineering and Production, Central Maine Power Company; and Mr. Samuel D. Soule, Plant Superintendent of Central Maine's William F. Wyman Station at Cousins Island.

During the proceeding, Emil Garrett was permitted to intervene on two issues concerning the costs associated with the Sears Island nuclear facility. He called as a witness, Mr. Webb, Central Maine's Senior Vice-President, Finance.

In determining a utility's revenue requirement, the Commission must determine the fair rate of return which the utility is entitled a reasonable opportunity to earn. Then, the Commission must determine whether the utility is earning its fair rate of return and, if not, the amount of revenue which will afford the utility a reasonable opportunity to do so. This second step under traditional rate case analysis requires selection of a test year and the evaluation of rate base, revenue and expenses as adjusted during the test year. The test year analysis reveals the return earned. The return earned is weighed against the return required (the fair rate of return multiplied by the test year rate base) and the difference between the return earned and the return required shows the return adjustment that is required.

Since rates are set prospectively for at least a year ahead, it is necessary to normalize expenditures and revenues in a test year to reflect a level of expenditures and revenues that can be reasonably expected to occur during the first year rates are in effect. This process includes incorporating known changes that have occurred since the test year. Also, this Commission in recent years has provided an attrition allowance to take into account expected--but not actually known--future changes in revenues and expenditures to help assure that the allowed or required rate of return will be maintained for the Company for at least the first full year that the new rates are in effect.

These topics are addressed in this Order as they currently apply to Central Maine Power Company.

FAIR RATE OF RETURN

"Capital cost when competently computed is essentially and practically the equivalent of fair rate of return." Central Maine Power Company v. Public Utilities Commission, 156 Me. 295, 307 (1960). Therefore, in determining the fair rate of return, it is necessary for the Commission to determine the cost of debt, the cost of preferred stock, the cost of common equity, and the capital structure.

Three cost of capital witnesses were presented by the parties. Thomas C. Webb, Senior Vice-President, Finance, for Central Maine, testified on behalf of the Company. David A. Kosh, President of Kosh, Louiselle, Lurito and Associates, Inc., presented testimony on behalf of the Staff. David Parcell, consulting economist and Vice-President of Technical Associates, Inc., testified for Bath Iron Works.

1. Cost of Debt - SAME AS EXAMINER'S REPORT.

Mr. Webb recommended a cost of debt of 9.87%, Mr. Parcell recommended a cost of debt which the Commission computes to be approximately 8.94%, and Mr. Kosh recommended a cost of debt of 9.33%. There are two major differences in these recommendations--the cost of short-term debt and the cost of the revolving credit and term loan agreement. The witnesses' recommendations on these issues are reflected in Table I below.

TABLE I

RECOMMENDATIONS REGARDING COST OF SHORT-TERM DEBT AND REVOLVING CREDIT AND TERM LOAN AGREEMENT

	<u>Cost of Revolving Credit and Term Loan Agreement Recommendations</u>	<u>Cost of Short-Term Debt Recommendations</u>
Mr. Webb	15%	14.0%
Mr. Parcell	13%	8.0%
Mr. Kosh	13%	11.0%

The cost rate of the revolving credit and term loan agreement depends on the prime rate. The rate covers the prime rate and certain fees, the latter causing an increase above "prime" of about 50 basis points. Mr. Kosh and Mr. Parcell recommended a 13% rate which the Commission accepts as just and reasonable. The Commission checked this conclusion against the 1980 prime rate actual experience, which was officially noted by an Order dated August 20, 1980.

The prime interest rate at the beginning of 1980 was 15%-15.5%. Between late February and early April the prime rate rose to 20%. Then "prime" declined to 13% by mid-June. It continued to decline to 10.75% - 11% by late July. By August 20, 1980, the end of the period officially noted, the prime rate again started to increase. In light of this less than stable actual experience the Commission believes a cost rate of 13% for the revolving credit and term loan agreement is just and reasonable for the coming year.

The short-term debt is reasonably expected to be in the form of commercial paper with bank lines of credit to back it up. We have checked the recommendations of the witnesses against the actual 1980 experience which was officially noted. Commercial paper rates in 1980 appear to have fluctuated in a pattern similar to the prime rate between a high of 18.3% and a low of 8%. At the end of the period of official notice, the commercial paper rate was 9.75% - 10%. In light of the actual experience we believe the 8% recommendation is slightly low, that the 14.0% is slightly high, and that the 11.0% is just and reasonable for the future. We so find.

Because we have used the rates that Mr. Kosh recommended on both of the issues affecting the cost of debt, we find Mr. Kosh's recommendation of 9.33% for the cost of debt to be just and reasonable.

2. Cost of Preferred - SAME AS EXAMINER'S REPORT

Mr. Webb testified that the cost of preferred stock was 8.82%, Mr. Parcell testified that the cost of preferred stock was 8.27% and Mr. Kosh testified that the cost of preferred stock was 8.52%. The difference between these costs relates largely to the estimates by the witnesses of the cost of Central Maine's July 24, 1980 preferred stock issue. Central Maine submitted a late filed exhibit that shows that this issue had an effective cost rate of 11.95%, with a dividend requirement of 11.75%. Using these costs, Central Maine's Exhibit 11, late filed, shows a composite cost of preferred stock of 8.35%. The Commission finds the 8.35% cost rate to be just and reasonable.

3. Cost of Equity

In setting the cost of equity for ratemaking purposes, the Commission is bound by the now familiar principles enunciated in Bluefield Water Works and Improvement Company v. Public Service Commission of West Virginia, 252 U.S. 679 (1923) and Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591 (1944) that "the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital." Id. at 603. The cost of equity is the amount of the material reward needed to induce an investor to supply a given amount of equity capital. The required return is thus set by the investor. The Commission merely measures what, in its estimation, is that required return. Based upon the application of these principles, the Commission finds that the cost of equity is 13.75%.

Mr. Webb used a number of methods to measure the cost of equity to arrive at his recommended cost of 15%. Mr. Webb first used a discounted cash flow ("DCF") analysis to arrive at a "bare bones" cost of equity of 14.25%. The DCF method recognizes that the objective of an equity investor is to obtain current and future income in the form of current dividends and growth in future dividends and/or market price. Using estimates of the investor's expectations of income, the DCF method computes a capitalization rate that indicates the investor's required return. From this return, the just and reasonable earnings requirement of the Company is determined. The capitalization rate is determined by adding the estimated dividend yield to the estimated growth rate in dividends per share. Like all other methods used in computing the cost of equity, some degree of judgment is required to determine the figures to be used in the equation. In fact, all three witnesses employed a DCF analysis to reach substantially different results. In evaluating the DCF analysis employed, therefore, it is necessary to evaluate the judgments made and the basis for those judgments.

In determining dividend yield, Mr. Webb testified that, since the near-term future is projected to encompass many of the economy's current problems, he believes that the recent past provides a realistic basis for projection. Mr. Webb used the period 1977-79 to develop an average CMP dividend yield of 9.6%. Giving some weight to the 1979 yield of 10.75% and the current yield of over 12%, Mr. Webb developed a range from 9.5% to 10.25%.

In deriving a growth rate, Mr. Webb again used the period 1977-79 and recommended a growth rate of 4.5%. The rate was derived by analyzing CMP's growth in annual dividends per share, CMP's growth in the annualized dividend rate, and the industry's average growth in dividends per share. Mr. Webb chose to use a 9.75% dividend yield and a growth rate of 4.5% to compute his 14.25% capitalization rate.

The primary difference between the DCF analyses performed by the three cost of capital witnesses is the growth rate. Dividend yield figures varied less significantly among the witnesses, although we are persuaded that Mr. Kosh has presented the most reliable yield estimate. In fact, the dividend yield figure used by Mr. Kosh and approved in this decree is slightly higher than that used by Mr. Webb. Our analysis of Mr. Webb's methodology will focus solely on the growth rate used. We find that, because of his sole reliance on dividend growth figures, Mr. Webb's analysis of future growth is fatally flawed.

Upon cross-examination, Mr. Webb, as a matter of mathematics, agreed with the following principles:

1. If the payout ratio and the rate earned on book equity are unchanged over time, then book value per share, earnings per share, and market price will grow at the same rate;
2. Growth in dividends per share originates with growth in earnings per share; and
3. The growth in earnings per share is equal to the growth in the rate earned on equity times the growth in book value.

Over the 1977-79 period, CMP's growth in book value per share was 2.26%, while its growth in earnings per share was 6.62%. The difference in growth rates must result, therefore,

from the growth in the return earned on equity.* During the 1974-76 period, CMP's average earnings for equity were approximately 9.9% and the dividend growth was 1.9%. During the 1977-79 period, however, the average return earned was 12.4%, representing a 25% growth in the rate of earnings. The growth in dividends, as computed by Mr. Kosh, was 4.6%. Since a relatively high payout ratio was maintained,** the growth in dividends over the more recent period resulted from the increase in the rate earned on book value. It is irrational to assume that the rate earned on book value will continue to increase in the future.

Mr. Webb testified that CMP had targeted a 75% payout ratio (25% retention ratio). In order to maintain a 4.5% growth rate with a 25% retention ratio, the required return on equity would have to be 18% ($4.5\% \div 25\% = 18\%$). This return is far in excess of the amount Mr. Webb actually recommended in this case. Such inconsistency again demonstrates the absurdity of extrapolating from the recent trend in the rate earned on book. We find that Mr. Webb's use of the dividend growth rate results in an overstatement of anticipated growth and must be rejected.

In addition, Mr. Webb used a market-to-book analysis to test his DCF result and to mark up the result to achieve a market-to-book ratio of 1.2. Mr. Webb stated that a market-to-book ratio of 1.2 was required to compensate for the costs of issuing new equity and to provide a reasonable provision for market pressure. Using a dividend yield range of 9.5% to 10.25%, a book value of \$17.54 and a payout ratio of 75%, Mr. Webb found a range of 15.22% to 16.4% to be the required return on book equity to yield a 1.2 market-to-book ratio. Assuming a constant market-to-book ratio, however, any

New { In its exceptions to the Examiner's Report, CMP argues that this statement is erroneous since it "completely ignores" the dilution which has occurred in the past when the Company has issued stock below book. This argument, however, does not rebut the statement made in the text. While dilution certainly is one factor which must be taken into account when computing growth in book value, the growth in book value, including dilution, when multiplied by the growth of the rate earned on equity will yield the growth in earnings per share. Thus the difference between the growth in book value and growth in earnings depends solely on the growth in the rate earned on equity. That dilution exists does not affect the validity of the equation.

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The payout ratio averaged approximately 72% for this period.

change in the payout ratio would have an increasing or decreasing effect on the required return. Mr. Webb testified that an increase in the payout ratio should increase the investors' perception of risk. Using Mr. Webb's market-to-book ratio analysis, however, demonstrates just the opposite result. Thus an increase in the payout ratio would require a decreased return, while conversely, a decrease in the payout yields an increased rate of return. Because Mr. Webb's analysis contradicts his own prediction of investor response, we reject Mr. Webb's market-to-book approach.

Mr. Webb also used a comparable earnings approach to arrive at a cost of equity of 15-16.5%. Mr. Webb compared the earnings of the Standard and Poor's 400 Industrials with the earnings of electric utilities and CMP. Over the 1965-78 period studied, the industrials earned 12.7% on equity. They earned 13.9% over the 1974-78 period and 14.35% over the 1977-78 period. Even assuming the comparability of the S & P 400 with Central Maine, an assumption which has not been supported on this record, the typical firm in the S & P 400 Industrials had a 1.25 market-to-book ratio during the most recent period, 1977-79. Since Mr. Webb stated that a market-to-book ratio of only 1.2 was required for CMP, it is clear that the required rate of return under Mr. Webb's comparable earnings approach would be less than 14.35%. We do not find that this approach supports Mr. Webb's recommendations.

Finally, Mr. Webb used a "risk premium" approach, demonstrating a range of returns from 14.75% to 16%. To achieve this result, Mr. Webb added 575 to 625 basis points--the risk premium--to the long-term U.S. Treasury Bond rate of 9% to 9.75%--deemed to be the appropriate "riskless rate." Mr. Webb derived his risk premium in part from a survey of institutional investors by Paine Webber Mitchell Hutchins. In the survey, investors were asked what return on equity would be attractive relative to AA long-term utility bond yields of 9 1/2%. To this spread, Mr. Webb added another spread to account for the difference in the risk perceived by the investor between companies whose bonds are rated AA and Baa.* Mr. Webb, however, was unable to state what market-to-book ratio the investors surveyed believed would be produced by their desired return. Without such information, it is impossible to determine the validity of the spread to

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CMP's most recent bond issue is rated Baa.

achieve the 1.2 market-to-book ratio targeted by Mr. Webb. Moreover, Mr. Webb's risk premium was computed based on a spread between Baa bonds and the cost of equity. The premium was applied to the riskless rate, however, not to the appropriate Baa rate. The Commission finds that this approach is not sufficiently reliable to support Mr. Webb's recommendations.

In recommending a cost of equity of 12% to 13.25%, Mr. Parcell relied upon a comparable earnings approach, a DCF analysis, and the capital assets pricing model ("CAPM"). In his DCF analysis, Mr. Parcell developed a dividend yield in the range of 9-10% and a growth rate in the range of 2-3%. The capitalization rate that results is therefore 11-13%. These ranges are similar to those developed by Mr. Kosh. Mr. Parcell's analysis depended in large part upon an analysis of Moody's 24 Utilities. Mr. Kosh, however, performed detailed studies to determine comparable companies to study in developing his DCF analysis. While CMP is included in the Moody's 24, that in and of itself does not imply that the Moody's 24 are in fact comparable companies. The Commission adopts the approach taken by Mr. Kosh because of the lack of demonstrable correlation on this record between CMP and the Moody's 24. We believe, however, that Mr. Parcell's analysis lends support to Mr. Kosh's recommendations.

The CAPM methodology described by Mr. Parcell is based on the premise that the cost of equity is measured by the market, or "systematic", risk inherent in the stock. Therefore, the less market risk that exists, the more valuable is the security. Systematic risk is quantified by determining: 1) the current interest rate on risk-free investments; 2) the return provided by the market over a period of time; and 3) the performance of stock of the utility being studied in comparison to the market. The last factor is known as the "beta" coefficient. The beta coefficient is multiplied by the risk premium of a company or group of comparable companies to provide the systematic risk premium of a particular company. The systematic risk premium is then added to the risk-free rate to determine the fair rate of return. Mr. Parcell's analysis relies on data for the Moody's 24 Utilities. The beta thus computed relates to the Moody's 24 and has not been sufficiently demonstrated to relate to CMP. The Commission, therefore, rejects Mr. Parcell's application of the CAPM methodology to this case.

Mr. Parcell's comparable earnings analysis yielded a recommended range of 12% to 13%. Mr. Parcell's analysis, however, does not derive the appropriate market-to-book ratio

for CMP or show what the market-to-book ratios were for his comparable companies. It is, therefore, difficult to test the recommended result. The Commission finds that this analysis does not provide a sufficiently reliable basis from which to determine the cost of equity.

*Different
from G. Rpt.*

Mr. Kosh used a DCF analysis to compute his recommended cost of equity of 13.75%. The Company has criticized Mr. Kosh's recommendation on the ground that over the past seven years this Commission has adopted Mr. Kosh's recommendations, while the Company's stock over that period has sold consistently below book. The Company urges that this latter fact is attributable to Mr. Kosh's overly low recommendations of the cost of equity in the past and that therefore Mr. Kosh's testimony in this case should be taken with "a grain of salt." While it is true that the consistent selling of stock below book is a matter of concern and will, in the long run, work to the detriment of the Company and its ratepayers, the fact that the Company's stock has sold below book in the past does not in and of itself indict Mr. Kosh's methodology. The Company, in short, has made no demonstration on the record that the allowed rates of return in the past have been a contributing factor to the Company's sale of stock below book and ascribes more weight to our past decisions than is appropriate. Management may exercise its discretion with respect to the Company's financial affairs in a variety of ways that can affect the price of its stock. Thus, the mere fact that the price is undesirably low does not establish that the allowed return was insufficient. For the Company's contention to be persuasive, it must be supported by an evidentiary demonstration that management had no meaningful opportunity to improve the market-to-book ratio. Even then, it would also be necessary to show that an increase in the allowed return would have remedied the situation. There are, therefore, many factors which may contribute to the Company's sale of stock below book. Past Commission decisions cannot be deemed at fault.

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Mr. Kosh developed a 9.92% dividend yield for CMP and a 9.3% yield for his selected eight comparable companies. Analyzing growth in book value rather than growth in dividends per share, Mr. Kosh computed a growth rate of 2.75% for CMP and a growth rate of 3.13% for the comparable companies. These figures yield a capitalization rate of 12.6% for CMP and 12.52% for the comparable companies. Mr. Kosh determined that the range for the bare bones cost of equity was 12.5% to 12.75%.

In arriving at those figures, Mr. Kosh relied on the 36-month period ending April 30, 1980 as the period most reflective of investor expectations. This period basically coincides with that used by Mr. Webb and is, the Commission believes, the appropriate period to be used. The major disagreement between Mr. Webb and Mr. Kosh concerns the appropriate growth rate. As noted previously, the growth rate derived by Mr. Webb from growth in dividends per share is overstated. Mr. Kosh testified that, in the short-run, dividends may vary for a variety of reasons.* Long-term growth in dividends, however, derives from earnings and earnings are derived from book value. Over the long-run, therefore, growth in book value provides the appropriate measurement for growth in dividends. An analysis of growth in book value factors out those elements of dividend and earnings growth which depend on increases in the rate earned on equity. Those elements must be eliminated from consideration, because those increases cannot be expected to continue indefinitely. For these reasons, the Commission adopts Mr. Kosh's analysis.

In recommending a cost of equity of 13.75%, Mr. Kosh determined that that was the return required in order to achieve a market-to-book ratio of 1.19 given the capitalization rates he computed. Because the Company is planning to issue a substantial amount of equity, Mr. Kosh has testified that the rate allowed should be sufficient to protect the Company from downward price fluctuations and to allow it to cover financing costs and pressure. Mr. Kosh has computed financing costs and pressure to be no more than 7.5% and we approve that figure.**

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Mr. Kosh stated:

Experienced growth in per share dividends may reflect aberrations which cannot be expected to continue. For example, management may allow the dividend rate to remain the same for a period of years until earnings reach a level where an increase in the dividend is likely to 'stick'; or management may increase the payout, i.e., increase dividends move rapidly than earnings; or, if in need of cash, it may maintain a constant [dividend] in the face of rising per share earnings. Thus, it is important that the analyst supplement his analysis of past dividend growth by developing additional indicators of future dividend growth. (P.U.C. Staff Exhibit 3 at 29).

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In computing this figure, Mr. Kosh used a cost rate of 3.95% and a pressure rate of 3.55%. Both of these figures are found to be reasonable.

Mr. Parcell apparently believes the 7.5% figure to be excessive. Based on studies he performed, Mr. Parcell recommended that an adjustment of up to 2% be used to reflect any possible downward effect due to a new stock issuance. The Commission believes that this figure is understated. Mr. Parcell examined common stock sales for Moody's 24 Utilities over the past five years. He analyzed changes in market price of each Company relative to the Dow Jones Utility Stock Index for 51 months prior to each stock issuance and determined that there was no significant decline for a utility issuing stock in relation to utility stocks in general. The Commission finds that an analysis of the reactions of the Moody's 24 Electrics is insufficiently related to CMP to be probative of the effect on CMP's stock of a stock issuance. Moreover, Mr. Parcell's 2% figure results in part from the application of his derived cost rate only to the new shares to be issued. The Commission rejects this approach since we find that for a rate on equity to be fair, the rate must produce a market price for all stock which allows the sale of new stock at a reasonable level.

In addition to market pressure and financing costs, Mr. Kosh recommended a 9% adjustment to protect against short-term market declines in CMP's common stock. That figure was computed by comparing the high price in any given month with the low price two months later. The Commission recognizes that adjusting the bare bones cost of equity by the 9% fluctuation figure and the 7.5% market pressure and financing cost figure represents a highly conservative approach. These adjustments are nevertheless approved because of the Company's plans for substantial additional financing in the near future and CMP's recent tendency to issue stock below book. Therefore, a cost of equity of 13.75% is found to be just and reasonable.

4. Fair Rate of Return

Having found the cost of debt to be 9.33%, the cost of preferred stock to be 8.35%, the cost of common equity to be 13.75% and there being virtually no disagreement as to the capitalization ratios, the Commission finds the fair rate of return to be 10.78% as set forth in Table II.

TABLE II

FAIR RATE OF RETURN

<u>Type of Capital</u>	<u>Capital Structure</u>	<u>Cost</u>	
Debt	50.8%	9.33%	4.74%
Preferred	13.5%	8.35%	1.13%
Common Equity	35.7%	13.75%	4.91%
Cost of Capital			<u>10.78%</u>

TEST YEAR

By agreement of all parties, the test year for this proceeding is 1979.

RATE BASE

"The rate base consists of the investment made by various capital owners of Central Maine in utility plant that is used or required to be used in rendering utility service. The suppliers of capital are legally entitled to a reasonable opportunity to earn a fair return on their investment. Thus, the rate base multiplied by the fair rate of return equals the fair [or required] return in dollars." Re: Central Maine Power Company 26 PUR 4th 388, 398 (Me. Pub. Util. Comm'n. 1978).

In this case issues arise as to whether certain plant held for future use, the thermal energy storage project costs, and certain Wyman Unit No. 4 costs should be included in rate base. A discussion of these issues follows.

The Commission has also included construction work in progress (CWIP) in rate base. However, since the issues concerning an allowance for funds used during construction (AFUDC) are closely related to CWIP and since AFUDC is an income issue, most of the discussion of the CWIP/AFUDC issues is in the test year income and expense section of this Order. In this section the Commission discusses only the question of deducting 1/2 of the test year accrued AFUDC from rate base.

In the rate base section the Commission also addresses the working capital issues concerning contractor retentions and vendor-financed fuel.

Other issues which concern rate base treatment are the Sears Island project costs and the Nuclear Enrichment Contract costs. Since the Commission disallows rate base treatment of these costs, but would allow some amortization of them, the discussion of these issues appears in a subsequent section of this decree.

1. Property Held For Future Use

Central Maine has included in rate base \$3,381,449* of property held for future use as well as \$1,573,793 of land in Richmond included in the "Investment in Joint Corporate Projects" account. In Re: Central Maine Power Co., 26 PUR 4th 388, 399-401 (Me. Pub. Util. Comm'n. 1978), this Commission put the Company on notice that in the future the Company must bear the burden of justifying the inclusion in rate base of property held for future use "by demonstrating that a sufficiently definite plan exists for the use of such property." The Commission adopted the "definite plan" standard because "we cannot burden ratepayers for an indefinite period with paying a return on Company assets which confer no immediate benefit on and provide no guarantee of future benefit to Central Maine's ratepayers."

The Company has asked the Commission to depart from this standard and to allow all property held for future use in rate base when the acquisition was made in good faith and in the exercise of reasonable and prudent business judgment in anticipation of future needs. Alternatively, the Company contends that, even under the "definite plan" standard, it has met its burden of proof with regard to all properties except Stockton Springs. At the other end of the spectrum, the Maine Committee argues that, as a policy matter, all property held for future use should be excluded since it is not used and useful. The Maine Committee alternatively contends that the Company has not met its burden of proof under the "definite plan" standard with regard to any of the property proposed to be included. BIW concurs in this conclusion. The Staff has argued that the Company has failed in its burden of proof only with regard to a number of specific items.

*
This figure includes 60% of the purchase price of land at Sears Island. That amount is \$706,057.

The Commission reaffirms its adoption of the definite plan standard. The reasons stated in the prior Central Maine Power Co. decree supporting the reliance on the standard remain as viable today as when first enunciated. In considering whether the Company has met its burden of proof in demonstrating the existence of definite plans, the Commission finds that the burden has not been met on a number of parcels.

All parties appear to agree that under the definite plan standard, the parcels of land at Stockton Springs should be excluded. The Company agreed that the use of those parcels was "quite hypothetical" and was unable to give any idea when the property would be placed in service or when construction might begin. The Staff has also argued that the Richmond parcels be excluded. Mr. Howe, who sponsored the Company's proposal to include in rate base certain items of property held for future use, testified that the Richmond site was intended to be used as an alternative site to Sears Island or as a generating site in 1994. The Company, however, is still actively pursuing its plans to build a coal plant on Sears Island. Moreover, Mr. Howe was unaware of the type or capacity of any generating facility to be built at Richmond in the event the site was not used as an alternative to Sears Island. Mr. Howe was further unable to testify that if a new generating facility was required in 1994 that the Richmond site would definitely be used. The Commission finds that the Company has not demonstrated the existence of definite plans with respect to either Stockton Springs or Richmond.

At the hearings, the Staff cross-examined Mr. Howe concerning the Company's plans for two transmission lines--a line from Guilford to Greenville and a line from Portland's Sewall Street Substation to Cape Station. Both lines were given an in-service date of 1985. The exhibit itemizing the parcels proposed to be included in rate base in the property held for future use and investment in joint corporate projects accounts was introduced not by the Company but by the Staff. Mr. Howe was unable to describe the purpose of the proposed lines, how the in-service dates were determined, what was the anticipated size of the lines, and when the projects were developed or whether any necessary permits had been sought. Because of these inadequacies in the testimony concerning the

The amount attributable to Stockton Springs is \$496,265. That attributable to Richmond is \$1,573,793. All the amounts used in this section reflect 13-month average figures supplied to the Commission by order of the Examiners in the Examiner's Report. The figures, supplied by the Company under cover letter dated October 20, 1980, are hereby admitted into the record as a late-filed exhibit.

existence of a definite plan, the Staff argues that these lines should be excluded. The Commission agrees. We also note, however, that Mr. Howe stated that he would be unable to testify specifically in regard to any of the items listed as "Transmission Line Property" in P.U.C. Staff Exhibit 1, 3 MPUC-8 and 9. We can only conclude that the same infirmities noted above with regard to the Guilford line and the Sewall Street Substation line apply to all the transmission line property which the Company has requested be included in rate base.

As noted earlier, Central Maine was put squarely on notice that it had the burden of proof in this area and that the Commission would expect evidence of the existence of definite plans. The Company's only attempt to deal with this issue was Mr. Howe's pre-filed statement that the Company had "included parcels that we believe meet this standard." However, this means that the Company believes that there exists a definite plan for the Richmond property as well. In fact, the plans for that property are no more definite than they were during the pendency of the last rate case when that property was also excluded. The Commission finds that it can place little reliance on Mr. Howe's pre-filed statement since clearly the Company's "belief" that the requested items meet the definite plan standard differs from the Commission's conception of what meets that standard. Mr. Howe's demonstrated inability to verify the existence of definite plans for the transmission line properties further casts in grave doubt the existence of definite plans.

A review of the exhibit submitted by the Staff reveals, however, that a number of transmission line properties have an in-service date of 1980. We find that for those properties, we can infer the existence of definite plans since presumably the properties will be, or already are, placed in service during this year. In addition, we find substantial evidence to include the Transmission Lines for the Sears Island project since a definite plan exists to build a coal-fired generating station at Sears Island. All other transmission line properties will be excluded. We therefore reduce rate base by \$542,641 to reflect the property eliminated above.

The Staff has also contended that the Commission should exclude property in Portland on Canco Road slated to be used for expansion of the existing Portland service building. On cross-examination, Mr. Howe conceded the possibility that the Company's plans to reduce costs through use of data entry

systems and inventory systems might preclude the need for future expansion of the building on Canco Road. Unlike the properties discussed previously where it is not even clear that any plan even exists for the use of the properties, here the Company apparently has at least decided what use to make of the Canco Road property. It is the definiteness of that use which is at issue. Based on this record we cannot conclude that the property will definitely be used. The Company has made no attempt to resolve this question. We exclude this property and reduce rate base by \$162,655.✓

The last issue raised by the Staff concerns what should be included in rate base on account of the Company's proposal to build a coal-fired generating station on Sears Island. The Company had originally proposed to include in rate base 60% of its land lease payments, made under an option on the land. By late-filed exhibit, the Company now proposes to include 60% of the total purchase price* of the land since the Company exercised its option to purchase during the pendency of this proceeding. The Staff does not object to the inclusion of the lease payment but contends that there is no definite plan to justify inclusion of the cost of the purchased land. The definiteness of the Company's plan to use the land at Sears Island does not vary, however, depending on whether the Company owns the land outright or makes payments under an option. The Company has sought reconsideration of this Commission's original rejection of the proposal to build Sears Island and hearings are now underway. Regardless of the outcome of that proceeding, it is clear at this point that a definite plan exists.

The Staff has made a number of arguments with regard to Sears Island attempting to cast doubt on the prudence of acquiring the Sears Island property prior to the rendering of a final decision on the Company's proposal to build the plant. We share the Staff's concerns. However, based upon the record before us, we cannot conclude that those concerns are sufficient to allow us to find that the Company's actions were imprudent or unreasonable. Accordingly, the Commission allows the inclusion of 60% of the purchase price for the Sears Island parcel in rate base.

Having reviewed the record on property held for future use, we find that definite plans exist for the items not

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The Company has requested inclusion of only 60% to reflect its anticipated ownership of the generating facility once, and if, it is built.

specifically mentioned in the body of our discussion.

2. Conversion Allowances For Thermal Energy Storage

CMP has proposed a test year expense adjustment of \$375,000 to cover proposed costs of the Company's thermal energy storage program ("TES"). Under the Company's proposal, electric space heating customers would be encouraged to convert from existing resistance heating to storage heating. The program is an attempt at load management, designed to shift a customer's usage from on-peak to off-peak. In order to encourage conversions, the Company proposes to spend \$75,000 in advertising and to give \$1,500 to each customer who decides to convert. The Company has estimated there will be about 200 conversions in the first year the program is offered. The program is not designed to benefit customers who install TES initially.

Both BIW and the Maine Committee have argued that this expense be disallowed entirely. The Maine Committee argues first that the allowance would constitute unjust discrimination prohibited by 35 M.R.S.A. §102; second, that it is a proscribed rebate under 35 M.R.S.A. §103; and finally that it is a promotional allowance within the terms of 65-407 CMR 83.1(E). BIW concurs with these arguments.

The allowance is alleged to be discriminatory in that it is made only to those converting to TES; no allowance is made to those converting to oil, solar, wood or any other method of home heating which could also have the effect of lessening on-peak consumption. The Commission finds that 35 M.R.S.A. §102 was not designed to prevent the type of allowance contemplated here. "When a utility has established rate classifications available to all customers for a like and contemporaneous service it has fulfilled its obligations under the statutes." Gifford v. Central Maine Power Co., 217 A.2d 200, 202 (Me. 1966) quoting In re City Ice & Fuel Co., 260 App. Div. 537, 23 N.Y.S. 2d 376, 381 (1940). Here, the conversion allowance is available to all residential space heating customers and is uniformly applicable to all those choosing to convert.

Nor does the allowance constitute a rebate proscribed by 35 M.R.S.A. §103, so long as the Company has filed a rate therefor which is approved by the Commission. Section 103 proscribes only rebates, discounts, or discriminations whereby service is provided free or at a rate less than a rate named in a schedule in force.

We do find, however, that the conversion allowance and its concomitant advertising constitute a promotional allowance and promotional advertising. Under 65-407 CMR 83.1(D) promotional advertising is defined as,

any advertising conducted for the purpose of encouraging any person to select or use the service or increase usage of the service of a public utility, to select, purchase, install, or use any appliance or equipment designed to use such utility's service, or to use any other particular service of the utility.

Promotional allowances are similarly defined under §1(E) as,

any reduction in rates or charges or any rebate or credit granted by a public utility to a customer for the purpose of encouraging any person to select or use the service or increase usage of the service of a utility, to select, purchase, install, or use any appliance or equipment designed to use such utility's service, or to use any other particular service of such utility.

In general, the Commission has enunciated a policy that the costs of promotional advertising and promotional allowances shall not be borne by the ratepayers. See 65-407 CMR 83.5(C). However, the Commission may allow an adjustment to rates under that subsection "on the basis of the policy expressed in this rule and the justness and reasonableness of the expenditure, contributions, expenses, or costs in the particular case."

TES is designed to be used as a load management tool, promoting a shift to off-peak usage. If successful, the

program should benefit all customers by deferring construction projects with the resultant savings accruing to the Company and customers over a number of years. Thus, while TES is decidedly a promotional program, it can theoretically be justified for inclusion in rates because of the benefit it will confer to all customers. Were we to find that rates should be allowed to cover the costs of the TES program, we would endorse the approach suggested by the Staff--namely, to capitalize the amounts for the allowance and amortize them over a ten-year period.*

The record purportedly showing the benefits of the TES program is, unfortunately, so sketchy and clouded in doubt as to force the Commission to conclude that an adjustment allowing the requested amount in rates cannot be justified at this time. The Company's presentation of this issue and its apparent decision not even to attempt to support the validity of the program,** even after serious questions had been raised by the intervenors, poses grave questions regarding the sincerity of the Company's approach to load management. The Commission's subsequent findings in regard to the proposed program reflect only the inadequate presentation of the program by the Company. The Commission's actions, therefore, are not to be construed as a general indictment of load management techniques.

Dr. Ileo testified on behalf of BIW that the TES program could result in an overall increase in total energy usage. While it may well be that on-peak usage will decline, CMP has made no attempt to demonstrate the relative costs and benefits of a total increase in energy usage vis-a-vis a decline in on-peak usage. Nor is it clear how much of a decline in on-peak usage can be anticipated. The Thermal Energy Storage Technical Validation Final Report, which apparently forms the

A ten-year period, rather than the average life of a generating facility, was suggested because of the uncertainties surrounding the program.

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For instance, the Company chose not even to address this issue in either its main or reply brief.

basis for the Company's TES program, states that in designing a TES heating system for a specific installation "it is usually necessary to use some electric resistance heaters for small rooms and other areas where the cost of the minimum size storage heater would not be justified." It appears, therefore, that under the conversion program customers will continue to have resistance heating available with a potential for on-peak use. The anticipated scope of that on-peak use, if any, is presently unquantified, however.* Moreover, the alleged advantage of the TES program would appear to result equally from conversions to forms of heating other than off-peak electric. No attempt has been made to demonstrate why a conversion allowance is appropriate in the event of conversion to TES while not appropriate for conversions to other forms of heating. The Company also has not demonstrated any rational relationship between the \$1,500 amount of the allowance and the degree of inducement necessary to attract customers to use the program. CMP has made no attempt to show that any lesser sum would or would not be sufficient to attract customers to the program.

With these unanswered questions the Commission cannot approve an adjustment in rates at this time. Because this program does offer some potential for load management, however, the Company is encouraged to present further evidence on the efficacy of this program during Phase II of this proceeding. The Commission will reconsider its decision on this issue should the Company pursue this option. Should the Company be able to justify the TES program, the Commission will make an adjustment to allow so much in rates as is just and reasonable at the time the Company's new rate structure is implemented.

Properly supported load management techniques will, in the Commission's opinion, greatly benefit both the Company and the ratepayers by delaying and perhaps even avoiding the necessity for future additional generating capacity. The development of such techniques is an extremely important aspect of providing electrical service and is to be encouraged. As noted previously, however, we cannot approve a program without a sufficient record to support it.

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In addition, the Report points out the extreme importance of proper sizing of the TES units, since undersized units may require supplemental on-peak energy. The Report itself admits, however, that sizing requires further study.

3. Wyman Unit Number Four

In early December of 1978, the Company's Wyman Unit Number Four, an oil-fired generating plant, came on line for the first time. The plant was rated at slightly over 600 MW by NEPEX on February 1, 1979. By January 1, 1979, the plant had been rated at 471 MW and CMP was deemed to have satisfied its NEPOOL capability responsibility. Previously, the Company had been assessed for deficiencies in meeting its responsibilities for the months of November and December.

Almost immediately following its start-up in December, the plant was required to be taken out of service. From December 17-21, the Company took the plant off line to conduct implosion studies. These studies were characterized as a "fine tuning" of the system. The plant was down again on December 22 to allow the Company to modify the hangers for the high pressured turbine steam chest. By early January, the plant was running again. During the morning of January 15, 1979, the plant hit 600 MW for the first time. Later that day, however, a condenser leak began to introduce salt water into the feedwater system and the plant was shut down shortly after 9:00 a.m. on January 16, 1979. The plant was down until April 3 because of damage caused by the salt water intrusion. Sometime in early April the output level of the plant was required to be reduced to 450 MW due to the bypassing of the high pressure heaters to allow for retubing of the heaters to eliminate a number of leaks which had been discovered. Finally, down time of approximately two months between September and November of 1979 occurred to replace the stack muffler since the muffler originally installed exceeded the design decibel level. Throughout these outages NEPEX allowed the Company to retain its rated 600 MW capability.

In addition to certain initial operational problems at the plant, there have been changes in the anticipated use of the plant by the Company. The plant was originally intended to be used as an intermediate base load unit. In fact, for purposes of the last rate case, Re: Central Maine Power Co., 26 PUR 4th 388 (Me. Pub. Util. Comm'n. 1978), the Company had projected a 60% load factor, which is consistent with use of the unit for intermediate base load.* The Company has stated that this

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For purposes of computing operation and maintenance expense for that unit, the Commission in fact used a 50% load factor based on its finding that new plants tend to have a lower than average load factor.

change in dispatch occurred because Wyman Four must use costly low-sulphur fuel and because the plant can be used as a cycling plant. The Company denies that the operational difficulties relating to the condenser leak have had any impact on the change in the dispatch scenario.

Based upon the events outlined above, the Maine Committee has made two arguments with regard to the treatment of Wyman Four. The first argument relates to treatment of the defective muffler. The Maine Committee argues that the muffler be excluded entirely from rate base in order to provide the maximum incentive for the Company to seek recovery of its costs from the manufacturer, Burns & Roe. Alternatively, the Maine Committee contends that since the muffler is no longer used and useful, it should be excluded from rate base but the costs should be amortized over the useful life of the plant. The Staff concurs with this second contention. The Maine Committee's second argument relates to treatment of Wyman Four because of the change in dispatch. The Maine Committee has argued that an investigation be begun to inquire more fully into the change in dispatch and the events relating to the condenser leak to determine whether management has acted prudently and to consider the potential long-term effects of the leak, including whether the damage from the leak has or will affect the use of the plant. Pending investigation, the Maine Committee contends that one-half of Wyman Four should be excluded from rate base with or without an accompanying amortization.

In regard to the muffler, Central Maine points out that it has included something less than 30% of the cost of the muffler in rate base and that that fact in and of itself provides sufficient incentive for the Company to pursue possible sources of recovery. In regard to the proposed exclusion of one-half of Wyman Four from rate base, the Company argues that the plant will be used and useful during the period that rates will be in effect and that it was in the best interests of the ratepayers to bring the plant on line and operate it rather than to incur costs for replacement power.

~~Regarding the defective muffler, the Commission finds~~
~~that the muffler is no longer used and useful and must be~~
~~excluded from rate base. We therefore reduce rate base by~~

~~37-454-62*~~ to reflect this adjustment. While the malfunction of the muffler is not attributable to any imprudence on the part of the Company, we do not find that it is reasonable to allow the Company to recover the cost of the muffler through an allowance for an amortization at this time, however. The record reveals that the Company has taken some steps to secure a settlement with the muffler's manufacturer, Burns and Roe. Since recovery of some or all of the costs may be possible, a balancing of the interests of the ratepayers and shareholders dictates that any allowance for an amortization at this point in time is premature. ~~The Company, however, should keep the Commission informed about the Company's progress in securing settlement during future rate cases.~~

In regard to other issues raised by the Maine Committee, we find that it is not appropriate to exclude one-half of Wyman Four from rate base and we conclude that further investigation of the dispatch change and of the events surrounding the condenser leak of January 15, 1979, is not warranted at this time. We will continue to watch the operation of Wyman Four in future rate cases, however, and will be prepared to make such adjustments as appear necessary. For purposes of the present case, ~~the Commission concludes that the Company acted unreasonably by discontinuing its taking of grab samples shortly after the plant reached 600 MW for the first time and we exclude from rate base \$116,491, which represents the 12-month average of the capital costs incurred to rebuild three high pressure feedwater heaters which were damaged as a result of stress corrosion cracking the heater tubes.~~

Based upon our review of the record in this case the Commission finds that the following events surrounding the condenser leak occurred. At approximately 2:00 p.m. on January 15, 1979, the Wyman Four unit went to full load capacity for the first time since the plant's initial start up. From the date the unit started operation, the Company, along with representatives of the manufacturers of the various pieces of equipment, had been engaged in monitoring aspects of

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~~For purposes of this record, the defective muffler is valued at its replacement cost of \$1,832,470, which also represents the cost of the new muffler. For undisclosed reasons, however, the Company has only included \$542,468 of the new muffler in rate base. Since the new muffler is used and useful, the Company is entitled to earn a return on the full value of the new muffler. Our adjustment, therefore, leaves in rate base the full cost of the new muffler.~~

the operation of the plant. Included as a method of monitoring, the Company had employees taking "grab samples" on a continuous 24-hour basis every two hours. Grab sampling is a process by which individual employees draw off water samples from various points in the water side of the steam cycle in order to test the conductivity of the water. Because of the sensitivity of the equipment, including the high pressure feedwater heaters, to chloride intrusions, conductivity levels are automatically monitored on a continuous basis. There are alarm systems, moreover, which are designed to notify the operators in the control room when the automatic monitoring equipment records undue levels of conductivity. The grab sampling was used as a check on the automatic monitoring systems.

At 8:00 p.m. on January 15, 1979, grab sampling every two hours was terminated. Before the termination was ordered, the plant supervisor, Mr. Samuel Soule, testified that he had satisfied himself that the alarm and monitoring systems were working properly. It is not clear from the record, however, exactly when the alarms were checked prior to the taking of the 8:00 p.m. grab sample. At approximately 8:30 p.m., a condenser leak began introducing salt water into the feedwater system. Early in the morning of January 16, 1979, the output of the plant began to reduce gradually. At 7:00 a.m. grab samples were taken. After analysis, it appeared that the conductivity levels were abnormally high and the plant was taken off line. The Company's testimony is that the alarm system failed, although it allegedly worked prior to 8:00 p.m. on January 15. While a Company employee noticed abnormally high readings on a strip chart at some time between 1:00 and 2:00 a.m. on January 16 and notified the night supervisor, the supervisor apparently ignored the warnings and kept the plant on line. Mr. Soule testified that under the same circumstances he would have conducted an investigation of the conductivity immediately. The Company has not demonstrated whether any of the manufacturer's representatives remaining at the plant and monitoring operations at the condensate polisher* became aware of the high conductivity levels and, if they did, whether any Company employee was notified.

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The condensate polishers remove minute amounts of impurities from the water returning from the condenser and "put the water in the best possible condition prior to going into the boiler," according to Mr. Monty. Personnel running the condensate polishers under the direction of representatives of Burns & Roe should also have been checking the quality of the water. It seems inconceivable that they would not have noticed problems with water quality and that they would have failed to notify Company personnel if they had.

The Commission finds it astounding that approximately a 10-hour period, during which Wyman Four operated for the first time at full load capacity, passed before anyone at the plant noticed or became concerned about the high conductivity. It is especially astonishing since, as Mr. Soule testified, "If you are going to find problems with a condenser--and specifically those tubes--you would find them near the top end of that load as the steam flows are the greatest," and since the purity of the feedwater is "essential" to the operation of the plant. Had grab sampling not been terminated, grab samples would have been taken at 10:00 p.m., and every two hours thereafter, on January 15 which, after analysis, would presumably have shown concerning levels of conductivity requiring, at the very least, an investigation. Had this step been taken, considerable damage to the unit could well have been avoided.

While Mr. Monty testified that, in his opinion, most of the damage to the equipment had been done by 1:00 a.m. when the Company employee notified his supervisor of high conductivity, it is not at all clear that some of the damage couldn't have been alleviated by an immediate shut down even at 1:00 or 2:00 a.m. Presumably, the damage would have been far less, perhaps even negligible, had grab sampling revealed problems two or three hours prior to 1:00 a.m.

Given the extreme importance of maintaining purity in the feedwater system and given the probability that problems such as actually occurred here would occur when the plant was operating for the first time at full load, we find the decision to terminate grab sampling imprudent, notwithstanding Mr. Soule's reliance on the "integrity" of the monitoring and alarm systems. The Commission also notes, as reviewed earlier in this section, that various shut downs had occurred throughout the month of December for "fine tuning" of the plant. The complete reliance on the monitoring and alarm systems of a plant which had only recently come on line and which had only just that day reached full load can only be deemed imprudent.

The injury to the high pressure feedwater heaters was a direct result of the condenser leak. Accordingly, given the imprudence of the Company's operation of the plant during January 15 and 16, we disallow the capitalized amounts of the repairs from rate base.

We find it unnecessary to make further adjustments at this time. While the plant experienced a great deal of down time during its first year of operation, we do not consider that the plant was no longer used and useful. See Public Utility Commission v. Metropolitan Edison Co. 29 PUR 4th 502, 506 (Pa. Pub. Util. Comm'n. 1979). We, therefore, do not find any justification for excluding any other portions of the plant from rate base.

Nor do we make any adjustment based on the dispatch change. While it is true that Wyman Four's original use was intended to be as an intermediate base load plant, we do not find on this record any concrete evidence that the Company's actions in building the plant and having it go on line in December, 1978 were imprudent. The Commission, however, will continue to review the plant's operation during future rate cases.

4. Exclusion of 1/2 The AFUDC Accrued During The Test Year From CWIP

In the Test Year Income and Expense portion of this Decree, infra, the Commission allows CWIP in rate base with the AFUDC offset in income. One issue concerning CWIP/AFUDC should be noted in connection with the discussion of rate base.

The Staff witness, Mr. Louiselle, recommended that the average amount of booked CWIP be adjusted to exclude one-half of the AFUDC accrued during the test year. Mr. Louiselle recommended a comparable adjustment in the Company's last rate case, Re: Central Maine Power Company, 26 PUR 4th 388, (Me. Pub. Util. Comm'n. 1978), which was accepted by the Commission. Because Central Maine compounds AFUDC on a semi-annual basis, this adjustment is necessary to eliminate double counting and to place AFUDC on the same annual basis as the rate of return. If this adjustment were not made, Central Maine would accrue AFUDC at a rate in excess of the allowed fair rate of return. In this case the adjustment is supported by Bath Iron Works and is neither supported nor opposed by Central Maine. We accept the adjustment.

5. Working Capital

"Working capital represents the amount of funds which investors must provide to meet day-to-day operations involving the delivery of [utility] service. To the extent it is unnecessary for investors to supply those funds, there is no need for a working capital allowance in rate base." Re: Continental Telephone Company of Maine, 18 PUR 4th 636, 643 (Me. Pub. Util. Comm'n. 1977).

Mr. Douglas Stevenson, Central Maine's Assistant to the Comptroller, developed a "lead-lag" study which demonstrated the amount of investor supplied capital required to cover the costs of day-to-day operations between the time the Company pays such costs and the time the Company receives revenues from those operations. The Commission Staff raised two issues with respect to Mr. Stevenson's "lead-lag" study.

The Staff, based on the testimony of its witness, Mr. Louiselle, contends that contractor retentions--funds due contractors, but withheld from payment until certain inspections have been made--are not investor supplied capital and may be utilized to finance day-to-day operations. Thus, the Staff contends such funds should be deducted from the Company's working capital requirement. Central Maine, in its reply brief, has agreed with Mr. Louiselle and thus accepts the Staff's adjustment. The Commission agrees with the reasoning and result of this adjustment. This working capital reduction amounts to \$1,576,000.

The Staff also contends that Central Maine's working capital for fuel inventory expense is excessive. The Staff contends that Central Maine's "lead-lag" study considers fuel to be financed by investors prior to the time the Company pays for it but that at that time the fuel in fact is financed by the vendor rather than investors. The record evidence demonstrates that the fuel is paid for approximately ten days after delivery. Thus, Mr. Louiselle, assuming a sixty-day supply of fuel on hand in inventory, reduced average fuel oil by one-sixth, the ratio of the length of the payment lag to the length of the fuel inventory on hand.

Central Maine, in its reply brief, claims that Mr. Louiselle's adjustment is incorrect. Central Maine contends that this issue was accounted for in its lead-lag study when the revenue lag applicable to fuel expense was reduced from 45 days to 27.8 days to reflect payment lags.

While Central Maine's contention may be correct, the Commission does not find record evidence from which Central Maine's explanation can be found as a fact. Perhaps this issue could have been more clearly resolved in a rebuttal presentation. Since the Company declined to make such a presentation, the Commission's option is to resolve the issue based on the burden of proof. In rate making cases it is clear that that burden falls on the utility. 35 M.R.S.A. §69, §307. The Commission therefore finds that this adjustment is appropriate because Central Maine has not demonstrated otherwise. This adjustment requires the amount of fuel stock inventory included in working capital to be \$9,720,000.

6. Rate Base

Having determined these issues, the Commission finds Central Maine's test year rate base as adjusted to be \$554,028,000. Table III shows the full calculation.

TABLE III

RATE BASE			
AVERAGE FOR YEAR ENDED DECEMBER 31, 1979			
(\$1,000)			
LINE NO. (A)	ITEM (B)		AMOUNT - \$ - (C)
1.	Plant In Service		637,977
2.	Less: Accumulated Depreciation		170,
3.	Less: Wyman Unit No. 4 Heaters		1
4.	Less: Wyman Unit No. 4 Muffler		542
5.	Net Plant In Service		466,545
6.	Plant Held for Future Use		2,180
7.	Investment in Joint Corporate Projects		34,247
8.	Construction Work in Progress 1/		55,545
9.	Working Capital Requirements		22,744
	Less: Non-Investor Supplied Capital		
10.	Customer Deposits	309	
11.	Accumulated Deferred Income Taxes	25,519	
12.	Reserve for Injuries and Damages	990	
13.	Customer Advances	415	
14.	Total Non-Investor Supplied Capital		(27,233)
15.	Rate Base		554,028

5583 CASH WK'CAP
9012 M & S
9720 FUEL STOCK
(1576) CONTRACTOR RETENTIONS

5588 CASH WK'CAP
9012 M & S
9720 FUEL STOCK
(1576) CONTRACTOR RETENTION

1/Includes Nuclear Fuel in Process and Less 1/2 Test Year Amount of AFUDC.

TEST YEAR INCOME AND EXPENSES

The Company proposed several adjustments and the Staff a few adjustments to test year income and expenses which appear to be acceptable to all parties. They are incorporated in this decree. This section, however, does not consider all non-controversial issues. The issues considered herein concern Sears Island Nuclear Plants costs, including Precertification Costs and the Uranium Enrichment Contract, Decommissioning, Nuclear Outage Insurance, Cost of the Stone and Webster Study Concerning Maine Yankee, Storm Damage, Edison Electric Institute Brochure, CWIP/AFUDC, Pro Forma Interest Expense, Non-recurring Test Year Purchase from Public Service of New Hampshire, Non-recurring Maintenance Expense of Wyman Unit No. 4, Pole Attachments, Residential Conservation Service Expenses, Remand Rates, Boise Cascade, Injuries and Damage, and the Employee Discount.

1. Sears Island Nuclear Plant Costs

On January 25, 1977, Central Maine announced that it was cancelling its plans to build a nuclear plant at Sears Island. The Company had announced its decision to build the plant in early 1974. After mid-April of 1975, however, the Company suspended work on the project, except for operations characterized by the Company as being necessary to keep the project viable, because of the discovery of a geological fault. Between 1974 and 1977, CMP spent a total of \$9,686,000 on precertification studies and \$4,493,600* on prepayments made under a contract with ERDA for nuclear enrichment services. The Company is now asking that an adjustment be made to allow the Company to recover \$3,497,000** of the precertification studies and the future capital costs of the unrecovered balance of prepayments made under the ERDA contract.***

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Both figures include amounts for AFUDC.

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The remaining precertification costs have been allocated to the Company's Sears Island Coal Project. The figure allocated to the nuclear project includes \$343,274 of AFUDC.

By letter dated October 7, 1980, the Company withdrew its request to be allowed to recover the capital costs associated with the full amount of the prepayments.

a. Precertification Costs

In regard to its precertification costs, the Company originally requested a five-year amortization to allow recovery of the investment. In its brief, however, the Company requests a five-year amortization and inclusion of the unamortized balance in rate base, allowing its shareholders both a recovery of and on their investment. This latter approach was suggested by Staff witness Louiselle,* although the Staff in its brief has advocated simply a five-year amortization without rate base treatment. BIW has argued that the expenses could be totally disallowed because of CMP's alleged lack of good faith in pursuing the project or, alternatively, that the Commission either disallow 40% of the costs, since the Company was allegedly imprudent in failing to procure a commitment from proposed joint owners who would have owned 40% of the plant, or disallow all expenses incurred after March 31, 1975, the date on which the Company first became aware of the fault. This latter suggestion is the approach most strongly recommended by BIW and it includes an amortization period of 15 years with no rate base treatment.**

The Maine Committee has argued that the costs be disallowed entirely because the expenses were incurred for plant which never became used and useful. Alternatively, the Maine Committee suggests that the expenses be amortized over 30 years. Finally, Mr. Emil Garrett, who was allowed intervention status solely with regard to this issue and the question of treatment of the uranium enrichment contract, contends that the expenses should be disallowed entirely on the grounds that the nuclear plant never became used and useful and that the Company's actions with respect to the plant were imprudent.

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Mr. Louiselle suggested an amortization period of ten years.

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BIW witness Ileo suggested amortizing the total costs over 30 years.

Based upon our review of the Company's actions as demonstrated by the record in this case, the Commission concludes that CMP's actions with regard to incurring expenses on the proposed nuclear plant were not imprudent. We further find that, as a matter of policy, the risks of the project must be balanced between the ratepayers and the shareholders. The Commission, therefore, finds that the costs will be amortized over five years, but that the unamortized portion will not be included in rate base. We also exclude AFUDC from the costs to be amortized.

Between early 1974, when the Company first announced its plans to construct the Sears Island nuclear generating station, and March 31, 1975, when the Company first became aware of the existence of the fault, CMP expended \$2,425,744 in engineering costs, including \$290,997 of AFUDC. Those costs, and others which have been allocated to the Sears Island coal projects, were incurred at a time when the Company perceived no impediment to its construction of the nuclear project. The costs are attributable to the preliminary studies and work necessary to obtain licensing and regulatory approval. We find nothing imprudent about the Company having incurred preliminary costs when there was no reason to anticipate any difficulties with proceeding with construction of the plant.

In March of 1975, a magnetic survey of the site for the proposed plant revealed the possibility of the existence of an ancient tectonic fault within 2,000 feet of the proposed location of the reactor containment building. The following week the Company began digging trenches to confirm the existence of the fault. By mid-April, the Company decided to halt major work at the site. From April 18, 1975, until the final decision to cancel, the only work performed was that necessary to keep the project viable, such as continuous data gathering. On April 25, 1975, the Company informed the NRC by letter of the existence of the fault. The Company then entered into a series of discussions with the Staff of the NRC to determine whether the fault would be considered "capable" so as to preclude all possibility of construction at that site.

The initial informal reaction from the NRC staff was that the fault would not pose a problem. There appear to have been further communications with the NRC, however, including visits to the site by NRC geologists. In December of 1975, the NRC advised the Company to delay any request for a waiver of the regulations governing the definition of a capable fault. It appears, therefore, that the Company at that time had expressed concern over the viability of the Sears Island site. On July 12, 1976, the Company ultimately filed a petition with the NRC to change the regulations. Apparently, the Company had been told to go ahead with its petition by the NRC, although the record does not establish the date when this occurred.

On December 19, 1976, the Company received the first direct expression from the NRC staff that the Sears Island fault would not be exempted from the NRC's regulation. In late January of 1977, the Company decided to abandon the project and made an announcement to that effect. Several months later, the NRC formally denied the Company's July 12, 1976 petition.

Upon its decision to abandon plans for a nuclear plant at Sears Island, the Company originally allocated the precertification costs now sought to be recovered to an account for a nuclear project at Richmond. The Company no longer anticipates building a nuclear plant at Richmond and, in fact, the precertification costs now have no value since changing regulations and technological advances have rendered obsolete the architectural and engineering work done for Sears Island. The Commission finds that it is reasonable for CMP to attempt to recover the costs at this time.

Given the existence of the fault and the changing political and regulatory environment relating to nuclear plants, any decision to proceed with the project would have required massive expenditures coupled with delays and uncertainties over the eventual resolution of the question whether the plant could be built. Under the circumstances, the Company's ultimate conclusion appears reasonable. Nor does there appear to have been unwarranted delays before the Company finally abandoned the plant. From the time the fault was discovered until the project's cancellation, the Company maintained contact with the NRC staff, albeit informally, and kept abreast of the NRC's opinions concerning potential problems in obtaining approval of the site. In view of the NRC's initial reaction to the existence of the fault and its advice to CMP to hold off on filing the petition for a change in the regulations, we cannot find that the Company's decision to abandon the plant was unduly delayed.

Finally, we cannot conclude that the Company acted unreasonably in failing to obtain other owners for the plant. CMP had originally anticipated selling 40% of the plant's capacity but, by the date of cancellation of the project, no potential owners had become contractually committed. According to Mr. Webb's testimony, the Company engaged in "preliminary discussions" with potential owners, although it was never made clear when the attempts to find joint owners commenced. When the fault was discovered, the Company felt that it was unable to pursue joint owners since CMP was unable to provide a "concrete proposal." Given the existence of the fault and the deteriorating prospects that the plant would be built, it appears unlikely that joint owners could have been

obtained even had CMP pursued its preliminary ownership discussions more actively. While the plant might have appeared more attractive prior to the discovery of the fault, we cannot conclude that CMP's failure to obtain joint owners during the year following announcement of the plant was unreasonable.

We now turn to the policy question of how to treat the costs incurred. We find that when a project is abandoned and no imprudence has been demonstrated, it is equitable to allocate the costs of the project between the shareholders and the ratepayers. In our view, the most equitable method of allocation is to allow the shareholders a return of their investment but not allow any return on the investment. In Re Virginia Electric and Power Co., 29 J.R. 4th 65 (Va. St. Corp. Comm. 1979), the Virginia Commission considered how to treat losses incurred by VEPCO as a result of the cancellation of two nuclear units. The Commission in that case concluded that VEPCO's management had acted reasonably in cancelling the plants and allowed VEPCO to amortize its losses over ten years. The Commission rejected the Company's request to include the unamortized balance in rate base. The Commission stated that,

Traditional business practice, as well as economic theory, demands that the ratepayers not bear this entire investment burden. The fact that VEPCO is a regulated monopoly does not mean, and has never meant, that the ratepayer rather than the investor must bear the investment risks. [The nuclear units] were never used and useful to the ratepayers and, after the cancellation of the project, there is no hope or promise that they will ever be used or useful. Under these circumstances equity demands that VEPCO's investors must accept some of the risk of [the units] be [sic] forfeiture of any claim to an expected return on the investment. Id. at 81.

This approach is consistent with the approach taken in other jurisdictions with regard to plant prematurely abandoned, see, e.g., Public Service Commission v. Northwest Natural Gas Co., 32 PUR 3d 355, 359 (Wash. Pub. Serv. Comm'n. 1966), and conforms to this Commission's own previously expressed concerns over the equitable distribution of gains and losses between ratepayers and investors. See Casco Bay Lines, Inc. v. Public Utilities Commission, 390 A.2d 483, 484-90 (Me. 1978).

In Re San Diego Gas and Electric Company, 31 PUR 4th 435 (Cal. Pub. Util. Comm'n. 1979), the California Commission amortized non-site related costs* of an abandoned nuclear project without rate base treatment, stating:

While we are cognizant of the carrying costs of money, on the one hand, for any project or cost not given rate base treatment, on the other hand, we are also concerned about the burden we are placing on the ratepayers to pay for an abandoned project. While the burden on the shareholders is substantial, the burden on the ratepayers is also substantial. We believe that adherence to our past practice of allowing recovery of abandonment costs from ratepayers while denying rate base treatment is an equitable solution to a difficult problem. Id. at 449.

In addition, the Commission excluded AFUDC from the amount to be amortized on the grounds that,

Allowance for funds during construction covers the investors' risk when a project is undertaken and carried through to completion. When a proposed project is terminated, and siting and site-related costs are included in plant held for future use and/or amortized, it is proper to exclude the AFUDC allowance for investor risk because the project did not come to fruition. Id. at 447.

When a plant becomes used and useful, the shareholder is ordinarily rewarded for his risk by being allowed both a return of AFUDC, through depreciation, and on AFUDC, when it is capitalized and included in rate base. The AFUDC amounts in the present case, however, represent the carrying costs borne by the investor of a project which will never become used and useful. While we recognize that the shareholders have, in the present case, been shouldering all carrying costs so far, a

Site-related costs were included as land held for future use, apparently because of the utility's financial condition which included an alarmingly high level of AFUDC and continuing interest coverage problems.

reasonable balancing of the burden of this abandoned project requires that the shareholders continue to do so. Our present decision adheres to our policy of not allowing recovery of AFUDC as a current cost and represents an equitable distribution of the risk that a project will not be completed.

We finally find that a five-year amortization period is appropriate. The Company's actions cannot be deemed imprudent. We therefore concur with Staff witness Louiselle that an asset with no intrinsic value should, absent rate base treatment, be written off as quickly as possible. The five-year period allows for a reasonably swift write-off without an overly great impact on rates. Accordingly, we decrease test year net operating income by \$317,000 to reflect our adjustment.

b. Uranium Enrichment Contract

Central Maine has also requested working capital on \$971,820 including approximately \$500,000 of AFUDC, to allow its shareholders to earn a return on the unrecovered balance of prepayments made to the United States Government under a uranium enrichment services contract. During the course of these proceedings, the Company was able to sell the contract and is about to receive a net payment of \$3,534,180.* Prior to the sale, CMP had requested that the entire amount be amortized over five years.

A review of the record reveals that the Company's actions in signing the contract were not imprudent. The contract was signed in June of 1974, shortly after the original announcement that CMP intended to proceed with its nuclear project. While the Company committed itself under the contract well before the preliminary work on the project had been completed and subjected itself to the risk--which ultimately materialized--that the project would have to be abandoned, the Commission concludes that the Company acted reasonably at the time.

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By letter dated October 7, 1980, the Company stipulated to this fact and this information is hereby deemed to be part of this record.

At the time the contract was signed, CMP had committed itself to going forward with a nuclear project at a time when many other utilities were announcing their plans for similar projects. As Mr. Webb testified:

Schedules were extremely difficult at that time. Work loads for electric--for architect-engineers, for designers of reactors, for the enrichment process, the schedules were filling up, and the only way that we could place ourselves in the scheduling line to provide fuel for that planned reactor was to sign that enrichment contract at that time. There's one other further thing, and that is that--that the--ERDA was running out of capacity and they had informed us that they were about to shut off the acceptance of any enrichment contracts, and shortly after that announcement or shortly after they informed us of that, they published in the Federal Register that they are in fact discontinuing accepting enrichment contracts. The reason they were is 'cause they ran out of capacity. They couldn't accept any more. We were forced into signing that contract in order to have a viable project.

Given the Company's decision to proceed with a nuclear plant and the time at which that decision was made, CMP's signing the contract was reasonable.

The Company began its attempt to sell the contract shortly after its decision to abandon the project. Those attempts appear to have been diligent and, in fact, have now paid off. Having determined that the Company's actions with regard to the contract were reasonable, we are confronted with the question of what, if any, rate treatment is to be accorded the unrecovered balance of costs incurred under the contract.

As noted in the preceeding section on pre-certification costs, we have found that the appropriate method to treat the prudently incurred costs of an abandoned project is to allow a return of, but not on, the shareholders' investment. Here, the shareholders will be recovering the major portion of their investment immediately and will, therefore, recover their costs much faster than they would under an amortization. A balancing of interests between shareholders and ratepayers leads us to conclude that it is unnecessary to give further consideration in this case to treatment of the balance remaining unrecovered at this point in time. Should any portion of the unrecovered balance remain when the Company next files for rates, the Company may request that an appropriate allowance be made. Consistent with our treatment of AFUDC in regard to the pre-certification costs, we make no adjustment to allow for recovery of the approximately \$500,000 of AFUDC.

Central Maine Power Company
Rate Order
November 1980

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Docket No. 80-25
Docket No. 80-66

2. Decommissioning

Central Maine owns 38% of the stock in Maine Yankee Atomic Power Company which operates the nuclear fueled generating facility at Wiscasset, Maine. This facility commenced operation in 1972 and has an estimated useful life of thirty years. Maine Yankee, therefore, will complete its depreciable life in the year 2002. The owners of Maine Yankee are responsible for the safe disposition of the facility. Thus, Maine Yankee will begin billing the owners in 1981 for the cost of decommissioning which is estimated to be \$57,511,000. Central Maine's share of this cost is \$1,009,749 annually. Consequently, Central Maine has asked for revenues in this proceeding to cover its share of these costs.

Maine Yankee has advised Central Maine that it has selected prompt removal and dismantling as the method of decommissioning the Maine Yankee plant and further that it intends to attempt to establish a non-taxable trust to hold the funds collected for decommissioning until they are needed for that purpose. The Commission favors the idea of segregating the funds for decommissioning. The funds collected for such purpose should be segregated even if Maine Yankee is unsuccessful in establishing a non-taxable trust. In light of the lengthy period until decommissioning occurs, the Commission anticipates there will be revisions in the cost estimates and modifications or refinements of the modes of decommissioning. Nonetheless, the Commission is of the opinion that collection of funds for decommissioning should commence as scheduled by Maine Yankee.

Maine Yankee is a corporation with a single asset, a nuclear fueled generating facility which has already been in service eight years. During the past eight year period, Maine Yankee's owners have not been billed for decommissioning costs. Such costs it appears now will be incurred at the conclusion of the facility's operational life. Current ratepayers are receiving the energy generated by the facility and in the Commission's view it is appropriate that current ratepayers contribute to the decommissioning fund. The Commission is aware that the Maine Committee and Bath Iron Works disagree. However, postponement of dealing with this issue merely shortens the time within which the fund must be accumulated which may well result in future ratepayers paying relatively higher charges for this purpose.

There appear to be two issues as to the amount of the decommissioning adjustment which CMP seeks. First, the Staff contends the \$57,511,000 share of Central Maine should be

reduced by the amount of the 25% contingency which has been included in the study prepared by Nuclear Energy Service, Inc. The Staff contends that the contingency has not been quantified, that technological changes may reduce the cost, and that the decommissioning process after experience will be more efficient. Consequently, the Staff urges that an amount for the contingency fund should not be allowed. We believe the Staff's position is well reasoned and we cannot say that it is flawed. However, because of the lack of experience with decommissioning, the nature of the goals of decommissioning, and the importance of adequate provision therefor, we believe a contingency allowance is appropriate. At this point we are not prepared to find the request for a 25% contingency allowance unreasonable. Moreover, this issue, along with other relevant issues can be reviewed periodically and, if necessary, adjusted. The Commission therefore rejects the Staff argument and does not eliminate the contingency allowance.

CMP has computed its estimate for decommissioning expense in today's dollars which, if invested, would provide a margin to cover inflation. As Mr. Louiselle pointed out, however, the cost of capital and hence the return, is greater than the rate of inflation. Thus, in addition to protection against inflation, the investor requires a return that reflects pure interest as well. Mr. Louiselle testified that the funds would most likely be invested in government securities. Therefore, the return earned will reflect both inflation and pure interest. Pure interest is generally believed to be in the area of 2.5% to 3%. Therefore, Mr. Louiselle calculated his adjustment by computing the amount which, if invested at a 3% annual compound rate, would produce, in the year 2002, Central Maine's share of the decommissioning costs. The Commission accepts this adjustment and reduces net operating income by \$344,000.

3. Nuclear Outage Insurance

Certain electric utilities have organized a mutual insurance company to provide insurance coverage against the extra expense incurred in obtaining replacement power during prolonged outages of nuclear powered generating units caused by accident. The mutual insurance company, Nuclear Electric Insurance Limited (NEIL) is a Bermuda Corporation. Central Maine proposes to reduce test year net operating income by \$481,000 to reflect the expense of annual premiums for insurance against the extra expense incurred in obtaining replacement power during prolonged accidental outages of nuclear generating facilities. The Staff, Bath Iron Works and the Maine Committee contend this reduction should be

disallowed. Bath Iron Works and the Maine Committee feel the benefits of the coverage offered are outweighed by the costs. The Staff suggests the same conclusion, but in a more carefully structured way. The Staff appears to agree that this insurance proposal appears costly when weighed against its benefits. Yet the Staff acknowledges there is lack of clarity with respect to the proposal and urges that a fully informed decision cannot be made without further amplification and clarification.

The following terms are included in NEIL's proposal:

The premium is based upon NEIL's perception of the average risk of all units potentially covered by the policy rather than a risk assigned to Connecticut Yankee, Maine Yankee, Rowe Yankee and Vermont Yankee, the four units in which Central Maine has an ownership interest. This measure, as opposed to rating potentially covered units individually, of course, prejudices participants owning safer units.

There appears to be no coverage if a nuclear unit is shut down by order of a governmental agency, gradual nuclear contamination, contamination from a source external to the plant, ordinary wear and tear or a law requiring construction or repairs resulting from the shutdown.

It is unclear whether there is coverage if contamination results from an Act of God. If there is such coverage, it is available only on payment of an additional premium. It is also unclear that there is coverage of accidents such as occurred at Three Mile Island.

The only coverage which appears certain results from outages occasioned by sudden internal release of nuclear contamination within the unit.

There is no coverage during the first 26 weeks of a shutdown regardless of its cause. For the following year there is full benefit and the succeeding year one-half benefit. Thereafter, there is no benefit. The Staff witness, Mr. Louiselle, noting that the unscheduled outage of Maine Yankee would cost \$384,000 each day and Central Maine's share of Maine Yankee would result in a maximum benefit payment of \$749,000 per week during the first year of benefit and \$375,000 per week during the second year of benefit, testified that the insurance proceeds would cover only 28% of Central Maine's additional fuel cost during the first year of any outage and 14% during the second. Moreover, Mr. Louiselle testified that given the level of premiums and the potential liability per unit, the maximum number of events that would be covered during the coverage period is 1.63, or 2.4% of the units for which coverage is available.

Central Maine's annual premium for its ownership interest in four nuclear generating facilities is \$824,319 and for the first year there is an additional 13% reserve premium of \$107,161. Moreover, if losses exceed NEIL's accumulated funds, participants are liable for a retrospective premium of up to five times its annual premium. Central Maine proposes to continue collecting each year the 13% first year reserve premium to meet any future liability it might incur for the retrospective premium. Though NEIL can cancel the policy at any time, such cancellation does not affect the insured's liability for the retrospective premium adjustment for losses while insured. For Central Maine the retroactive premium adjustment could amount to \$4,100,000.

Several questions were raised by Mr. Louiselle with respect to this policy such as whether Three Mile Island I and II would be covered, the circumstances under which the retroactive premium assessment can be invoked, and the basis for the financial limits of such an invocation.

The only case in which this issue has arisen previously was brought to the Commission's attention by the Staff. A Maryland case, In the Matter of the Application of Baltimore Gas and Electric Company, for Revisions in its Electric, Gas and Steam Rates, Order No. 64331 (Md. P.U.C. 1980) disallowed an adjustment to cover policy premiums because of a lack of information. While the Commission does not reject the idea of such insurance as a matter of principle, the way this particular policy is presented calls into serious question whether the benefits the ratepayers receive justify the costs. Based upon the presentations and information in this record the Commission cannot find that NEIL's proposal is clearly attractive enough to justify a finding that the cost of the premiums are a just and reasonable ratemaking expense. For that reason, the Commission disallows the expense. Test year net operating income, therefore, is not reduced by \$481,000 as Central Maine seeks.

4. Cost of the Stone and Webster Study Concerning Maine Yankee.

During the test year, the Maine Yankee generating facility was shut down as a consequence of a Nuclear Regulatory Commission order. Stone and Webster conducted an engineering study as a result of the shutdown. Maine Yankee billed Central Maine and Central Maine paid \$423,221 for Central Maine's share of Stone and Webster work. Central Maine included this cost in its cost of service as purchased power expense.

It has been contended that this study is a non-recurring cost and therefore should not be included in Central Maine's cost of service. Central Maine agrees that this particular Stone and Webster study is unique and non-recurring. However, Central Maine contends that there will be future studies because of the current scrutiny to which the nuclear industry is subject and that this Stone and Webster study is representative of them.

The Staff witness, Mr. Louiselle, testified that if this Stone and Webster study is similar to others that will be undertaken and reflects the normal level of expense, then no adjustment would be warranted. Because Central Maine did not provide Mr. Louiselle with essential information regarding whether future studies would be required at Central Maine's expense and if so, whether the 1979 Stone and Webster study reflects a normal amount of expense, Mr. Louiselle proposed an adjustment increasing net operating income by \$212,000 because of the non-recurring nature of the test year study.

Central Maine contends the issue can be resolved by common sense which dictates "that the owner-operators of nuclear plants will be making additional engineering studies in the aftermath of TMI [Three Mile Island]."

The Staff contends that Central Maine has not sustained its burden of proof. See 35 M.R.S.A. §69, §307.

The Commission agrees with the Staff. For ratemaking purposes, the Commission believes the utility has the responsibility of demonstrating that such costs are normal. More specifically, the Commission believes the utility has the burden of demonstrating that future studies will be conducted and that they will be conducted at an annual cost that the utility proposes to include in its test year revenue requirement. Central Maine has done neither here, and for that reason the Commission accepts the adjustment increasing net operating income by \$212,000 which the Staff proposes.

5. Storm Damage

Central Maine incurred storm damage expense in the amount of \$1,450,422 during the 1979 test year. Included in this expense are the abnormally high costs of storms in January and September. Central Maine proposed an adjustment which would increase net operating income by \$254,647 to normalize this test year expense.

Central Maine's adjustment is based upon a separate analysis of payroll and non-payroll storm damage expenses incurred during the years 1974-1978. The payroll costs of each year were separately "indexed", that is, each year's cost was increased by a ratio of total labor for 1979 to total labor for the year in question. For example, the index value Central Maine assigned to 1974 storm damage labor was 1.524 which means that Central Maine increased 1974 labor by 52.4%. The method was used for computing payroll costs for other years. The method of indexing non-payroll costs was comparable to the method of indexing payroll cost. The result of this method is that average yearly indexed storm damage expense for 1974 through 1978 was \$817,069. The difference between this five year average and 1979 storm damage expense is \$633,353. Central Maine contends this difference is extraordinary and should be amortized over five years. Thus, Central Maine would decrease test year storm damage expense by \$506,682, and it would increase gross income by that amount. After the tax effect, this adjustment would increase net operating income by \$254,647.

The Staff rejects Central Maine's adjustment for two reasons. The Staff contends Central Maine's "indexing" method is flawed. The method reflects all changes incurred with respect to Central Maine's labor and not just the changes in Central Maine's wage rate. In other words, the 52.4% increase in payroll expense for 1974 represents not only the increase in actual wages, but also the addition of new employees to the Company payroll. The Commission agrees with the Staff that proper "indexing" of the payroll portion of historic storm damage expense should be confined to increased costs attributed only to changes in wage rates. Such "indexing" should not include increased costs attributed to an increased number of employees. To include such cost results, in our judgment, in an erroneously high index rate and annual costs.

Moreover, the Staff rejects Central Maine's adjustment because it claims the test year 1979 storm damage expense was abnormally high and that to include the abnormal expenses in Central Maine's five year average does not reflect normalcy.

The Staff developed its adjustment by using a 1974 through 1978 average of actual storm damage expense. The average expense for these five years was \$629,745 or \$820,677 less than the 1979 actual experience. The Staff proposes to allow the Company to recover this excess over five years at \$164,135 each year. The result of this adjustment is an increase in test year net operating income of \$329,964--rounded up to

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$$\underline{820,677 - 164,135} = 329,964$$

\$330,000. We conclude that the Staff adjustment is a just and reasonable way to normalize storm damage expenses and therefore increase net operating income by \$330,000.

6. Edison Electric Institute Brochure

The Edison Electric Institute, an association of electric companies, has prepared a brochure entitled "You and Your Electric Company" for which Central Maine expended \$792 for 3,000 copies during the test year. The Maine Committee contends, citing Chapter 83, Sections 1(c) and 5(c) of the Commission's Rules, that the brochure constitutes institutional advertising and consequently should be disallowed as an operating expense for purposes of ratemaking.

The Commission has reviewed the brochure and would agree with the Maine Committee. The brochure is largely informational, but interesting as that information may be, the brochure leaves the Commission with the impression that the way some of the information is presented constitutes institutional advertising and in some cases political activities, as that phrase is defined in Chapter 83, Section 1(B).

For example, the brochure states,

"Electricity remains one of the best buys in most family budgets, according to the Bureau of Labor Statistics (BLS). Although the cost of electricity is rising, it remains a relatively small part of a family's expenses, ranking among the lowest expenses at 2% of the typical budget, compared with food which ranks first at 17%"; (emphasis ours) "...the price of electricity decreased steadily until 1969 when it reached 2.09 cents a KWH, an all-time low average for residential service. Then, however, rates started a gradual rise, due largely to the higher costs of buying fuel and materials, building new generating plants and borrowing money - the same inflationary pressures affecting the entire economy. Meeting rigid environmental regulations also increased the cost of doing business." (emphasis ours)

One need not question the accuracy of these facts to recognize that they suggest that the utility industry should not be held accountable for increases in the price of power.

This is an effort to persuade the public that the responsibility for these increases lies elsewhere (as well a large part of it may) and thus improve the public's perception of the corporate entity to which it must render these higher payments.

As for political activity, as defined by Chapter 83, Section 1(B), the brochure contains a discussion of various utility rate designs and design features. The only rates with respect to which a disadvantage is unstated are declining block rates and flat rates. Taken as a whole, the discussion of various alternative rates carries the clear suggestion that declining block rates are rationally based on costs, whereas various alternatives or modifications thereof are either unrepresentative of costs or will result in increased costs of service due to metering investments and the like. These arguments are not presented in a strident or exaggerated manner, but they express a preference for one out of many policy choices available for the resolution of an issue that is being actively debated by the public and by its appointed and elected policymakers in various governmental bodies.

Moreover, notwithstanding the current, sometimes heated, controversy concerning nuclear energy, the brochure casually notes: "Nuclear power is needed to reduce dependence on foreign oil, to serve the energy needs of an expanding population, to protect the environment and to preserve remaining natural resources of coal, oil and natural gas" and later that "the basic difference between nuclear power plants and fossil fuel plants is the fuel".

The Commission does not suggest that Central Maine should not expend money promoting its ideas or promoting the corporate image or goodwill of it or the utility industry. The Commission Rule, however, proscribes the inclusion of such expenses in the cost of service. Where the thrust of an expenditure by a monopoly is to improve its public image or promote its views on public policy choices, the Company's ratepayers, who have no choice but to purchase their services at a fixed price from this entity, should not be forced to bear those image-building and political advertising costs.

The cost of the 300 brochures is \$792 and thus the adjustment to net operating income is \$398. The Commission increases net operating income by \$400.

7. Allowance For Funds Used During Construction

In Re: Central Maine Power Company, 26 PUR 4th 388, (Me. P.U.C. 1978) the Commission defined construction work in progress (CWIP) and an allowance for funds used during construction (AFUDC). CWIP is the cost of utility operating property in the process of construction but not ready for service at the date of the test year balance sheet. AFUDC is the capital cost associated with CWIP during the time prior to the plant being placed in service, that is, prior to the time it becomes revenue producing.

There are several issues which arise in connection with CWIP and AFUDC treatment in this case.

Central Maine urges that 25% of certain construction projects, that is, CWIP, for a total of \$9,114,227, be included in rate base with no accrual of AFUDC. The remainder of CWIP, CMP contends, should be included in rate base with AFUDC capitalized at a "net" rate, that is, at the allowed fair rate of return less the income tax effect of the interest component of the fair rate of return.

The Staff, Bath Iron Works, and the Maine Committee contend that all CWIP should be included in rate base with AFUDC capitalized at a "gross" rate, that is, at the allowed fair rate of return.

Because adding CWIP to rate base, and thus increasing the return required, is offset by including AFUDC in the test year return earned, the result of the position of the Staff, Bath Iron Works and the Maine Committee is approximately the same as excluding CWIP from rate base. It does not require a rate increase.

On the other hand, Central Maine's position, understandably, does increase the required company revenues. This increase results for two reasons. First, Central Maine would include \$9,114,227 of CWIP in rate base, thereby increasing the return required without AFUDC accrual. Thus, the increased return requirement would not be offset by a corresponding increase in the test year return earned. Second, Central Maine would increase rate base with the remainder of CWIP thereby increasing its required return, but it would offset the remainder of CWIP with an accrual of AFUDC at a "net" AFUDC rate. Since the "net" rate is less than the allowed fair rate of return, the proposal increases the return requirement by an amount larger than the amount AFUDC increases the return earned. Central Maine's position, thus, increases the Company revenue requirement.

There are essentially three points which the parties debate in addressing these positions--whether Central Maine's customers should pay at present the capital costs associated with a utility plant under construction which will not be operational until some future time, whether it is necessary for Central Maine to receive cash earnings now as opposed to AFUDC earnings in the future in order to maintain its financial integrity, and finally, whether it is more economical for customers to pay the capital costs at the present time rather than in the future when the plant is providing them with electric service.

Central Maine contends that its "existing customers contribute to the need for new facilities and benefit through the construction of new facilities and should, therefore, pay a portion of the capital costs of on-going construction programs." While it is true that some existing customers make some contribution to the need for new facilities, in the opinion of the Commission it does not follow that existing customers should pay the capital costs for a plant while it is under construction.

Decisions of this Commission have held that customers should pay the capital costs associated with CWIP when the facilities are used to provide them with service. For example, in Re: Central Maine Power Co., 26 PUR 4th 388 (Me. Pub. Util. Comm'n. 1978) the Commission held, "it is our view that the customers who should pay for the cost of generating facilities are those who are served by those facilities." Id. at 402

Both Dr. Ileo, who testified on behalf of Bath Iron Works, and Mr. Louiselle demonstrated the soundness of this holding. Dr. Ileo pointed out that customers' usage patterns may vary over time and those current customers whose usage declines over time would be called upon to pay more than their share of the revenue requirement increase resulting from allowing a return on CWIP. By contrast, other customers who have low usage now, but who will use more electricity in the future, will pay lower capital costs than their usage pattern would require. "For example," Dr. Ileo observed, "the usage characteristics (KW and KWH) of a retired couple today are likely to be much different than their usage characteristics were 10 years ago when they were working and some of their children were living at home." Finally, Dr. Ileo urged that the transfer of capital cost burden from future to present ratepayers is improper because CWIP is largely composed of projects with fairly long construction periods, and the mix of customers which will be served is apt to be considerably different from the mix that existed at the time the project was initiated.

Mr. Louiselle pointed out that all costs incurred in the construction of a generating facility are paid by the utility when they are incurred. However, the utility industry and investors have singled out capital costs and seek to have only those costs included in utility ratemaking revenue requirements prior to the time period when the facility is operational. In other words, all costs of labor and materials incurred in constructing a facility are returned to investors through depreciation expense over the useful life of the plant. But for accounting convention, which treats capital costs on the income statement as income, there is no reason to treat capital costs differently from any other costs. As Mr. Louiselle observed, "...[H]ad construction-related capital costs like all other construction costs been charged directly to construction where they belong and not included in the income statement, this issue would never have arisen."

Thus, the Commission does not believe today's customers necessarily should pay today for a portion of the on-going construction program just because they will benefit from the facilities when they are operational or because they may contribute to the need for the new facilities. As Staff points out in its reply brief, such "capital costs are precisely the sort of costs that are supposed to be supplied by the Company's investors, who are, after all, paid for that investment through a return on equity or interest on debt. If the Company wishes to charge present ratepayers with the cost of future projects why should it bother to seek investment capital at all?"

Central Maine takes the position that the inclusion of \$9,000,000 of CWIP in rate base with no AFUDC offset and the inclusion of the balance of CWIP in rate base with AFUDC capitalized at a "net" rate is "absolutely essential to the financial integrity of the Company." The issue of financial integrity was discussed more exhaustively in this case than it has been in any case before the Maine Commission.

Mr. Louiselle presented a most thorough study of the financial implications of Central Maine's construction program over the period 1980-1990. The study considered Central Maine's construction program with and without the proposed coal fired generating facility to be located on Sears Island. It considered capitalizing AFUDC at the "gross" rate, the "net" rate and at a "zero" rate. Mr. Louiselle analyzed for the period 1980-1990 the percent of Central Maine's construction program financed internally, interest coverages, indenture coverages, earnings coverages before and after taxes, the percentage of equity earnings accounted for by AFUDC. Since

the "gross" AFUDC rate places a greater strain on Central Maine, it was these results that Mr. Louiselle analyzed. For the period analyzed, he found the average ratio of internally generated funds to construction expenditures was 43.5%. If the proposed Sears Island facility were excluded from the construction program, this ratio increases to 67.3% of the construction program being financed by internally generated funds. He also analyzed interest coverage and determined that even with Sears Island, the before tax earnings coverage is above 2.5 for the period. Indenture coverages would fall below the minimum 2 x required in 1985, 1986, and 1987, however. Thus, if the Sears Island facility were constructed, Central Maine would be unable to finance its entire construction program if the gross AFUDC rate were used. If the "net" rate were used or no AFUDC were used to offset CWIP, indenture coverages do not fall below the minimum required.

The final ratio which Mr. Louiselle studied was the percentage of AFUDC earnings included in equity earnings. This percentage covered a range from 30.7% in 1980 to 75.2% in 1984. The ratio is lower generally over the 1985-1990 period. Without Sears Island these AFUDC ratios are reduced significantly. Mr. Louiselle reviewed for comparative purposes 1977/1978 financial indicators such as times interest coverage before and after income taxes, AFUDC as a percentage of equity income, the percent of the construction program internally financed, and the rate earned on average equity of Moody's "A" and "AA" rated electric utilities. Mr. Louiselle concluded from his comparison that if Sears Island were constructed and a "net" AFUDC rate used, Central Maine's coverage would be "close to the 'A' rated electric utilities." If Sears Island were not included in the construction program, the results produced by a gross AFUDC rate are superior to those of "AA" rated electric utilities. Mr. Louiselle therefore concluded that the results of his study indicate that "Central Maine can finance its construction program, including Sears Island, on reasonable terms were it required to capitalize AFUDC at a net rate. Were Sears Island not to be constructed and not replaced by another project, CMP could finance its program on reasonable terms were it required to capitalize AFUDC at a gross rate." While Mr. Louiselle used a "net" rate in his computation of his recommended revenue requirement, taking his testimony as a whole he must have assumed that the Sears Island plant or some other facility in its place were to be constructed. The Staff does not make this assumption. It takes the position that the "gross" AFUDC rate should be used because at this time it is unclear whether Sears Island (or some other project) will be undertaken. The Staff thus urges that "the Commission should not at present make a

blind guess as to the future of the Sears Island Coal Plant and should therefore continue its present practice [of using the gross AFUDC rate] until that future is ascertained."

The Commission agrees with the Staff on this point and thus finds, consistent also with the positions of Bath Iron Works and the Maine Committee, that Central Maine can maintain its financial integrity during the period these rates are in effect by using a "gross AFUDC rate" offsetting the inclusion of CWIP in rate base.

Finally, there is the issue whether there are cost savings to the consumer by paying for a portion of the capital costs during the construction period rather than later over the useful life of the plant. There are three ways the CWIP/AFUDC issues may be handled.

First, CWIP may be excluded from rate base, AFUDC capitalized and not reflected in the cost of service for regulatory purposes; second, CWIP may be included in rate base, AFUDC capitalized and included in income; or third, CWIP may be included in rate base with no capitalizing of AFUDC. The Staff, Bath Iron Works and the Maine Committee favor the second of these approaches which has been historically accepted by this Commission. Central Maine favors the third approach.

Mr. Louiselle provided the Commission with a demonstration which shows that the total dollar return of and on capital in the third alternative in absolute terms is less than that in the first and second alternatives. However, the present value of the return requirement at the beginning of the first year is identical under each of three alternatives. The present value of the return discounted at the cost of capital rate equals the amount of the initial investment. Thus, investors should be indifferent to which of the three methods is used. Mr. Louiselle also demonstrated that it is in the consumers' interest to have construction-related capital costs capitalized at no disadvantage to the investor. While Mr. Louiselle's demonstrations assumed a single piece of plant, he observes CWIP is nearly always growing and under conditions of a growing plant the present values of the returns earned by investors are the same under the three methods, the present values of the revenues paid by consumers under the first and second alternatives are less than under the third. Mr. Louiselle's conclusions in this respect are supported by the testimony of Dr. Ileo.

The Commission finds that capital costs to consumers are less if AFUDC is capitalized.

Originally Central Maine sought only to have 25% of average test year CWIP on Seabrook Units No. 1 and 2, Millstone Unit No. 3 and the Brunswick/Topsham Hydro Redevelopment included in rate base without CWIP. After Mr. Louiselle testified that if either the Sears Island coal-fired generating facility or some other facility in lieu thereof was to be constructed, the financial integrity of Central Maine required the inclusion of a "net" AFUDC rate, Central Maine modified its position. Thus, Central Maine contends that all CWIP which is not included in rate base without AFUDC should be included at the "net" AFUDC rate. As earlier observed, the effect of the "net" rate is to transfer some of the capital costs of the plant to today's ratepayers.

This issue has previously been before the Commission in Re: Central Maine Power Co., 15 PUR 4th 455 (Me. Pub. Util. Comm'n. 1976). In that case the Commission declined to use the net AFUDC rate. It used the gross rate and on appeal the Maine Supreme Judicial Court held the matter was within the sound discretion of the Commission. Central Maine Power Co. vs. Maine Public Utilities Commission, 382, A.2d 302, 321-22 (Me. 1978).

The Commission will not use the "net" AFUDC rate in this proceeding. The Commission believes, as Mr. Louiselle testified, "as a matter of principle the AFUDC rate should be equal to the fair rate of return." Use of a rate for AFUDC less than the fair rate of return has the effect of shifting the burden for this portion of CWIP from the future customers to the current customers and, as previously discussed, such a shift is not now essential to the Company's financial integrity.

Central Maine contends it is inconsistent not to charge capital costs to present customers, but to give present customers the benefit of the interest deduction for income tax purposes on the interest component of the fair rate of return. Of this point, Mr. Louiselle testified, "Conceptually, tax deductions have value only if there is revenue against which they can be offset. Since it is current customers who provide that revenue, it is current customers who give rise to the value of these interest deductions; therefore, they should receive the benefit." The Commission accepts this reasoning and result as it did in Re: Central Maine Power Co., 26 PUR 4th 388 (Me. Pub. Util. Comm'n. 1978).

Having considered the evidence and arguments, the Commission is of the opinion, for the above reasons, that CWIP should be included in rate base and that the AFUDC should be capitalized at the fair rate of return and included in income.

A final issue concerns the computation of the AFUDC rate. Central Maine uses the Federal Energy Regulatory Commission (FERC) formula which results in the inclusion of all short-term debt in the AFUDC rate. Since this Commission includes short-term debt in the fair rate of return, the inclusion of all short-term debt in the AFUDC rate results in an excessive amount of costs being capitalized. To avoid these excessive capital costs, the Commission accepts Mr. Louiselle's suggestion which requires Central Maine to capitalize AFUDC using a formula which does not assign all short-term debt to CWIP. The formula, stated by Mr. Louiselle, using the nomenclature on p. 428 of the FERC Form 1 is:

- 1) Gross rate for borrowed funds:

$$s \frac{S}{(S + D + P + C)} + d \frac{D}{(S + D + P + C)}$$

- 2) Rate for other funds:

$$p \frac{P}{(S + D + P + C)} + c \frac{C}{(S + D + P + C)}$$

S, D, P, C represent the amount of short-term debt, long-term debt, preferred stock and common stock respectively and s, d, p, c represent the cost rates of these securities.

The Commission adopts this formula.

8. Pro Forma Interest Expense

In computing its adjusted net operating income, CMP made two adjustments relating to its interest expense. The first adjustment is a reduction of test year operating income to account for non-recurring interest expense incurred as a result of the Nuclear Regulatory Commission ordered shutdown of the Maine Yankee Atomic Power Station. Because of the shutdown, the Company was obliged to purchase replacement power. Interest costs of \$925,565* were incurred because this Commission ordered Central Maine to amortize the fuel costs over a 17-month period. When the non-recurring interest cost is eliminated, tax expense increases, reducing test year operating income by \$460,396. The Company's second adjustment increased net operating income by \$820,369 to account for the difference

*

Mr. Howe testified on behalf of the Company that this figure was computed by using the weighted average short-term debt rates.

between test year actual interest and pro forma interest expense. In computing this figure, the Company subtracted the \$925,565 figure from its computed test year interest. The net effect of these adjustments is to exclude the shutdown interest costs from consideration.

Through the testimony of Mr. Louiselle, the Staff points out that the same result can be reached without making an adjustment for the shutdown interest expense. Pro forma interest expense is calculated by multiplying the rate base by the weighted cost of debt. The difference between the pro forma amount and the test year amount yields the figure used to adjust net operating income. All non-recurring interest expenses are automatically excluded under this approach. We approve Mr. Louiselle's approach and determine that net operating income shall be adjusted upwards by \$594,000.

9. Non-Recurring Test Year Purchase From Public Service of New Hampshire

During the test year, Central Maine purchased 90 MW from Public Service Company of New Hampshire. The Contract will not continue through 1980, however, and Staff Witness Louiselle has recommended that test year net operating income be increased by \$61,000 to remove the effect of the purchase. The Company does not oppose this adjustment.

We agree that this purchase represents a non-recurring expense requiring a normalizing adjustment to the test year. Similarly, the Commission approves CMP's proposal to decrease its test year net operating income by \$3,606,372 to remove the effect of a sale of 100 MW to Public Service Company since that sale also is a non-recurring event.

10. Non-Recurring Maintenance Expense of Wyman Unit Number Four

Central Maine originally included in its test year cost of service \$74,623 to recover maintenance expenses, not recoverable by insurance, incurred because a condenser leak at Wyman Unit Number Four introduced impurities into the feedwater system of the plant. The Staff has recommended that this expense be disallowed. The Company, in its reply brief, does not oppose the Staff's adjustment.

Mr. Howe, upon cross-examination, admitted that the leak had been corrected and was not expected to recur. Because the expense is non-recurring, we recommend increasing test year net operating income by \$38,000.

11. Pole Attachments

Central Maine originally proposed that additional pole rental charges, attributable to increased amounts of charges to CATV and telephone companies, be reflected in the Company's attrition allowance. These amounts are, in fact, known charges and are more properly treated as an adjustment to test year revenues. The Company, in its reply brief, agrees with this approach. We increase test year net operating income by \$266,000.

12. Residential Conservation Service Expenses

As a result of the enactment of the National Energy Conservation Policy Act ("NECPA"), Central Maine is required to establish a residential conservation service ("RCS") program, consistent with the Maine State Plan promulgated by the Maine Office of Energy Resources.* See 42 U.S.C. §§8201, et seq. Under RCS, the Company is required to provide an onsite Class A energy audit upon the request of a residential customer. In addition to the audits, the Company must incur costs to provide for program announcement and publicity, to arrange for such services as assistance in finding qualified installers and suppliers of conservation measures and in obtaining financing, to administer complaint conciliation, and to keep records and administer the program. NECPA requires that all costs incurred for program announcement and publicity be treated as a current expense borne by all ratepayers. The remaining costs are to be treated by state regulatory agencies as a current operating expense, and/or charged to the individual customer seeking service, with the exception that individual customers cannot be charged more than \$15 per audit unless the State has petitioned the Department of Energy for adoption of a "temporary program."** See 42 U.S.C. §8219.

*
That plan had been submitted to the Department of Energy for its approval during the pendency of the hearings on this matter. The record does not disclose whether the plan has yet been approved.

**
This \$15 upper limit became effective June 30, 1980. See P.L. 96-294, 94 Stat. 611.

Central Maine has proposed a pro forma adjustment to the test year of \$1,927,782 to cover the costs of the program. That figure includes \$1,716,842 to cover the direct costs of the audit, assuming a cost per audit of \$70 and a response rate of 7%. The other costs are broken down as follows:

Program Announcement	\$155,000
Training	\$4,000
Financing and Installation	
Arrangements	\$17,940
Telephone	\$9,000
Program Development	\$25,000

As part of its direct case, the Staff presented the testimony and recommendations of Richard E. Darling, Supervisor of Conservation Programs for the Maine Office of Energy Resources. Mr. Darling estimated that the program announcement costs would be \$86,000 and that the program administration costs would be \$61,500. After analyzing a range of audit costs based on audits performed by various groups ranging from utilities to independent auditors, Mr. Darling concluded that the average cost of an audit was \$95. The Commission adopts this figure as a reasonable estimate. Noting that the response rate varies depending on the cost of the audit, Mr. Darling found that the response rate was approximately 1% where the charge to the customer was \$60/audit. The rate was between 1% and 3% where the charge to customers was \$15/audit.

The Commission finds that a reasonable total program cost is \$258,000. In arriving at this figure, we adopt the \$86,000 figure for announcement costs and the \$62,000 figure for administration costs as reasonable estimates. Mr. Darling stated that his program announcement figure included an allowance for a separate mailing rather than mailing out the announcement as a bill stuffer. While mailing the announcement as a bill stuffer might create some savings, the amount of savings, if any, is unquantified. In addition, it appears that the large amount of information required to be contained in the announcement precludes the use of a bill stuffer.

We also find that each customer availing himself of the RCS audit should be charged \$60 for the audit. Mr. Darling testified that the "resulting savings to the electric utilities of implementing energy conservation measures through the RCS Program are unlikely to equal the costs of the program." Since less than 10% of space heating and 30% of water heating is supplied by electric utilities in Maine required to implement RCS, the benefits to ratepayers which would accrue from

encouraging the type of conservation envisioned by RCS are not so great as to warrant spreading all the program's costs over all ratepayers. There is no guarantee, moreover, that an audit will necessarily lead to reduced electrical usage. In addition, allowing a utility to provide this service for free or at a substantially reduced cost, would allow a regulated utility to compete unfairly with private unregulated auditors. The \$60 charge represents 65% of the \$95 average charge per audit. Weighing the benefits and costs of the program to all ratepayers with the benefits and costs to the individual customers utilizing the service, the Commission believes that a 65% allocation is reasonable. Moreover, the record reveals that there will be no significant difference in the number of customers using the program regardless of whether the charge is set at \$15 or \$60. The Company and its ratepayers will therefore bear the remaining 35% of the audit costs.

Moreover, the Commission finds that it is reasonable to use an average uniform charge rather than to set the charges individually based upon the actual cost of the audit. An average charge will prove easier to administer and will allow the customer to make a rational decision regarding whether he wants an audit since he will know the cost of the audit prior to requesting one. While Mr. Darling recommended that a customer be charged 65% of the actual cost, with a \$100 ceiling per audit, such a proposal would penalize the Company by never allowing it to be reimbursed fully in those instances when the audit costs exceeded \$100. We find that an average charge will eliminate this problem.

We recognize that the \$60 charge is substantially higher than the \$15 charge which has been set as an upper limit by Congress. Mr. Darling stated that in the event that this Commission concluded that a charge higher than \$15 was reasonable, OER would petition the Department of Energy for a "temporary program" which, if approved, would exempt the Company from the \$15 ceiling. While such a temporary program has not yet been approved, we feel that it is appropriate to set rates based on the \$60 charge. CMP will not begin to implement the program until 1981. Because the petition for the temporary program may well be acted upon within 90 days of its receipt, see 42 U.S.C. §8219, the Company will know whether the \$60 charge is permissible well in advance of its implementation of the program. Should the temporary program be rejected, CMP is encouraged to file a complaint against itself pursuant to 35 M.R.S.A. §298 which could be acted upon in short order. The Company will then be allowed to file new tariffs to cover the increased costs of the program.

Based upon the testimony of Mr. Darling, we finally conclude that a 1% response rate is reasonable. We calculate the RCS program costs to be \$258,000, resulting in a decrease to test year net operating income of \$128,000.

13. Remand Rates

As a result of the decision of the Maine Supreme Judicial Court in Central Maine's appeal from the decision of the Commission in Docket No. 2332, the Commission authorized the Company on August 14, 1979 to file rates increasing annual revenue by \$800,000 based on a 1977 test year. Since the increase was in effect for only a portion of the test year, an adjustment is required to reflect the amount of revenue which would have been received by the Company had the remand rates been in effect the entire test year.

Both the Staff and Central Maine agree that such an adjustment would increase net operating income by \$425,000. The Commission accepts this amount as just and reasonable.

The Staff, however, suggests the Commission initiate an investigation of this matter since the rates which were filed in response to the Commission Order may have been excessive. Central Maine contends its filing was in full compliance with the Commission's Order on remand and that its witness, Mr. Anderson, will be prepared to explain the design of the remand rates in Phase II of this proceeding. While the Maine Committee did not argue extensively on this issue, it did recommend hearing Mr. Anderson's explanation of the remand rates before commencing an investigation. Before further consideration is given to an investigation, the Commission will hear Mr. Anderson's explanation.

14. Boise Cascade

Central Maine increased its test year revenue by \$2,235,000 due to the expansion of the Boise Cascade Paper Mill in Rumford, Maine. This adjustment represents estimated increased sales for only ten months. The other two months for which an adjustment should have been made are reflected in Central Maine's attrition analysis. The Commission believes that if test year results are to be adjusted, the adjustment should reflect the effect on the entire test year. As the Staff points out, "[a]llocating a known change, as CMP has done, between test year revenues and attrition unnecessarily blurs the nature of the adjustment frustrating effective

regulation." The Commission, therefore, increases revenues by \$2,682,000 which has the effect recommended by the Staff of increasing net operating income by \$1,348,000.

15. Injuries and Damages

Central Maine has included in its test year cost of service \$485,203 for injuries and damages which represents the actual amount incurred for such costs. The Staff contends the \$485,203 amount is abnormally high and in lieu thereof urges that the Commission use the five year, 1975-1979, average of the debits in the injury and damage reserve account. This five year average is \$316,000. Central Maine contends that claims against the Company can be expected to increase in the future and therefore the actual 1979 cost should be used for ratemaking purposes. Nonetheless, Central Maine is less than specific as to why it asserts future claims will be greater than those of the past. The Commission has reviewed the experience of the injury and damage account since 1968 and finds that the test year actual cost is abnormally high. The Commission, however, does not agree with the Staff that the \$316,000 five year average should be used. The \$316,000 amount is substantially less than the experience in two of the last three years. While we note that there has been no uninterrupted upward trend of injury and damages, over the years annual costs have tended to be higher. Having determined that the 1979 actual experience is abnormally high, we substitute therefor a three year, 1977-1979, average. That average amount is \$390,000 and requires an adjustment increasing net operating income by \$48,000.

$$(485,203 - 350,000) \times (.57 \times .9307)$$

16. Employee Discount

In Central Maine Power Co. v. Public Utilities Commission, 405 A.2d 153 (Me. 1979) ("the 1979 Central Maine decision"), the Law Court reversed this Commission's disallowance of expenses associated with CMP's employee discount. Concluding that a "regulatory commission owes a degree of deference to the judgment of management in the establishment of employee compensation packages," Id. at 178, the Court ultimately held:

We need not, and do not, decide that the entire spectrum of matters relating to employee compensation is beyond the reach of the Commission's regulatory powers. We have clearly held to the contrary in the past. [Citation omitted] We hold only that we cannot find, in this record, any substantial evidence justifying the Commission's interference with a reasonable managerial judgment. Id. at 179.

In the present proceeding, the Staff argues that "substantial evidence" exists to support a determination that the employee discount is "unwarranted" within the terms of Central Maine Power Co. v. Public Utilities Commission, 153 Me. 228, 136 A.2d 726 (1957). The Staff therefore recommends that net operating income be increased by \$138,000 to prevent the cost of the discount from being passed on to the Company's ratepayers. We agree with the Staff that the discount is an unwarranted expense. Rather than disallow the amount attributable to the employee discount, however, we find that the fairest way to proceed is to allow the expense for present purposes but to order the Company to develop a method for phasing out the program and to present it to the Commission for our approval during Phase II of the proceeding.

Since our action in regard to this expense may be deemed to override the Company's exercise of "managerial discretion", we find it useful to discuss why the discount has been deemed an exercise of reasonable managerial discretion in the past and what justifies regulatory interference with that judgment now. We wholly adopt the sound and thoughtful reasoning of Staff counsel on this score.

As pointed out by the Staff, the term "managerial discretion" represents a standard by which the lawfulness of the Commission's actions are measured. All expenses, in fact, are incurred through the exercise of managerial judgment. That this is so, however, has never been held to immunize expenses from regulatory review concerning their reasonableness. Once an expense, such as employee compensation, is deemed as a general matter to be a reasonable type of expense, however, the Commission does not have the power to exercise its own discretion to override a managerial judgment solely on the ground that the Commission's judgment differs from that of management. As the 1979 Central Maine decision makes clear, "substantial evidence," not a mere difference of opinion, must exist to support any Commission decision to override a managerial judgment.

When substantial evidence exists to support the Commission's actions, the Commission may disallow an expense as being unreasonable in amount, c.f. Casco Bay Lines, Inc. v. Public Utilities Commission, 390 A.2d 483, 494 (Me. 1978), or it may disallow types of expense in toto if they are not related to the provision of utility service or are otherwise unreasonable. See New England Telephone Co. v. Public

Utilities Commission, 390 A.2d 8, 56 (Me. 1978).^{*} It follows that the form of an otherwise proper expense may also be found unreasonable. Based upon the evidence discussed below, we conclude that the Company's employee discount is an unwarranted form of compensation since it unreasonably promotes the consumption of electricity.

Central Maine offers a discount to all of its 2,000 employees. The discount operates only on base rates, excluding fuel, and is included as part of the union package affecting approximately 50% of the Company's employees.^{**} The discount was originally offered to promote the use of electricity, although Company Witness Scott conceded that "[T]imes have changed and it's no longer necessary to promote the use of electricity unnecessarily." The discount applies to usage at all times, including during the system peak, even though the costs experienced during the system peak are the highest costs and growth of the peak is a major factor considered by the Company when it determines the necessity for building a new plant. Moreover, the costs to provide electricity to employees are no less than the costs to serve any other residential customer. In addition, the only way for an employee to take

^{*} That case does not talk in terms of management discretion per se. Rather, the Court upheld the Commission's actions in disallowing charitable contributions as a "policy" decision made by Commission and supported by substantial evidence. The only difference between a "policy" decision by the Commission, and a Commission decision to override "managerial judgment"--both of which must be supported by substantial evidence--appears to be one of where to draw the line. Thus, if a category of expense is found to be unreasonable, the Commission's decision relies on a "policy" determination. If the form or amount of an otherwise proper expense is found unreasonable, then management discretion has been overridden. The Staff has aptly characterized this difference as being more apparent than real.

^{**}

The union contract has recently been renegotiated and no attempt was made by the Company to negotiate the discount. Interestingly, a provision of past labor contracts allowing CMP employees interest-free loans for the purchase of electrical appliances was negotiated out of the existing contract.

advantage of this particular type of compensation is by using electricity. Were cash payments given as an alternative method of compensation, it is "quite possible," according to Company Witness Webb, that the Company's employees would choose to spend the additional income on something other than electricity. Given that the original purpose of the discount was promotional, in that lower prices presumably encouraged greater usage, we find no evidence that that promotional effect has changed, especially since the only way for an employee to benefit from this form of compensation is to use electricity and since employees would probably not use alternative forms of compensation in the form of electrical usage.

It is true that Mr. Webb testified that he did not believe that the discount promoted electrical usage since the Company has "impressed upon" its employees the need for conservation. The fact nevertheless remains that employee usage is substantially greater than average residential use, as the following makes Table IV clear:*

TABLE IV
COMPARATIVE 1979 KWH USAGE OF
CMP EMPLOYEES AND RESIDENTIAL CUSTOMERS

	<u>CMP</u> <u>EMPLOYEE 1979 USAGE</u>	<u>AVERAGE RESIDENTIAL</u> <u>1979 USAGE</u>
General	603 KWH	450 KWH
Water Heating	857 KWH	734 KWH
Space Heating	1,464 KWH	1,123 KWH
Space & Water Heating	1,744 KWH	1,445 KWH

*
CMP argues in its reply brief that this comparison has not been "validated" to show that CMP employees are properly compared to the average residential user. We find no record evidence to suggest that the comparison is inappropriate. CMP, moreover, had ample notice that this issue would be raised, yet declined to present any rebuttal case.

It is clear that 1979 usage by CMP employees exceeds that of residential users by 25%, 14%, 23% and 17% respectively. The actual usage by employees clearly shows the promotional effect of the discount, notwithstanding admonitions to conserve.

We further find that a method of compensation which promotes electric consumption is unwarranted. In November of 1978, Congress enacted the Public Utilities Regulatory Policies Act ("PURPA")*. The basis for the Act was the protection of the public health, safety, and welfare by requiring "increased conservation of electric energy, increased efficiency in the use of facilities and resources by electric utilities, and equitable retail rates for electric customers." 16 U.S.C. §2601. In order to meet those goals, state regulatory agencies are directed to consider certain standards, including the standard that class rates should reflect the cost of service to that class. It costs the same to serve an ordinary residential customer as it does to serve a CMP employee. The Company employee pays less, however. To the extent that residential customers are charged their cost of service, it is clear that the employee is not charged the full cost of rendering service to him. Moreover, to the extent that the discount encourages use of the system peak and generates higher costs, the efficient use of the Company's resources is not encouraged. Finally, Mr. Webb agreed that the discount was not consistent with the objectives of PURPA.

In addition to considering the goals of PURPA, the Commission has also expressed its disapproval of promotional practices on the part of electric utilities. The Commission promulgated 65-407 C.M.R. 83 on July 16, 1979. That rule declares that a utility shall not be allowed to recover in rates the costs of promotional practices, except under certain limited circumstances. Consistency with Chapter 83 requires that we take steps to protect ratepayers from bearing this type of expense.

Having concluded that the discount has an unwarranted promotional effect on the use of electricity, we turn now to consider whether the Company has shown that its practice is nevertheless reasonable. We find no persuasive evidence that it is. Mr. Webb testified that in his view the discount was a

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The Commission is required by the Maine Legislature to "consider and adopt" the standards set forth in PURPA and, if it chooses not to adopt a standard, the Commission must explain "fully and adequately" why the standard was rejected. See 35 M.R.S.A. §94.

more economical method of providing compensation than some alternative. It is, first of all, difficult to conceive what an appropriate alternative method of compensation would be, since it would not be easy to translate a discount which benefits employees relative to their electrical usage into some other form. Assuming the alternative would be some form of cash payment,* however, Mr. Webb stated that the discount was more economical because it was provided to the employee as a tax free benefit. In order to reimburse employees fully for the loss of the discount, according to Mr. Webb, the cash payment would have to be greater than the value of the discount in order to account for the tax effect. Mr. Webb, however, was aware of no studies which proved that the discount was more economical because of this tax effect. Moreover, since the discount is not tax-deductible by the Company as compensation and since the discount may well add to system costs by encouraging peak usage, any increase due to the tax effect on the employee of cash compensation may well be offset by tax deductions by the Company and some reduction in peak usage. At best, the record is inconclusive on the relative economics of the discount.

Having concluded that the employee discount is an unwarranted form of compensation, we are confronted with the decision of how to make an appropriate adjustment. We are mindful that the discount is currently embodied in the terms of the existing union contract. While only 50% of the Company's employees are affected by the contract, and while the provision relating to the discount can apparently be negotiated at any time, we find that fairness requires some degree of flexibility to allow the Company to extricate itself from its commitments to its employees. Rather than disallow the amount of the discount at this time, we will allow it as an expense but we will order the Company to present us with a plan for phasing out the discount as expeditiously as possible. We will consider the Company's proposals during Phase II of this proceeding.

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It should be noted, however, that the Company has not demonstrated that an alternative would necessarily have to be found.

Having determined each of these issues, the Commission finds the Company's test year adjusted net operating income to be \$52,665,400.

Table VI on page 70 shows the summary as well as the test year revenue requirement determination.

ATTRITION

Central Maine, the Staff, Bath Iron Works and the Maine Committee appear to agree in important respects as to what attrition is. Mr. Louiselle defined attrition,

as an erosion in the earning power of a revenue-producing investment, ...the net result of operating expense or plant investment, or both, increasing more rapidly than revenues. In effect, attrition results when there is an imbalance in the revenue, expense, rate base relationship. When attrition occurs, the realized rate of return falls below that level which rates are designed to produce.

Central Maine, the Staff and Bath Iron Works agree that attrition exists and that compensation therefor should be allowed. There is disagreement between these parties as to how much compensation should be allowed. The Maine Committee would deny an attrition allowance because of the importance of revenue projections to an analysis and because the variety of revenue projections presented render an attrition allowance too speculative. The Commission disagrees with the Maine Committee. A regulated utility is required to be given a reasonable opportunity to earn a fair rate of return. If attrition exists, there should be compensation therefor. Otherwise, the utility does not obtain the reasonable opportunity to earn a fair return. In this case, the evidence presented shows attrition exists. The question then is the degree to which it exists.

Mr. Howe's attrition study projected the test year ratemaking components through 1980 and, as previously noted, it included some adjustments more properly recorded as test year "known charges."* Dr. Ileo's recommendations concerning attrition dealt largely with revising upward Mr. Howe's 2.4%

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E.g. portions of the Boise Cascade adjustment were included in the attrition analysis.

growth rate in revenues. Dr. Ileo's revenue growth rate is 5%. The Staff contends that Dr. Ileo's 5% growth rate is based on two faulty assumptions--first, "that all base revenues are obtained from KWH charges" and second, "that there is a single KWH rate charged for all usage." The Commission agrees with the Staff on these points.

The Staff presented a study similar to the attrition analyses it has presented in previous cases.

The Staff witness, Mr. Louiselle, started with adjusted 1979 test year results of the ratemaking components, developed growth rates for each, and applied the growth rates to the test year results in order to adjust the results through September 30, 1981.

Central Maine challenges the Staff's 6% growth rate in capacity component of purchase power and Bath Iron Works challenges the Staff's 4% growth rate in base revenues. In our review of the Staff Study, we have reviewed these growth rates particularly. Being mindful that the degree to which attrition exists is largely a matter of judgment, we find them to be reasonable. We therefore accept the Staff analysis of attrition as just and reasonable. The analysis modified to take into account the adjustments of this report shows Central Maine will experience attrition at the rate of .19% through September, 1980. This rate translates into revenue increase for purposes of this case of \$2,334,000. Table V shows the detail support of these results.

TABLE V

ANALYSIS OF ATTRITION

DECEMBER 31, 1979 - SEPTEMBER 30, 1981

(\$1,000)

E	ITEM (B)	TEST YEAR	AMOUNT - \$ - (D)	GROWTH RATE		AMOUNT ADJUSTED TO 9/30/81 (G)
		ADJUSTED TO:		ANNUAL	COMPOUND	
		(C)		RATE -% (E)	FACTOR (F)	
OPERATING REVENUES						
	Base Revenues	12/31/79	171,681	4.00	1.0712	184,905
	Other Revenues	12/31/79	8,531	7.90	1.1429	9,750
	Fuel Billed and Unbilled	12/31/79	99,257	1/	--	140,057
	TOTAL		279,469			335,712
OPERATING EXPENSES						
	Fuel	12/31/79	27,906	1/	--	83,706
	Purchased Power - Energy	12/31/79	71,961	1/	--	57,161
	- Capacity	12/31/79	27,425	6.00	1.1077	30,379
	Depreciation	12/31/79	20,791	5.75	1.1031	22,935
	Wages	05/01/80	26,305	8.00	1.1160	29,356
	Fringe Benefits	12/31/79	3,163	12.00	1.2208	3,861
	Payroll Taxes	12/31/79	1,799	11.90	1.2189	2,193
	State and Municipal Taxes	12/31/79	9,747	5.75	1.1031	10,752
	Other O & M Expense	12/31/79	19,262	10.00	1.1825	22,777
	Total Operating Expense BIT		208,359			263,120
	State Income Tax		2,386	1/	(389)	1,997
	Federal Income Tax		18,686	1/	(2402)	16,284
	Allowance for Funds Used During Construction		6,060	1/	--	14,122
	Equity Earnings of Associates Companies		3,626	1/	--	3,626
	Net Operating Income		59,724			70,059
RATE BASE						
	Production and Transmission Plant		373,033	4.00	1.0712	399,593
	Distribution, General and Intangible Plant		264,944	8.00	1.1448	303,365
	Accumulated Depreciation		(170,774)	8.50	1.1542	(197,107)
	Construction Work in Progress		55,545	1/	--	129,441
	Deferred Income Taxes		(25,519)	18.00	1.3393	(34,173)
	Other Rate Base Items		56,799	3.50	1.0622	60,332
	TOTAL RATE BASE		554,028			661,446
	Rate of Return		10.78%			10.59%
	Attrition				.19%	

/Derived

TOTAL REVENUE DEFICIENCY

Having determined a test year revenue deficiency of \$13,851,000, an attrition allowance of \$2,334,000, that \$194,000 of the deficiency is allocated to retail sales, the annual revenue increase to which the Company is entitled is \$16,185,000.

TABLE VI

DETERMINATION OF 1979 REVENUE REQUIREMENTS

TEST YEAR ENDED DECEMBER 31, 1979

(\$1,000)

LINE NO.	ITEM	AMOUNT
(A)	(B)	(C)
1.	Net Operating Income	48,214
	ADJUSTMENTS TO NET OPERATING INCOME	
2.	1979 Wage Increase	(202)
3.	Unit Sale Adjustment - PSNH	(3,606)
4.	Unit Purchase Adjustment - PSNH	61
5.	NEPEX Capacity Adjustment	128
6.	St. Regis Strike Adjustment	133
7.	Equity Earnings	32
8.	Maine Yankee Station Service Power	(107)
9.	Storm Damage	330
10.	Unbilled Revenue	(490)
11.	Remand Rates	425
12.	Boise Cascade Adjustment	1,348
13.	Decommissioning Costs - Maine Yankee	(344)
14.	MPUC Assessment	(30)
15.	Edison Elec. In. Rate - Brochures	4
16.	Residential Con. ion Service Program	(128)
17.	Amortization of Sears Island Project Costs	(317)
18.	Wyman Extraordinary Maintenance Expense	38
19.	Extraordinary Injuries and Damage Expense	48
20.	Maine Yankee Stone and Webster Study	212
21.	CATV Adjustment	266
22.	AFUDC	6,060
23.	Proforma Interest	594
24.	TOTAL Adjustments	4,451.4
25.	Adjusted Net Operating Income	52,665.4
26.	Required Net Operating Income ($\$554,028 \times 10.78\%$)	59,724.2
27.	Return Deficiency	7,058.8
28.	Revenue Deficiency ($\$7,058.8 / .502578$)	14,045.
29.	Portion Allocated to Resale	(194)
30.	Test Year Retail Revenue Deficiency	13,851
31.	Attrition Allowance	2,334.
32.	Total Retail Revenue Deficiency	16,185.

REVENUE INCREASE ALLOCATION

On April 2, 1980, the Commission issued its Order on Prehearing Conference establishing an investigation into CMP's rate structure, pursuant to 35 M.R.S.A. §296. The investigation was given Docket No. 80-66 and was consolidated with this proceeding. On May 9, 1980, that Order was amended by a subsequent Procedural Order stating that one of the purposes of the Section 296 investigation was to consider specific rate structure standards as set forth in the Public Utility Regulatory Policies Act of 1978 ("PURPA"). See 16 U.S.C. §2621(d). The Commission has received funds from the federal government for this purpose and for the first time has been able to and has engaged consultants to work solely on rate structure matters. In addition, a prehearing conference was held on this phase of the case on August 28, 1980. While hearings have not yet begun on rate structure issues, the Commission has every intention of processing rate structure issues as expeditiously as possible, keeping in mind, however, that it is in the best interest of the public, as well as the Company and all intervenors, that sufficient time be allowed to insure that the rate structure issues be properly presented and considered.

Intervenors Keyes Fibre Co. and Scott Paper Co. have filed a brief requesting the Commission to determine rate structure issues before the expiration of the suspension period on the rate case. Unfortunately, insufficient time exists to allow the Commission to hold hearings and render a decision within the suspension period. Moreover, under Central Maine Power Co. v. Public Utilities Commission, 382 A.2d 302, 323 (Me. 1978), the Commission's "primary" responsibility under 35 M.R.S.A. §§64 and 69 is to determine the justness and reasonableness of proposed rates and, if proposed rates have not been found just and reasonable, to order substituted rates and to approve them and order the substituted rates into effect.

In regard to rate structure issues, the Court held:

Of course, the Commission, should it have time, may see fit to deal in such principal decree also with the matter of the design among rates as they are to be embodied in schedules, either indicating the formal outlines of such design or addressing it more in detail. Rate design is, however, an optional rather than necessary facet of the 'principal' decree, as it functions to prevent 'proposed' rates from ever becoming effective by operation of law. This being so, the Commission's primary responsibility is to deal on a high priority basis with that which is the necessary aspect of its principal decree. [Emphasis in original] Id. at 324.

Because insufficient time exists within the suspension period to consider rate design issues, the Commission must enter its Order on revenue levels alone.

Since no evidence exists in the record to support changes in the existing rate structure, the Commission orders that the revenue increases be allocated so as to preserve the status quo. A similar allocation was upheld when the Commission was unable to approve proposed rate structures presented in the record of the last Central Maine rate increase. See Central Maine Power Co. v. Public Utilities Commission, A.2d (Me. July 2, 1980). St. Regis Paper Co. has filed a motion that the increase be allocated across-the-board with a uniform percentage increase to the base rate for each customer class exclusive of fuel. The Commission agrees that the increase should be made across-the-board to base rates not including fuel.

BASE RATE FUEL COSTS [?]

On October 10, 1980, CMP filed its 1974 test year computation of its base fuel cost, pursuant to 35 M.R.S.A. §131. The filing is hereby incorporated in the record of this case. According to the Company's filing, the base rate is computed to be \$.016769. All parties participating in this phase of the proceeding have stipulated that this amount is proper. Having reviewed the filing and the parties' stipulations, we accept the stipulations and conclude that the base fuel cost filed by the Company is just and reasonable.

On October 16, 1980, the Company filed its proposed fuel cost adjustment, pursuant to 35 M.R.S.A. §131. That proceeding has been given Docket Number 80-219 and hearings will be held on that matter in the very near future. Should the Company file new rates pursuant to this Order prior to the issuance of any final order in 80-219, the Company is ordered to file with its new rates an adjustment to its existing fuel adjustment clause which will insure that the Company will not collect revenues for its fuel costs greater than the amounts now being collected.

CUSTOMER CHARGE

The Maine Committee has requested this Commission to consider "whether the exclusion of any minimum distribution costs incurred by the utility from (its minimum) customer charge may be reasonably expected to advance the basic findings

and purposes..." of the Electric Rate Reform Act during Phase I of this proceeding. See 35 M.R.S.A. §96. We intend to address fully the issues presented by Section 96 in the second phase of this proceeding. Pending a determination of these issues, the residential customer charge will remain at \$5.70.

Accordingly, it is

O R D E R E D

1. That the proposed rate schedules filed by Central Maine Power Company on February 1, 1980 are unjust and unreasonable and the same are disallowed, rejected and shall not become effective.
2. That Central Maine Power Company is authorized to file a schedule of rates, tolls and charges consistent with this opinion and designed to increase 1979 test year gross revenues by no more than \$16,185,000.
3. That Central Maine Power Company shall use an AFUDC rate and compute its allowance for funds used during construction consistent with the discussion on page 55 of this opinion.
4. That Central Maine Power Company shall submit to this Commission a plan to phase out the employee discount by no later than January 1, 1981.
5. That Central Maine Power Company's base fuel cost of \$.016769 is found to be just and reasonable.
6. That Central Maine Power Company recompute its fuel adjustment clause so that the amount of revenues recovered for fuel do not exceed the amount currently recovered for fuel and file its adjustment at the same time that new rates are filed as allowed by paragraph 2 above. Provided that the Company need not make such adjustment if a final order in Docket No. 80-219 has been issued prior to the time of Central Maine's filing pursuant to paragraph 2.
7. That Central Maine Power Company comply with any other order continued in the body of this opinion.

8. That the Secretary of the Commission mail attested copies of this Order to all parties of record.

Dated at Augusta, Maine, this 31st day of October, 1980.

BY ORDER OF THE COMMISSION

Marjorie M. Walo
Marjorie M. Walo
Assistant Secretary

A true copy.

Attest:

Marjorie M. Walo
Marjorie M. Walo, Assistant Secretary

COMMISSION VOTE:

Chairman Gelder votes in favor of the foregoing opinion with the exception of the section concerning the Residential Service Program.

Commissioner Smith votes in favor of the foregoing opinion with the exception of the issues which he has addressed in his attached dissent.

Commissioner Carrigan votes in favor of the foregoing opinion with the exception of a portion of the section concerning plant held for future use, as expressed in her dissent.

Review of this Order by the Commission may be requested under Section 6(N) of the Commission's Rules of Practice and Procedure (65-407 C.M.R.11) within 20 days of the date of this Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.

Review by the Law Court may be requested by filing, within 30 days of the date of this Order, a Notice of Appeal with the Secretary of the Commission, pursuant to 35 M.R.S.A. Sec. 303, and the Maine Rules of Civil Procedure, Rule 73 et seq.

Additional court review of constitutional issues or issues involving rates may be had by filing a complaint with the Clerk of the Law Court and with the Secretary of the Commission, both within 30 days of the date of this Order, pursuant to 35 M.R.S.A. Sec. 305.

Commissioner Carrigan, dissenting on the issue of rate base treatment of the investment in Sears Island.

I disagree with my colleagues on the issue of whether to include the Company's share of the purchase price of Sears Island in the rate base as property held for future use. The Company could, by paying about one-sixth of the amount it did, have extended its option on the land for another year, by which time it is probable that the Commission would have decided whether or not to grant it a certificate of public convenience and necessity to build a coal-fired electric generating plant on Sears Island.

According to the standard established by the Commission, whatever investment the Company has in Sears Island itself is entitled to rate base treatment under the "definite plan" standard, provided, presumably, that the investment is otherwise reasonable. Should the Commission again deny the Company a certificate to build the coal plant on Sears Island, it is likely that the land would cease to qualify for rate base treatment, unless the Company convinced the Commission that it had another definite plan for the property. The problem here is not whether a definite plan exists, for it does; the problem is whether the amount of the investment is reasonable, under the circumstances. In fact, the real issue is even more precisely definable than that: it is whether the Company acted reasonably in maximizing its present investment in this property now, when the future of the Sears Island project is uncertain and when the Company could, for an amount equal to 12% of the purchase price, have bought itself another year of time in which the doubt would in all likelihood be resolved. The ancillary question is whether the Company has any incentive to take this alternate course in this or any similar situation, if it is allowed to earn a return on its investment now solely because of the definite plan standard, without regard to the reasonableness of the amount involved.

These are difficult questions. The burden of proof is on the Company to show that its decision was reasonable, and I believe that Central Maine has not met that burden. The only evidence presented on the issue was the testimony of Thomas Webb and one late-filed exhibit (C.M.P. #10) showing the numbers involved and stating what the option terms were and what the Company had decided to do. Mr. Webb testified that the Company "made an economic analysis of the cost of a further option payment as opposed to the (purchase) at this time and we felt very strongly that the analysis leaned toward the purchase, but I just don't have the numbers in front of me." (Transcript, p. J-55) The closest Mr. Webb came to describing

the Company's reasoning in making the decision to purchase was this: "What went behind that decision was that the option payment is based on the prime that exists at the time. The prime rate was so high we felt that to apply another option payment which was based on the rate of the prime was - was far higher and costlier than purchasing the land itself." (Transcript, p. J-54) He indicated that even if the Sears Island coal plant were denied, the Company felt that the land would still have value either on the open market or as a future generating plant site. (Transcript, p. J-56)

The Company's "economic analysis" was never presented to the Commission for review. If the material in the late-filed exhibit constitutes that analysis, it is clearly inadequate. Even at a prime rate of 12%, an additional year's option payment would have amounted to only about 15% of the amount the Company chose to pay to purchase the property. It does not seem unreasonable to conclude that, were the plant approved, the cost of this additional year's option, though not credited by the seller against the purchase price, would be added to that price by the Company and included in the rate base by the Commission as a reasonable investment, given the circumstances. Thus, the Company would have been protected, had it chosen to buy another year in which to make a final decision. Should the plant be denied, regardless of the amount invested in the site, rate base treatment of the present investment will be terminated, absent a new "definite plan".

It may be that the Company's analysis did, in fact, address all of these issues in reasonable detail. The Commission does not know. All we have before us are the conclusory statements of Mr. Webb and the bare figures in the exhibit. It is clear, however, that in the face of uncertainty, the Company has chosen a course of action that maximizes the cost to the ratepayers when it had an apparently reasonable alternative under which it would have been equally safe and the ratepayers would have paid less. It has also maximized the exposure of the shareholders in the event the investment is eventually removed from rate base. I do not believe that this is prudent, based on the evidence the Company has chosen to present. I agree with the argument presented by the Staff on this issue in its reply brief. I would treat the matter as if the Company had exercised the option for another year and allow only that amount in the rate base at the present time.

Commissioner Smith concurring in part; dissenting in part:

The Commission is unanimous on many major issues in this case. Disagreements arise which are consistent with my dissents in the last Central Maine rate case and in the Sears Island decision. In addition, generally I support several conclusions of our outside consultants hired at taxpayers' expense--where the majority has seen fit to alter the recommendations downward.

WYMAN #4

There is no clear showing in the record of imprudence on the part of the Company for the unfortunate mechanical failure of the muffler at Wyman #4. It always is easy to criticize after the fact. An attitude that "this might have happened if that had been done" is argumentative and speculative. The expense should be amortized now rather than hold off and prolong settlement on a possibility of litigation by the Company in court. The Commission is unanimous in its conclusion that no investigation is warranted at this time.

SEARS ISLAND ISSUES

I agree that the Company is entitled to recover precertification costs of Sears Island, incurred in good faith. The recommendation of staff expert Louiselle is followed for an amortization period of ten years and inclusion of the unamortized balance in rate base.

Although agreeing that the risks should be balanced between ratepayers and shareholders, it is pointed out that already for six years shareholders have borne these expenses alone. This is a case where staff and majority reject the advice of the Commission's expert hired at taxpayers' expense. A basis for the Louiselle recommendation is found in a 1980 decision of the Wisconsin Public Service Commission in the Wisconsin Power Company case.¹ In addition, the remaining balance of \$971,820 on the uranium contract costs should be placed in the rate base to allow the Company to recover its future capital costs.

¹--05-CE-3, Wis. P. S. C., February 14, 1980. Cited in CMP Brief, pp. 47-48; Reply Brief, p. 53.

CWIP AND AFUDC

Resolution of the issues involving construction work in progress and allowance for funds used during construction is baffling. The Commission's outside consultant offered some specific advice. In addition, he testified around some issues by presenting alternatives as guides for Commission decision. One of the dilemmas submitted is whether construction plans should be considered with or without approval of the projected Sears Island plant. A decision one way or the other now would seem to me a prejudgment of the second round of Sears Island hearings now in progress.

In round one of the Sears Island hearings, the majority of the Commission (1979) admitted that the Company will require additional capacity in the next decade, and approximately 184 megawatts by 1990. This need would be reduced through concentrated efforts at conservation and by possible use of alternative sources, although some appear to this Commissioner unduly expensive and unreliable at this stage. But my decision proceeds on the assumption that much additional capacity (Sears Island or not) will be required by 1990. The time to prepare is now. A "wait-and-see" approach is rejected.

It is unfair to require present customers to pay handsomely for expensive power projects from which many may not receive benefits. Here is a situation where balancing seems appropriate, weighted in favor of present customers who have little responsibility for rapid demand growth in the future.

In view of the above and the assumption that greater capacity

is imminent, a compromise solution is submitted between the two extremes favored by the majority and by the Company. Whereas Central Maine Power advocated 25 per cent of certain construction projects (\$9,144,227) in the rate base which would increase the revenue deficiency by approximately \$1,954,948, I would compromise by allowing half of that, 12 1/2 per cent of certain construction projects in the rate base, which would increase the revenue deficiency by \$977,474.

EMPLOYEE DISCOUNTS

Once again I dissent on the matter of employee discounts. In the previous case, the Supreme Judicial Court disallowed the decision of the majority for lack of evidence in the record. Undaunted, the Commission marshalled its forces for another go at industrial management.¹ The Company, likewise, guided by Court outlines, strengthened its defenses.

The Maine Legislature more than a quarter of a century ago specifically authorized any public utility to make special rates for its employees, subject to the discretion of the Public Utilities Commission.² Employee discounts are commonplace in industry. There are tax and morale benefits. The initiative rests with utility management. Generally decisions such as this are prerogatives of management, as long as they are reasonable and granted in good faith. Thus, the burden of proof to justify invasion of management privilege rests on the accuser. The Supreme Judicial Court ruled that a decision of management on employee discounts must be respected when the discount "...is arguably at least as economical as any alternative, and the benefit does not clearly appear to be

¹Excerpts from my dissent on this issue in the recent Public Service Company of New Hampshire case (Docket No. F.C. 2548, July 31, 1980) are quoted:

"I dissented on this very issue of employees discount in the last Central Maine Power rate case. The Supreme Judicial Court of Maine sustained the dissent. My two colleagues attempted unsuccessfully, through the Governor's Office, to secure legislation outlawing employee discounts... nothing in the record here shows that the discounts are excessive, unreasonable, or unwarranted. It simply is that the majority disapproves of the entire concept.

"This time the Company is ordered to phase out employee discounts--a technique to achieve the result without abrogating a union contract. The obvious strategy is to achieve the preconceived result by ordering the Company to make no more such contracts with the union. To me this is an attempt at agency dictation of management prerogatives by imposing a limit on the Company's right to contract, and on collective bargaining..." p. 42

²R. S. 1954, Ch. 44, Sec. 40.

'excessive, unwarranted, or incurred in bad faith.' " It expressed "reluctance to interfere with the understandings reached between a utility and its employee".³

The Commission again attempts to combat the policy on the ground that it promotes consumption of electricity. Although originally promotional, electricity today is so expensive even with a modest discount that it is ridiculous to argue that it encourages use. Staff tries to support its position by placing in the record statistics purporting to show that Company employees use more electricity than other residential customers. But this assertion ignores elementary cause and effect relationships. Staff fails to show that the group of customers compared with Company employees are similar in such other respects as size, style of living, income, age, and residences. There is nothing to show that Company employees are typical of the others compared, or that any increased usage is a result of discounts. This is based on an opinion of the California Commission in the Pacific Gas & Electric case of 1979:

"The usage of PG&E employees is compared to that of nonemployees without consideration of such variables as income, economic circumstances, housing size, family size, or style of living. It can safely be assumed that as a group of wage and salary earners, PG&E employees have a higher average income, better average economic circumstances, and a better average style of living than nonemployees. From this it follows that consumption per employee can be expected to exceed that of nonemployees. We conclude from this record that the energy consumption of PG&E employees on the average approximates that of nonemployees. We find no evidence in this record that discounts discourage conservation."⁴

In view of my many reservations on PURPA, it is submitted here, in response to staff argument, that this federal law (fortunately I do believe) is not mandatory in any state. The argument that discounts are contrary to cost of service is identical to the one tried unsuccessfully last time.

³ 405 A 2d, 177-79, cited in CMP Brief of Exceptions, pp. 28-29.

⁴ 26 P.U.R. 201, 213, Cal. P.U.C., cited in CMP Reply Brief, p. 45.

PROPERTIES HELD FOR FUTURE USE

My dissent in the last Central Maine rate case on property held for future use is reaffirmed here--with the same rationale. Instead of a Definite Plan standard attempted by the majority, I indicated that the majority was "groping for a standard". It still is. The record shows that all disputed lands are definitely tied into very specific and well-publicized proposals actively pursued by Central Maine for future generating and transmission facilities.

An excerpt from the 1978 dissent is presented here:

It should be remembered that, as the demand for electricity increases, and as size and technologies of new plants and projections become more complex, astute corporation management must plan ahead today far beyond their 1950 standards. Acquisition of land for generating plants must be acquired sometimes now or never. The land cannot be taken under eminent domain in Maine. (Citations omitted.) Consequently delay in acquisition of land today may mean purchase at an exorbitant cost later. Often there is insufficient land available today for special facilities. Corporations need an incentive to make the purchases whenever they can. Even if a reasonably plausible purchase subsequently turns out unsuitable for future use, a company should not be penalized unless it is clear that the acquisition was imprudent, visionary, or made in bad faith.¹

The record shows clearly that the properties in question were acquired in good faith and in the exercise of reasonable and prudent business judgment in anticipation of future needs. In the final analysis it is the Company and not the Commission responsible for providing adequate power supply. The case is strengthened this time because the Company has established in-service dates for planned use.

FINALE

These conclusions have been reviewed in perspective--each item in relation to the others, and to the sum total. They appeal to be reasonable and just to all parties: ratepayers--present and prospective--; Company--management, employees, and investors--; and to the State in its quest and demand for adequate power supply. This, I do believe, approximates a decision in the public interest, respecting both immediate and long-term considerations.

¹--Re Central Maine Power Co., Supreme Judicial Court, Maine, August 6, 1979, 26 PUR 4th, p. 434.

David A. L.

MAINE PUBLIC SERVICE COMPANY

Units No. 1 and No. 2

Seabrook Nuclear Power Station

Seabrook, New Hampshire

Information furnished pursuant to § 50.33
of Commission's Rules and Regulations with
respect to the particular Applicant named
above as part of Final Safety Analysis
Report and Operating License Application
for the above Units.

July 1981

I. ORGANIZATION AND CONTROL

(a) Name of Applicant

Maine Public Service Company (MPSCo.)

(b) Address of Applicant

209 State Street
Presque Isle, Maine 04769

(c) Description of Business of Applicant

MPSCo. is engaged in the business of producing, generating, transmitting, delivering and furnishing electricity for lighting, heating, and other public purposes in the State of Maine as follows:

Its service area comprises 3600 square miles in Aroostook County and the northern part of Penobscot County in Northern Maine. This area includes over 60 communities at retail and eight communities served by wholesale sales, with approximately 32,000 customers.

(d) Corporate Organization

MPSCo. is a corporation organized under the laws of the State of Maine. As of December 31, 1980, MPSCo. had 3,468 domestic shareholders owning 674,807 common shares and 14 foreign shareholders owning 3,500 common shares.

(e) Corporate Officers and Directors

The names and residence addresses of MPSCo.'s directors and principal officers are as follows:

OFFICERS

<u>Name/Title</u>	<u>Residence</u>
Ralph A. Brown, President and Chief Executive Officer	55 Barton Street Presque Isle, Maine 04769
G. Melvin Hovey, Vice President of Engineering & Operations	RFD 1, Box 254 Presque Isle, Maine 04769
Frank E. Livingston, Secretary, Treasurer and Clerk	52 Dupont Drive Presque Isle, Maine 04769
Paul R. Cariani Assistant Treasurer	68 Pine Street Presque Isle, Maine 04769
Clarence E. Cambridge Assistant Secretary	78 Pine Street Presque Isle, Maine 04769
C. Hazen Stetson Chairman of the Board	92 Barton Street Presque Isle, Maine 04769

DIRECTORS

Ralph A. Brown	55 Barton Street, Presque Isle, Maine 04769
Donald F. Collins	4 Dorcas Avenue, Caribou, Maine 04736
D. James Daigle	St. John Road, Fort Kent, Maine 04743
Thomas S. Pinkham	P. O. Box 168, Ashland, Maine 04732
Irwin F. Porter	131 Barton Street, Presque Isle, Maine 04769
Walter M. Reed, Jr.	38 Lower Main Street, Fort Fairfield, Maine 04742
C. Hazen Stetson	92 Barton Street, Presque Isle, Maine 04769
G. Melvin Hovey	RFD 1, Box 254, Presque Isle, Maine 04769

All of the directors and principal officers of MPSCo. are citizens of the United States of America. MPSCo. is not owned, controlled or dominated by an alien, foreign corporation or foreign government.

II. FINANCIAL QUALIFICATIONS

Under the Joint Ownership Agreement, MPSCo. is responsible for its Ownership Share of the operation and maintenance cost of the Units which, when the pending transactions described herein have been consummated prior to commercial operation, will be 1.4605% of those costs, and a similar percentage of the ultimate cost of decommissioning the Units.

Based upon the estimates set forth above under Part IV of the General Information, MPSCo.'s share of these costs should amount approximately to \$2,191,000 and \$2,191,000 for the first five years of operations of Units 1 and 2, respectively; and approximately \$613,000 to \$1,256,000 for the decommissioning of the two Units. In addition, MPSCo.'s share of fuel expenses during the period would be \$7,493,000.

As evidence of its financial qualifications to meet those costs, MPSCo. submits herewith:

- (i) 1980 Annual Report to Stockholders (Exhibit A).
- (ii) 1980 Annual Report on Form 10-K (Exhibit B).
- (iii) 1981 Quarterly Report on Form 10-Q (Exhibit C).
- (iv) Recent Rate Order dated June 1, 1981 (Exhibit D).

III. REGULATORY AGENCIES AND PUBLICATIONS

(a) Regulatory Agencies

The following regulatory agencies have jurisdiction over the rates and services of MPSCo:

Federal Energy Regulatory Commission
825 N. Capitol Street, N.E.
Washington, D. C. 20426

Maine Public Utilities Commission
242 State Street
Augusta, Maine 04333

(b) Publications

The following trade and news publications are used by MPSCo. for official notifications, and/or are otherwise appropriate for notices regarding this unit:

Bangor Daily News
491 Main Street
Bangor, Maine 04401