annual report

1982

MAINE PUBLIC SERVICE COMPANY

directors

RALPH A. BROWN
President and Chief Executive Officer, Maine Public Service Company, Presque Isle, Maine

C. HAZEN STETSON
Chairman of the Board, Maine Public Service Company, Presque Isle, Maine

DONALD F. COLLINS
President, S. W. Collins Co. Caribou, Maine; Chairman, Aroostook Trust Company, Caribou, Maine

D. JAMES DAIGLE
President, David D. Daigle Farms, Inc. Fort Kent, Maine and Orlando, Florida

G. MELVIN HOVEY
Vice President-Engineering and Operations, Maine Public Service Company

THOMAS S. PINKHAM
General Manager, Pinkham Lumber Co., Ashland, Maine

IRWIN F. PORTER
Director, Northern National Bank, Presque Isle, Maine

WALTER M. REED, JR.
President, Reed Farms, Inc., Fort Fairfield, Maine

executive officers

RALPH A. BROWN
President and Chief Executive Officer

G. MELVIN HOVEY
Vice President Engineering and Operations

DONALD A. LINDSAY
Vice President—Subsidiary

PAUL R. CARIANI
Assistant Treasurer

C. HAZEN STETSON
Chairman of the Board

FRANK E. LIVINGSTON
Treasurer, Secretary and Clerk

CLARENCE E. CAMBRIDGE
Assistant Secretary

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ANNUAL MEETING: Second Tuesday in May.

PRINCIPAL OFFICE: 209 State Street, Presque Isle, Maine 04769

Transfer Agent: Manufacturers Hanover Trust Company, New York

Stock Registrar: Common Stock—Manufacturers Hanover Trust Company, New York

President's letter
to our Stockholders and Employees

A number of important events occurred in 1982 which have and will impact significantly on your Company.

I am pleased to report that a second referendum to close the Maine Yankee Nuclear Plant was defeated. This second initiative petition to end the use of nuclear power for producing electricity in the State of Maine after November 2, 1987, received sufficient signatures to bring the issue to referendum on November 2, 1982. If this referendum had passed, our customers' electric bills would have increased drastically, since approximately 40% of the Company's load requirements would need to be replaced with higher cost generation.

In 1981 the Public Utilities Commission initiated an investigation into the power supply, planning and purchases of Maine Public Service Company which finally came to an end after almost a year and one-half. Basically the investigation was directed towards the Company's investment in the Seabrook Nuclear Plant being constructed in Seabrook, New Hampshire. This investigation was combined with another docket arising from a Company requested retail rate increase. The combined rate order provided for an annualized retail rate increase for the Company of $1,393,108. This, together with retail rate increases granted in 1982, and increases pending approval by the Federal Energy Regulatory Commission with respect to our wholesale customers, will raise the Company's annual revenue by approximately $2.6 million. The same order requires that the Company make a good-faith effort to sell 50% of its Seabrook ownership. This decision was based upon the Public Utilities Commission's belief that the Company's projected load to the year 2000 would only increase at an average annual rate of five tenths (.5) of one per cent.

Your Company believes such a forecast to be unrealistically low. The Company's load requirements, since the oil embargo of 1973, have increased at an average rate of 3.5% per year, and the Company's 1982 firm load requirements adjusted for abnormalities actually rose 3.7% over 1981. (Load requirements unadjusted grew 6.1%.)

Public Service Company of New Hampshire, the lead participant in the Seabrook nuclear units, announced another significant cost increase for the construction of these units. In-service dates have been extended to December, 1984 for Unit 1 and July, 1987 for Unit 2. This new cost estimate will raise the Company's expected total cost, including Allowance for Funds Used During Construction, to approximately $95 million, including nuclear fuel.

Of course, such significant cost increases cause the Company's management to be concerned. The Company has and may continue to have difficulty financing its share of the Seabrook construction costs.

Firm sales continue to increase and were 538,805,000 KWh, up 5.7% over 1981. Total kilowatt-hour sales were 558,057,000, down 2.2% from 1981. The decrease resulted entirely from reduced surplus sales to other utilities due to lower hydro production and a ten week shutdown of the Maine Yankee nuclear plant for refueling. Total consolidated revenue for 1982 was $31,144,070, up $1,870,257, 6.4% over 1981. More importantly, total base revenues, which exclude the effects of fuel, rose $2,479,722, an increase of 15.1% over 1981. Such improvement was basically due to rate increases received in 1981 and 1982, and the increase in firm customer sales previously mentioned. The Company's 1982 hydro production at 95.8% of normal, was considerably below 1981, which was one of the highest years of record (143% of normal). The below normal water flow, in addition to the ten week refueling period for the Maine Yankee nuclear plant, increased the Company's reliance on oil fired generation. However, due to falling oil prices, the impact on our customers was not great. The Company's generating mix in 1982, consisted of nuclear providing 37.2% of its energy, hydro 21.5%, and fossil fuel 41.3%.

The Company's consolidated earnings per share rose $1.91 (47.3%) to $5.95 compared to $4.04 in 1981. Earnings continue to be heavily influenced by large amounts of AFUDC (Allowance for Funds Used During Construction) arising from heavy borrowings needed for the large construction program.

Lower interest rates and inflation will have a very positive impact on the Company, as it will reduce significantly the cost of new construction and the cost of money to finance that construction.

Effective March 1, 1983, the Company had a change in executive officers. Frank E. Livingston, Treasurer, Secretary and Clerk, retired after 35 years of loyal and dedicated service. The Company's Board of Directors elected Paul R. Cariani to succeed Mr. Livingston.

Your Company is relatively small when compared to many other electric utilities. However, the Company has many dedicated and highly competent employees, who over the years have contributed in large measure toward the reliable electric service to which the Company has provided its customers at reasonable and competitive costs. Your Company's rates at the present time are among the lowest in New England.

The Company is pursuing new load management techniques, co-generation possibilities, and has an ongoing conservation program designed to reduce the Company's need for new high cost generation facilities.

Canada, and in particular the Provinces of Quebec and New Brunswick, has been farsighted and aggressive in its construction of new power generation, and therefore has some lower cost surplus power available.

Your Company's service area is located adjacent to the Canadian border. Consequently the Company since 1957 has enjoyed economies from the purchase and sale of power with New Brunswick. We hope and expect this very desirable relationship to continue.

We wish to thank all of our stockholders, employees, and customers for their valued support.

Sincerely,

Ralph A. Brown
President

Presque Isle, Maine
March 15, 1983

Analysis of Financial Condition and Review of Operations—1982

Revenues and Energy Sales

Consolidated operating revenues for 1982 continued to establish new highs, reaching $31,144,070. This amount exceeded revenues of the previous year by $1,870,257 and those of 1980 by $3,354,430. Base-rate revenue, excluding fuel cost recoveries, increased by $2,479,722, or 15.1% over 1981, and were $4,360,042 greater than 1980. This two-year growth in revenues is related to retail rate increases, which became effective June 10, 1981, August 6, 1981, September 18, 1981, June 1, 1982 and December 1, 1982, along with an increase on the wholesale level effective February 1, 1982. The annualized amounts of these rate increases totaled approximately $5,000,000, though the full annual effect has not yet been realized. The Subsidiary also received an increase in its wholesale rate, effective November 1, 1982, though that rate has yet to receive final approval by regulatory authority. During this year, as in the past, the major portion of fuel costs were imbedded in the base rates, with only the related changes in the levels of such costs being reflected in fuel adjustment revenues. In summary, fuel cost recoveries recorded in revenues continued to decline in 1982 ($12,132,825) as compared with 1981 ($12,735,897) and with 1980 ($13,166,792). This decline reflects the positive effects of fuel price stabilization that have been passed on to ratepayers in the three-year period.

Energy sales of 558,057 MWh were 2.2% less than those for 1981, but were 3.4% above sales in 1980. In comparing 1982 with 1981, sales to residential customers increased by 0.8% and the commercial and industrial—small customers registered a comparably small 0.7% gain for the year. Conversely, commercial and industrial large customers posted a 1.8% decrease for the year, while combined street and area lighting sales declined 3.8% from those of 1981. Sales to other public authorities posted an 8.3% gain, much of which is attributable to additional sales to Loring Air Force Base. The least impressive classification was the sales for resale category, which in 1982 registered an 11.2% decline from such sales in 1981. The primary reason for this decline was sales to The New Brunswick Electric Power Commission, which were lower due to a return to more normal water conditions from the unusually high water water levels of 1981. As a result of the exceptional river-flows in 1981, sales to NBEPC were 21,459 MWh greater than in 1980. A steady growth in firm sales has occurred during the recent three years, from 480,245 MWh in 1980 to 509,741 MWh in 1981, and then to 538,805 MWh in 1982. Additional information on revenues, sales, etc., may be found in the eleven-year consolidated operating statistics summary that appears near the end of this report.

Operating Expenses

Deferred fuel expenses in 1982 were a negative $1,357,278 compared with a positive $2,256,127 recorded in the previous year and a positive $929,114 in the year before that. (A positive deferred fuel expense indicates that a similar amount has been collected in revenues, a negative deferred fuel expense signifies that this amount will not be collected until a future accounting period.)

Hydro production during 1982 achieved a level of 95.8% of normal compared with a record water year in 1981, which recorded hydro output reaching 143.0% of normal, and a 1980 production of 95.4% of normal. A total of 128,101 MWh was generated in the hydro plants in 1982 compared with 191,698 MWh in 1981 and 127,630 MWh in 1980. Because of the much lower hydro-generation, more energy was purchased from outside sources in 1982. Such purchases totaled 431,475 MWh compared with 365,947 MWh in 1981. Nuclear energy purchases from Maine Yankee Atomic Power Company (Maine Yankee) are contingent upon that plant's capacity factor and were 33,771 MWh less than the 256,068 MWh purchased from that source in the previous year due to refueling of the unit in late 1982. 1980 purchases of such nuclear energy were 216,252 MWh. Energy purchased from Maine Electric Power Company (MEPCO) was up from 37,824 MWh in 1981 to 71,406 MWh in 1982 arising from a 5 MW increase in capacity entitlement from that source beginning November 1, 1981, acquired from other New England utilities. A combination of below-normal hydro conditions and less nuclear energy from Maine Yankee resulted in a greater need to buy power from The New Brunswick Electric Power Commission (NBEPC). Thus, purchases from NBEPC increased from 72,037 MWh in 1981 to 137,740 MWh in the 1982 calendar year.

The total cost of purchased power increased from $11,323,103 in the previous year to $16,020,231 in 1982, whereas such costs in 1981 were lower by $1,428,870 than those of 1980 ($12,751,973). Purchased power expense from NBEPC was 70.8% higher than the year before, while purchases from MEPCO recorded a substantial 66.6% increase over 1981.

In 1982, fossil fuel prices continued at a relatively stable level. This trend was due in large part to continued conservation coupled with abnormally warm weather in the last quarter of 1982. It is not possible to predict when fuel prices will resume their upward spiral, but it seems safe to assume that the present oil glut will not be long-term in nature.

Operating expenses of the steam plants declined by $771,549 in 1982 as compared with the previous year's steam operations expense. Most of this reduction (93.3%) may be attributed to decreased generation and a consequent reduction in use of fuel at the Caribou and Wyman Units. Diesel operating costs were less than last year by $17,448, mostly related to reduced production requirements from the diesel units. Production maintenance expenses were 56.8% ($178,355) more than in 1981. This increase may be attributed to higher scheduled maintenance charges from the steam units at Caribou and to an unusual amount of maintenance required at the Tinker plant in 1982. Steam maintenance expenses went from $172,389 in 1980 to $140,669 in 1981 and $208,316 in 1982, while Tinker costs of maintenance were approximately $118,000, $59,000, and $185,000, respectively.

Operation and maintenance of the transmission system incurred expenses which were above those of 1981 by 2.6%, up from $1,020,477 to $1,047,030. In turn, 1981 transmission maintenance costs were 4.8%

over the $974,120 of 1980. Increased maintenance of overhead lines was the largest factor in the current year's increase. Distribution operation and maintenance charges were 9% higher than those in 1981, with increases occurring in numerous accounts in that expense class. A 17% increase in records and collection expenses (from $304,464 to $356,170) caused overall customer accounts expense to rise 12.5% or $78,784 since 1981. Customer service and information rose by 6.2% for the recent year from $142,731 to $151,665. Administrative and general expenses showed a 16.7% increase over last year, up from $2,409,441 to $2,811,934. The primary reason for this increase is regulatory commission expenses that increased 294.4% ($438,618) from 1980 to 1981, and 49.1% ($288,661) from 1981 to 1982. Excluding regulatory expenses, the net increase in administrative and general accounts was held to 6.2% from 1981 to 1982 and to 6.0% from 1980 to 1981.

Depreciation and amortization expense decreased by $6,960 for the year, as a result of computer software being fully amortized in 1982. Taxes other than income taxes charged against income in 1982 were up $87,208, reflecting higher property taxes, more social security taxes, and an increase of about $20,000 in the assessment by the Maine Public Utilities Commission. Including deferred taxes and investment tax credit adjustments, income taxes charged to operating expenses went from a positive $168,800 to a negative ($168,793) from 1980 to 1981 and declined further to a negative ($272,394) in 1982. The current provision for income taxes decreased from $346,885 in 1981 to a negative ($693,776) in 1982, which is due to an operating tax loss carry-back to prior years. The annual provision for deferred income taxes relating to deferred fuel expense was $563,410 in 1982 compared with a negative ($1,071,987) in the previous year. Deferred income taxes related to accelerated depreciation of property and other minor deferrals totaled $500,526 in 1982 versus $372,494 in the previous year. Investment tax credit adjustments charged to income in 1982 were a negative ($340,924) compared with $196,107 in 1981. As a result of the operating tax loss carry-back, deferred taxes were reduced by $289,338.

Construction

The Company and its Subsidiary expended $12,461,895 on additions, replacements and equipment in 1982, including allowances for borrowed funds used during construction amounting to $2,964,020. Of that total amount approximately $11,101,000 was expended for progress payments on the Company's 1.46% interest in Seabrook Units 1 and 2, nuclear generating units being constructed by Public Service Company of New Hampshire, and interest on related borrowed funds. Additional work on William F. Wyman Unit 4, a jointly owned, oil-fired unit being operated by Central Maine Power Company required $43,400, but a refund of $51,700 from an insurance recovery was received during the year, reducing Wyman Unit 4 charges to a negative $8,300. The reconstruction of the Caribou dam required $40,300 for completion. Improvements to the transmission line from Presque Isle to Mapleton necessitated the expenditure of $79,300 for the first year of a two-year project. Approximately $39,400 was expended for voltage conversions and substation improvements. Meters, services, transformers and other customer-related facilities required the expenditure of $315,400. Distribution line extensions, rebuilds, and highway relocations were $697,800 and improvements to the transmission system required $39,700. Street lighting, general equipment, and miscellaneous items absorbed the remaining $157,300.

Cash expenditures in 1983 are expected to total approximately $15,900,000, including an estimated $3,500,000 for interest on borrowed funds used during construction. The major portion of the total will be for the Company's share of the continuing construction of Seabrook Units 1 and 2, which is estimated at about $14,000,000 for the year including expenditures for nuclear fuel. Transmission improvements will require about $300,000, while distribution expenditures will approximate $1,223,000. The remaining $377,000 is budgeted for numerous miscellaneous improvements and needed equipment throughout the consolidated system. The Company's share of the cost of Seabrook Units 1 and 2, including nuclear fuel, is presently estimated at $94,918,600, including allowance for funds used during construction of $37,301,500. Unit 1 is expected to be in-service on December 31, 1984 and Unit 2 on July 31, 1987.

Affiliated Companies

The Company owns 100% of the Common Stock (except for directors' qualifying shares) of Maine and New Brunswick Electrical Power Company, limited, hereinafter referred to as the Subsidiary. The Subsidiary owns and operates the Tinker Station which is primarily a hydro generating facility located in the Province of New Brunswick, Canada, just a few miles across the international border. Tinker station has five hydro units with a total capacity of 34,000 kilowatts and a small diesel unit of 1,000 kilowatts. As a requirement of its Charter, the Subsidiary serves the communities of Andover, Perth and Carlingford in New Brunswick, with the remaining energy being exported to the Parent Company in Maine.

As an owner of 5% of the Common Stock of the Maine Yankee Atomic Power Company (Maine Yankee), the Parent Company is entitled to approximately 5% of the output from Maine Yankee's 850,000-kilowatt nuclear plant located in Wiscasset, Maine. Maine Yankee has proved to be a very economical source of energy for the Company and its customers, due to its low fuel cost. Except for hydro energy, which has no fuel cost, nuclear energy is the most economical of all sources available to the Company and its customers. Fuel costs would be considerably higher without the availability of large amounts of nuclear energy.

The Company also owns 7.49% of the Common Stock of Maine Electric Power Company, Inc., hereinafter referred to as MEPCO. MEPCO owns and operates a 345-kilovolt transmission line about 180 miles in length, which connects The New Brunswick Electric Power Commission (NBEPC) system with the New England Power Pool. In addition, MEPCO has contracts with NBEPC under which it purchases Canadian energy and sells it to various New England utilities. The Company presently has entitlements of 13.4 megawatts of MEPCO capacity, which includes 10 megawatts assigned to it by two other New England utilities. This transmission line also provides the major route through which the Company's share of Maine Yankee and Wyman Unit 4 energy is delivered to the Company's system.

Regulatory Proceedings

On January 14, 1982, the Company filed for a rate increase with the Maine Public Utilities Commission (MPUC). The MPUC issued an "Interim Order" on May 28, 1982, based on the parties to the proceeding entering into a Stipulation of Selected Issues. In the Stipulation the parties agreed to an increase in annual revenues of $558,393, and, at the same time, the temporary rate relief authorized by the MPUC on September 11, 1981 became permanent. The Commission further ordered a consolidation of this rate case (MPUC Docket #82-5) and the Investigation of Power Supply Planning and Purchases (MPUC Docket #81-114). On November 30, 1982, the MPUC concluded its investigation as a result of a stipulated agreement by all parties requiring the Company to put forth its best efforts to sell fifty percent of its investment in Seabrook Units 1 and 2. A retail rate increase of $1,393,108 was also granted in the order which ended the investigation.

The Company filed a Wholesale rate request with the Federal Energy Regulatory Commission (FERC) on December 31, 1981. An interim increase of approximately $335,000, subject to refund, became effective February 1, 1982. On August 18, 1982, the FERC approved the requested rate increase in the annual amount of approximately $289,000 in place of the $335,000 approved on February 1, 1982, subject to refund. The amounts of over-collections were refunded by the Company on October 5, 1982, including interest in accordance with FERC regulations.

On September 7, 1982, the Company and its wholesale customers jointly filed with FERC a final Settlement Agreement which is intended to maintain parity between wholesale and retail rates. On December 3, 1982, the Company filed with FERC the Order of the MPUC granting a $1,393,108 retail rate increase. On December 6, 1982, the Company filed a new rate tariff with FERC requesting approval of a further increase of $244,214 in wholesale rates. The Company is presently awaiting final approval from the FERC.

The Subsidiary has completed rate negotiations with its Canadian wholesale customers, and is awaiting final approval by the New Brunswick Board of Commissioners of Public Utilities. The new rate represents a $110,000 increase in revenues, and is being phased in during the months of November, 1982 through May, 1983 by agreement with the Canadian customers. It will be necessary to change the inter-company contract between the Parent Company and the Subsidiary, which changes will have to be approved by the National Energy Board of Canada.

Financial Conditions

Bank notes at year end were $24,700,000 for the Parent Company, reflecting additional short-term borrowings for the year of $11,200,000. This increase in bank notes is primarily due to the Company's participation in the construction of Seabrook Units 1 and 2. In January of 1983, the Company issued $9,000,000 principal amount of 14% Debentures due 1990 and $7,000,000 principal amount of 13⅞% First Mortgage and Collateral Trust Bonds due 1992. The proceeds of these financings were used to reduce the short-term bank notes then outstanding. Because of lower water conditions and abnormally high maintenance costs, the Subsidiary increased its short-term bank borrowings by $50,000, leaving a balance of $150,000 (Canadian funds) outstanding at year end.

Many stockholders took advantage of the Company's Dividend Reinvestment and Stock Purchase Plan (DRIP), which became effective on January 1, 1982, and as a result 11,077 shares of common stock were issued under the Plan, thereby increasing common equity $191,179. In addition to the DRIP, 5,520 shares of Common Stock were issued under the Employee Stock Ownership Plan, resulting in an increase in common equity of $102,802. The stockholders by a substantial majority voted to increase the authorized shares of Common Stock from 1,000,000 to 2,000,000 shares at the May 11, 1982 Annual Meeting. The Company did not have a large Common Stock issue in 1982.

Due to the Company's heavy construction program, internal cash generation provided only approximately 10% of construction requirements, with the remainder financed through short-term bank loans. Construction requirements are estimated to be $15.9 million (including $3.5 million AFUDC) in 1983 with approximately $12.3 million expected to come from outside financing, principally debt borrowing, though limited equity issues may be undertaken sometime during the year.

Employees

The total number of permanent employees increased to 177 from 174 in 1982. Total payroll costs for the Company were $3,720,146 compared to $3,432,830 in 1981. Union employees of the Parent Company received an 8% increase effective October 1, 1982, and non-union hourly employees received an 8% wage increase effective December 1, 1982. Non-union salaried employees were increased the same percentage on February 1, 1983. The Subsidiary is currently involved in contract negotiations with the International Brotherhood of Electrical Workers.

General

The Parent Company provides electric service to Aroostook County and a small area of Penobscot County in Northern Maine. An area of approximately 3,600 square miles is served, with a relatively sparse population.

On November 2, 1982, an initiated bill, An Act to End the Use of Nuclear Power for Producing Electricity in Five Years was presented to Maine voters. This bill would have prohibited the operation of the Maine Yankee Nuclear Plant after November 2, 1987. We are pleased to report that the people of Maine rejected this bill by a 56% to 44% margin.

Maine Public Service Company
and Subsidiary

statements of consolidated income

	Year Ended December 31,		
	1982	**1981**	**1980**
Operating Revenues	**$31,144,070**	$29,273,813	$27,789,640
Operating Expenses			
Operation:			
Power Purchased	**16,020,231**	11,323,103	12,751,973
Other	**6,868,087**	10,693,918	8,013,782
Maintenance	**1,067,742**	824,415	916,875
Depreciation (Note 1)	**1,756,007**	1,762,967	1,770,604
Taxes:			
Other Than Income	**993,157**	905,949	878,008
State Income	**(141,086)**	57,951	21,832
U.S. and Canadian Federal Income (Note 5):			
Current	**(552,690)**	288,934	132,317
Deferred—Related to Deferred Fuel Expenses	**563,410**	(1,071,987)	(462,162)
Other Deferred—Net	**198,896**	360,251	458,419
Investment Tax Credits	**(340,924)**	196,107	18,317
Total Operating Expenses	**26,432,830**	25,341,608	24,499,965
Operating Income	**4,711,240**	3,932,205	3,289,675
Other Income (Deductions)			
Equity in Income of Associated Companies (Notes 1 & 3)	**333,661**	344,669	339,635
Allowance for Equity Funds Used During Construction (Note 1)	**1,813,859**	758,416	652,191
Foreign Exchange Gain (Loss)	**270**	(38,161)	(21,845)
Other—Net	**(36,574)**	(24,413)	16,012
Total	**2,111,216**	1,040,511	985,993
Income Before Interest Charges	**6,822,456**	4,972,716	4,275,668
Interest Charges			
Long-Term Debt and Notes Payable	**5,126,050**	4,330,755	3,263,503
Less Allowance for Borrowed Funds Used During Construction (Note 1)	**(2,964,020)**	(2,655,497)	(1,475,677)
Total	**2,162,030**	1,675,258	1,787,826
Net Income	**4,660,426**	3,297,458	2,487,842
Dividends on Preferred Stock	**541,918**	549,211	556,509
Net Income Available for Common Stock	**$ 4,118,508**	$ 2,748,247	$ 1,931,333
Earnings Per Share of Common Stock	**$5.95**	$4.04	$2.86
Average Shares Outstanding	**692,694**	680,885	675,723

See Notes to Consolidated Financial Statements.

As of December 31, 1982, there were 699,807 shares of Common Stock outstanding. Shares were held by 3,297 shareholders located in all fifty states, the District of Columbia, Canada and the Virgin Islands. The Company's Common Stock is listed and traded on the American Stock Exchange. Only Common Stockholders are allowed to vote at the annual meeting, except in the event of default (considered unlikely) under the provisions of the Articles of Incorporation relating to Preferred Stock, or as may be required by applicable law. There were 89 shareholders of the 7,780 shares of 4.75% Preferred Stock outstanding, while three institutional investors owned the 27,300 shares outstanding of 9⅞% Preferred Stock. Two insurance companies own the 80,000 shares of 9⅝% Preferred Stock. The Annual Meeting of Stockholders is held each year on the second Tuesday in May at the Company's headquarters in Presque Isle.

Dividend data and market prices related to the Common Stock are tabulated as follows for the two most recent calendar years:

	Market Price			Dividends
1981	**High**		**Low**	**Paid Per Share**
First Quarter	15¾	—	14	$0.48
Second Quarter	15¼	—	14⅛	0.48
Third Quarter	15¼	—	13½	0.48
Fourth Quarter	15⅞	—	13½	0.48
1982				
First Quarter	16⅝	—	14⅛	0.48
Second Quarter	19	—	15⅞	0.53
Third Quarter	20¼	—	17⅝	0.53
Fourth Quarter	23⅝	—	20	0.53

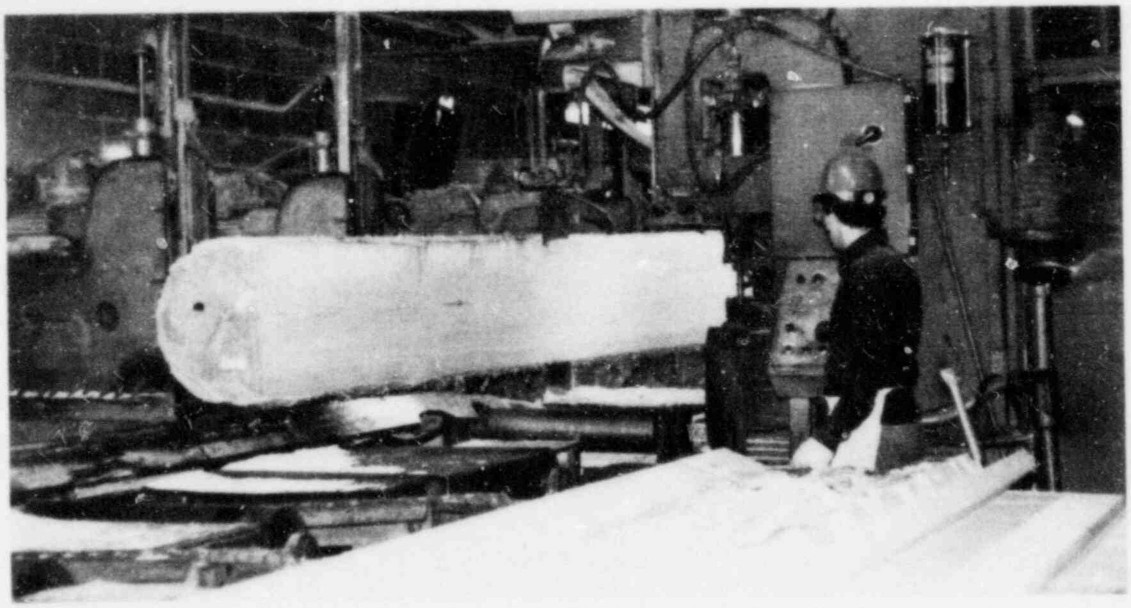
Maine Public Service Company

and Subsidiary

statements of consolidated preferre

	Redeemable Cumulative Preferred Stock			
	4.75% Series		9⅞% Series	
	Shares	**Amount**	**Shares**	**Amount**
Balance, January 1, 1980	11,380	$569,000	30,000	$1,500,000
Net income				
Dividends:				
Preferred Stock				
Common Stock ($1.92 per share)				
Stock issued—Common Stock				
Stock repurchased—Preferred Stock	(1,200)	(60,000)	(900)	(45,000)
Miscellaneous charge				
Balance, December 31, 1980	10,180	509,000	29,100	1,455,000
Net income				
Dividends:				
Preferred Stock				
Common Stock ($1.92 per share)				
Stock issued—Common Stock				
Stock repurchased—Preferred Stock	(1,200)	(60,000)	(900)	(45,000)
Balance, December 31, 1981	8,980	449,000	28,200	1,410,000
Net income				
Dividends:				
Preferred Stock				
Common Stock ($2.12 per share)				
Stock issued—Common Stock				
Stock repurchased—Preferred Stock	(1,200)	(60,000)	(900)	(45,000)
Balance, December 31, 1982	7,780	$389,000	27,300	$1,365,000

See Notes to Consolidated Financial Statements.



Sawing eastern white pine at The Pinkham Mill of Great Northern Nekoosa Corporation, Ashland, Maine.

stock and common shareholders' equity

9⅝% Series		Common Shareholders' Equity			
		Common Stock		Additional	
Shares	Amount	Shares	Amount	Paid-In Capital	Retained Earnings
80,000	$4,000,000	673,025	$4,711,175	$1,697,256	$11,818,810
					2,487,842
					(556,509)
					(1,297,388)
		5,282	36,974	53,566	
				22,735	
					(52,984)
80,000	4,000,000	678,307	4,748,149	1,773,557	12,399,771
					3,297,458
					(549,211)
					(1,307,303)
		4,903	34,321	37,636	
				14,130	
80,000	4,000,000	683,210	4,782,470	1,825,323	13,840,715
					4,660,426
					(541,918)
					(1,468,709)
		16,597	116,179	177,803	
				18,031	
80,000	$4,000,000	699,807	$4,898,649	$2,021,157	$16,490,514

Maine Public Service Company
and Subsidiary

consolidated

assets

	December 31, 1982	December 31, 1981
Utility Plant (Notes 1 and 4)		
Electric Plant in Service	**$58,816,961**	$57,917,773
Less Accumulated Depreciation	**22,989,753**	21,501,312
Net Electric Plant in Service	**35,827,208**	36,416,461
Construction Work-in-Progress	**41,750,930**	28,772,536
Total	**77,578,138**	65,188,997
Investments in Associated Companies (Notes 1 and 3)		
Maine Yankee Atomic Power Company	**3,339,405**	3,340,577
Maine Electric Power Company, Inc.	**76,388**	81,668
Total	**3,415,793**	3,422,245
Net Utility Plant and Investments in Associated Companies	**80,993,931**	68,611,242
Current Assets		
Cash	**661,830**	349,325
Deposits for interest and dividends	**557,117**	516,577
Accounts Receivable:		
Customer (less allowance for uncollectible accounts—1982, $125,792; 1981, $108,477)	**2,768,264**	2,613,321
Other	**124,834**	462,146
Refundable Income Taxes (Note 5)	**682,325**	——
Deferred Fuel and Purchased Energy Costs (Note 1)	**300,784**	——
Deferred Income Taxes Related to Deferred Fuel Costs (Note 1)	**——**	413,794
Materials, Fuel, and Supplies (at average cost)	**1,640,971**	1,857,538
Prepayments	**111,832**	53,495
Total	**6,847,957**	6,266,196
Deferred Debits		
Unamortized Debt Expense (being amortized over terms of related debt)	**197,921**	217,303
Miscellaneous	**599,820**	463,530
Total	**797,741**	680,833
	$88,639,629	$75,558,271

See Notes to Consolidated Financial Statements.

balance sheets

liabilities and capital

	December 31, 1982	December 31, 1981
Capitalization		
Common Shareholders' Equity (Note 9):		
Common Stock*	**$ 4,898,649**	$ 4,782,470
Paid-in Capital	**2,021,157**	1,825,323
Retained Earnings	**16,490,514**	13,840,715
Total	**23,410,320**	20,448,508
Redeemable Cumulative Preferred Stock* (Note 10)	**5,754,000**	5,859,000
Long-Term Debt* (less current maturities) (Note 7)	**39,833,480**	24,913,112
Current Liabilities		
Long-Term Debt Due Within One Year	**446,560**	506,368
Notes Payable to Banks (Note 6 and 7)	**8,821,500**	13,584,300
Accounts Payable	**3,294,548**	2,290,103
Deferred Fuel and Purchased Energy Costs (Note 1)	**——**	831,879
Deferred Income Taxes Related to Deferred Fuel Costs (Note 1)	**149,616**	——
Dividends Declared	**505,466**	464,332
Customer Deposits	**48,675**	32,636
Taxes Accrued	**35,922**	131,153
Interest Accrued	**620,657**	640,943
Total	**13,922,944**	18,481,714
Deferred Credits		
Income Taxes (Note 1)	**2,801,483**	2,602,648
Investment Tax Credits (Note 1)	**2,762,514**	3,102,495
Miscellaneous	**154,888**	150,794
Total	**5,718,885**	5,855,937
Contingencies (Note 11)		
	$88,639,629	$75,558,271

**See schedules of capitalization data.*

statements of source of consolidated funds for plant additions and replacements

	Year Ended December 31, 1982	1981	1980
Source of Funds			
Funds From Operations:			
Net Income	**$ 4,660,426**	$ 3,297,458	$ 2,487,842
Principal Non-Cash Charges (Credits) to Income:			
Depreciation (Note 1)	**1,756,007**	1,762,967	1,770,604
Deferred Income Taxes—Net	**198,896**	360,251	458,419
Deferred Investment Tax Credits	**(339,981)**	190,996	437,394
Allowance For Equity Funds Used During Construction (Note 1)	**(1,813,859)**	(758,416)	(652,191)
Foreign Exchange Loss (Gain) (Note 1)	**(270)**	38,161	21,845
Other	**10,816**	184,852	109,085
Funds From Operations	**4,472,035**	5,076,269	4,632,998
Less: Dividends on Preferred and Common Stock	**(2,010,627)**	(1,856,514)	(1,853,897)
Miscellaneous Charge to Retained Earnings	**——**	——	(52,984)
Funds Retained in the Business	**2,461,408**	3,219,755	2,726,117
Funds From (For) Financing—Net:			
Notes Payable to Banks	**(4,762,800)**	5,484,300	5,500,000
Short-Term Debt Refinanced (Note 7)	**16,000,000**	——	——
Reduction of Long-Term Debt and Capital Stock—Net	**(932,157)**	(557,298)	(1,263,202)
Funds From Financing—Net	**10,305,043**	4,927,002	4,236,798
Net Funds Available	**12,766,451**	8,146,757	6,962,915
Increase (Decrease) in Available Funds			
(Increase) Decrease in Working Capital (see below)	**(317,923)**	1,768,265	232,796
Other—Net	**13,367**	14,130	16,818
Funds Used For Plant Additions and Replacements*	**$12,461,895**	$ 9,929,152	$ 7,212,529
Increase (Decrease) in Working Capital by Components (excluding long-term debt due within one year and notes payable to banks):			
Cash	**$ 312,505**	$ (384,645)	$ (227,357)
Deposits for Interest and Dividends	**40,540**	(67)	24,277
Accounts Receivable—Net and Refundable Income Taxes	**49[illegible]56**	(576,687)	396,835
Deferred Income Taxes Related to Deferred Fuel Costs—Net	**(563,410)**	1,071,987	462,162
Materials, Fuel and Supplies	**(216,567)**	47,190	469,851
Prepayments	**58,337**	10,443	(47,166)
Accounts Payable	**(1,004,445)**	310,947	(941,968)
Wholesale Surcharge Refund	**——**	——	632,615
Deferred Fuel and Purchased Energy Costs—Net	**1,132,663**	(2,155,366)	(929,114)
Taxes Accrued	**95,231**	(63,494)	(6,452)
Interest Accrued and Other Current Liabilities—Net	**(36,887)**	(28,573)	(66,479)
Increase (Decrease) in Working Capital	**$ 317,923**	$ (1,768,265)	$ (232,796)

See Notes to Consolidated Financial Statements.

* *Net of Allowance for Equity Funds Used During Construction.*

notes to consolidated financial statements

1. ACCOUNTING POLICIES, ETC.

Regulations The Company is subject to the regulatory authority of the Maine Public Utilities Commission (PUC) and, in respect to wholesale rates, the Federal Energy Regulatory Commission (FERC). As a result of the rate making process, the applications of accounting principles by the Company differ in certain respects from applications by non-regulated businesses.

Consolidation The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned Canadian subsidiary, Maine and New Brunswick Electrical Power Company, Limited. Intercompany items have been eliminated in consolidation. Non-U.S. assets and liabilities are translated into U.S. dollars at year-end exchange rates, except for property, plant and equipment, which are translated at approximate rates prevailing when acquired. Income and expense items are translated at average exchange rates prevailing during the year, except for depreciation which is translated at historical rates. Foreign currency translation adjustments are reflected in income currently.

Deferred Fuel and Purchased Energy Costs
The portions of fuel and purchased energy costs which are recoverable from or refundable to customers under the operation of fuel and purchased energy adjustment clauses are deferred in order to match costs with the related revenue.

Utility Plant Utility plant is stated at original cost which, as to construction, includes all direct labor and material, as well as related indirect construction costs including general engineering, supervision and similar overhead items, and allowances for costs of funds used during construction (AFUDC) at 14.36% during 1982, at 15.00% during 1981 and at 12.69% during 1980. In accordance with an order of the FERC, AFUDC applicable to borrowed and equity funds are shown separately in the accompanying statements of consolidated income and the AFUDC associated with equity funds have been excluded from funds provided from operations in the statements of source of consolidated funds for plant additions and replacements. Maintenance and repairs, including replacement of minor items of property, are charged to maintenance expenses as incurred. The companies' properties, with minor exceptions, are subject to a first mortgage lien.

Depreciation Depreciation is provided on composite bases using the straight-line method for financial reporting purposes. The composite depreciation rate, expressed as a percentage of average depreciable plant in service, was approximately 3.3% in 1982 and 1981 and 3.6% in 1980. For tax purposes, the double declining balance method is used for property acquired prior to 1981 and, in accordance with the Economic Recovery Tax Act of 1981, the Accelerated Cost Recovery System (ACRS) is used for property placed in service after 1980.

By order of the PUC, the Company records income tax reductions, which result from the use of liberalized depreciation, by the "normalization" method for all property additions. Related deferred income taxes recorded in 1982, 1981 and 1980 amounted to approximately $450,000, $410,000 and $420,000, respectively. The Subsidiary records income tax reduction by the "flow-through" method for all differences between book and tax depreciation.

Investment Tax Credit The Company defers investment tax credits utilized (none in 1982 and 1981 and approximately $548,000 in 1980) and amortizes the credits over the estimated useful lives of the related utility plant. In all three years the available investment tax credit exceeded the maximum allowable to offset current federal income taxes. The 1982 excess of approximately $989,000 expires in 1997. The 1981 excess of approximately $739,000 (includes approximately $278,000 arising from 1982 tax losses carried back) expires in 1996. The 1980 excess was carried back resulting in approximately $409,000 of refundable income taxes.

Investments The Company records its investments in the Common Stock of Maine Yankee Atomic Power Company (Maine Yankee) (5% ownership), a jointly owned nuclear electric power company, and the Common Stock of Maine Electric Power Company (MEPCO) (7.49% ownership), a jointly owned electric transmission company, on the equity method (See Note 3).

The Common Stock of the Subsidiary is pledged as additional collateral for the first mortgage and collateral trust bonds of the Company.

2. GEOGRAPHIC BUSINESS SEGMENTS

The following table summarizes the companies' operations in the two countries in which they operate (000 omitted):

	Company United States	Subsidiary Canada	Adjustments and Eliminations	Consolidated
For the Year Ended December 31, 1982:				
Sales to Unaffiliated Customers	$30,978	$ 166		$31,144
Intercompany Revenues	81	723	$ (804)	
Total	$31,059	$ 889	$ (804)	$31,144
Operating Profit Before Income Taxes	$ 4,338	$ 99	$ 2	$ 4,439
Income Taxes	(279)	7		(272)
Operating Income	$ 4,617	$ 92	$ 2	$ 4,711
Identifiable Assets at December 31, 1982	$83,709	$4,931		$88,640
For the Year Ended December 31, 1981:				
Sales to Unaffiliated Customers	$29,125	$ 149		$29,274
Intercompany Revenues	81	993	$(1,074)	
Total	$29,206	$1,142	$(1,074)	$29,274
Operating Profit Before Income Taxes	$ 3,236	$ 519	$ 8	$ 3,763
Income Taxes	(372)	203		(169)
Operating Income	$ 3,608	$ 316	$ 8	$ 3,932
Identifiable Assets at December 31, 1981	$70,492	$5,066		$75,558
For the Year Ended December 31, 1980:				
Sales to Unaffiliated Customers	$27,638	$ 152		$27,790
Intercompany Revenues	81	775	$ (856)	
Total	$27,719	$ 927	$ (856)	$27,790
Operating Profit Before Income Taxes	$ 3,188	$ 262	$ 8	$ 3,458
Income Taxes	83	86		169
Operating Income	$ 3,105	$ 176	$ 8	$ 3,289
Identifiable Assets at December 31, 1980	$63,679	$4,935		$68,614

The identifiable assets, by company, are those assets used in each company's operations, excluding intercompany receivables and investments.

3. INVESTMENTS IN ASSOCIATED COMPANIES

Dividends received during 1982, 1981 and 1980 from Maine Yankee are approximately $319,000, $337,000 and $325,000, respectively, and from MEPCO approximately $9,800 in 1982, $10,000 in 1981, and $11,000 in 1980. Substantially all earnings of Maine Yankee and MEPCO are distributed to investor companies.

Condensed financial information for Maine Yankee and MEPCO is as follows:

	Maine Yankee			MEPCO		
(Dollars in Thousands)	1982	1981	1980	1982	1981	1980
Earnings						
Operating revenues	$110,000	$102,650	$ 84,245	$111,522	$139,293	$111,604
Earnings applicable to Common Stock	$ 6,477	$ 6,698	$ 6,574	$ 128	$ 137	$ 146
Company's equity share of net earnings	$ 324	$ 334	$ 329	$ 10	$ 10	$ 11

Investment						
Total assets	$354,175	$346,452	$334,481	$ 26,812	$ 23,855	$ 31,100
Less:						
Preferred Stock	10,795	11,295	11,980			
Long-term debt	139,575	129,862	134,823	8,580	9,240	10,484
Other liabilities and deferred credits	137,025	138,464	120,845	17,206	13,515	19,443
Net assets	$ 66,780	$ 66,831	$ 66,833	$ 1,026	$ 1,100	$ 1,173
Company's equity in net assets	$ 3,339	$ 3,341	$ 3,340	$ 76	$ 82	$ 88

4. INVESTMENTS IN JOINTLY-OWNED UTILITY PLANTS

The Company is a participant in two jointly-owned utility plants: W. F. Wyman Unit No. 4 (Wyman) and Seabrook Units No. 1 & 2 (Seabrook) (Note 11).

The Company's proportionate share of the direct expenses of Wyman are included in the corresponding operating expenses in the income statement.

Each participant must provide its own financing. The Company's share in each of the two jointly-owned plants at December 31, 1982 and December 31, 1981 is as follows:

	Wyman	Seabrook
	1982	
Electric Plant in Service	$6,856,188	
Accumulated Depreciation	(857,099)	
Construction Work-in-Progress		$41,631,632
Total	$5,999,089	$41,631,632
	1981	
Electric Plant in Service	$6,864,498	
Accumulated Depreciation	(641,109)	
Construction Work-in-Progress		$28,720,115
Total	$6,223,389	$28,720,115
Company's Ownership Percentage at December 31, 1982 and 1981	3.3455%	1.4606%

5. INCOME TAXES

The consolidated provisions for federal income taxes differ from amounts computed by applying the statutory rate as follows:

	1982	1981	1980
Statutory Rate	46.0%	46.0%	46.0%
Tax Benefits of Lower Effective Tax Rate Attributable to Dividends Received	(2.8)	(4.4)	(5.2)
Allowance for Funds Used During Construction	(48.3)	(50.6)	(38.4)
Other	2.7	2.8	3.2
Effective Rate	(2.4)%	(6.2)%	5.6%

In 1982 the Company incurred a loss for income tax purposes of approximately $2,460,000. As a result of the carry back of a portion of the loss to prior years, the Company anticipates a refund of [illegible],325. The Company has reduced net deferred income tax credits by approximately $294,000 for the benefit applicable to the carry forward of the remaining portion of the tax loss, which expires in 1997. The charge to deferred tax expense relates principally to depreciation. (See Note 1).

6. NOTES PAYABLE TO BANKS AND SHORT-TERM CREDIT ARRANGEMENTS

The Company has had various credit arrangements with two banks. Those in effect at December 31, 1982 are as follows: 1) an open credit arrangement up to $1,200,000 with interest at the lender's prime rate plus 1/4%. 2) a line of credit up to $23,500,000 with interest at 108% of the lender's prime rate, plus a commitment fee of 5% of the prime rate, and a compensating balance averaging $100,000. Certain information relating to these arrangements is as follows:

	1982	1981
Total lines of credit at year end	$24,700,000	$14,200,000
Maximum amount of borrowings outstanding at any month end	$24,700,000	$13,500,000
Borrowings outstanding at year end	$24,700,000	$13,500,000
Amount refinanced (Note 7)	(16,000,000)	
Total	$ 8,700,000	$13,500,000
Unused lines of credit at year end	$ -0-	$ 700,000
Average outstanding borrowings for the year	$17,191,000	$10,758,100
Average interest rate for the year	16.59%	21.46%

Effective interest rate at year end	12.41%	16.96%

Other short-term debt at December 31, 1982 and 1981 are unsecured demand notes of the Subsidiary and payable to a Canadian bank. Interest is at the lender's prime rate and is payable monthly. Certain information relating to this arrangement is as follows:

	1982	1981
Maximum amount outstanding at any month end	$121,500	$190,000
Amount outstanding at year end	$121,500	$ 84,300
Average interest rate for the year	15.92%	19.75%
Effective interest rate at year end	12.50%	17.25%

7. REFINANCING ARRANGEMENTS

During January 1983, the Company issued $9,000,000 of 14% Debentures due February 1, 1990, with interest payable semi-annually, and $7,000,000 of 13⅞% First Mortgage and Collateral Trust Bonds due December 1, 1992, with interest payable semi-annually. The proceeds of these issues were used to retire short-term debt. Accordingly, $16,000,000 of notes payable have been reclassified as long-term debt at December 31, 1982.

In addition, during December 1982, the Company retired $594,000 of the 5% Debentures, due 1987, at a gain of $42,760. The Debentures were retired in order to remove burdensome restrictions on long-term borrowing contained in the related Indenture.

8. PENSION PLAN

The Company and its Subsidiary have insured non-contributory defined benefit pension plans (terminable at any time) for the benefit of all union and non-union employees, based on age and period of employment conditions. Pension expense, which includes amortization of prior service costs over a period of twenty years, was approximately $290,000 in 1982, $284,000 in 1981, and $255,000 in 1980. The Companies' policy is to fund pension cost accrued. Certain information relating to these plans at December 31, 1981 and 1980, the dates of the most recent actuarial valuations follows:

	December 31, 1981	December 31, 1980
Actuarial present value of vested accumulated plan benefits	$2,714,755	$2,227,053
Actuarial present value of non-vested accumulated plan benefits	257,550	not available
Total	$2,972,305	$2,227,053
Net assets available for benefits	$2,991,295	$2,679,665

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6%.

9. COMMON SHAREHOLDERS' EQUITY

Under the most restrictive provisions of the Company's long-term debt indentures, retained earnings available for the payment of cash dividends on Common Stock were approximately $11,400,000 at December 31, 1982.

Paid-in capital increased by approximately $196,000, $52,000 and $76,000 in 1982, 1981 and 1980, respectively, representing the excess of the proceeds received over the par value of common stock issued to: the employees' stock ownership plan (5,520, 4,903 and 5,282 shares in 1982, 1981 and 1980, respectively) (see Note 13), shareholders reinvesting dividends under the Company's dividend reinvestment plan (11,077 shares in 1982) and the excess of par value over reacquisition cost of Preferred Stock (see Note 10).

On May 11, 1982, the shareholders approved an amendment to the Articles of Incorporation increasing the authorized Common Stock, par value $7, to 2,000,000 shares (Formerly 1,000,000 shares).

10. REDEEMABLE CUMULATIVE PREFERRED STOCK

The Preferred Stock is redeemable, with certain restrictions, at the option of the Company, or in the case of voluntary liquidation at $51.00 per share for the 4.75% Series, $51.65 for the 9⅞% Series, and $54.81 for the 9⅝% Series (all plus accumulated dividends).

The 9⅝% Series has a sinking fund requirement whereby the Company must redeem 5,333 shares at $50 per share and accrued dividends on October 1 of each year commencing in the year 1985. In addition, the Company has a non-cumulative option to redeem up to an additional 5,333 shares at the same price and dates as the sinking fund shares.

Purchase funds for the 4.75% and 9⅞% Series provide that the Company will annually offer to purchase on July 1, at prices not to exceed $50 per share and accrued dividends, 3% of the maximum number of shares issued prior to May 15 of such year, less any shares theretofore purchased and surrendered by the Company to the transfer agent as a purchase fund credit for such year. Any shares so purchased and surrendered are retired. Under this offer 1,200 shares of 4.75% Series were purchased in 1982, 1981 and 1980, and 900 shares of the 9⅞% Series were purchased in 1982, 1981 and 1980.

11. CONTINGENCIES

As disclosed in Note 4, the Company is a joint owner of the Seabrook nuclear generating plants being constructed by the Public Service Company of New Hampshire (PSNH) as the lead owner. Construction of the plants has been plagued by numerous delays that have resulted in significantly increased costs. PSNH has for some time been experiencing difficulties in financing its construction program. Additionally, various regulatory commissions of the Joint Owners are closely monitoring the construction program and the related financing difficulties.

On June 29, 1981, the Maine Public Utilities Commission (PUC) issued a Notice of Investigation to determine what portion of the Company's investment in Seabrook is required to meet future demands, and if the Company can divest itself of a portion of its Seabrook investment on a reasonable basis. On November 30, 1982 the PUC issued its decision in this investigation whereby the Company agreed to make a good faith effort to dispose of one half of its ownership in Seabrook over a one year period. The PUC did not limit the Company to divesture of one half of its ownership should it become uneconomical to retain fifty percent. The PUC granted the Company approximately $1.6 million in extraordinary rate relief to maintain its continuing investment in Seabrook until a portion can be disposed of on a reasonable basis. In the event the Company is unable to dispose of a portion of its Seabrook investment on a reasonable basis within the one year period, the PUC will review the Company's continuing need for extraordinary rate relief.

To date, the Company had received no firm offers for the purchase of any amount of its investment in Seabrook. Other Joint Owners are also attempting to dispose part of their interest in the plants. See Page 3 for discussion of Seabrook costs.

12. CONSTRUCTION PROGRAM

See Construction Section on page 3.

13. EMPLOYEES' STOCK OWNERSHIP PLAN

The Company has an employee stock ownership plan that provides eligible employees with the opportunity of becoming shareholders of the Company and, at the same time, achieves certain tax benefits for the Company. All employees with one or more years of service are eligible to participate in the plan; each year the Company contributes to the plan shares of common stock (or an equivalent amount of cash to be used to purchase common stock) with a value, as defined, equal to 1% of the Company's qualified investments in property for that year. The contribution to the plan amounted to approximately $90,000 in 1982, $67,000 in 1981 and $50,000 in 1980. Amounts contributed are accumulated in individual member accounts and are available for distribution upon termination of employment after an appropriate waiting period required by federal statute. Amounts in individual member accounts are 100% vested at all times.

14. QUARTERLY INFORMATION (unaudited)

Presented below are financial data showing results for each quarter in the two years ended December 31, 1982:

(Dollars in Thousands Except Per Share Amounts)

	1982 By Quarter			
	1st	2nd	3rd	4th
Operating Revenues	$8,757	$7,533	$6,689	$8,165
Operating Expenses	(7,454)	(5,742)	(5,794)	(7,443)
Operating Income	1,303	1,791	895	722
Interest Charges	(269)	(586)	(681)	(626)
Other Income—Net	407	507	557	640
Net Income	$1,441	$1,712	$ 771	$ 736
Earnings Per Common Share:	$ 1.90	$ 2.28	$ .91	$ .86

	1981 By Quarter			
	1st	2nd	3rd	4th
Operating Revenues	$7,671	$6,566	$6,942	$8,095
Operating Expenses	(6,602)	(5,792)	(6,089)	(6,859)
Operating Income	1,069	774	853	1,236
Interest Charges	(609)	(668)	(330)	(68)
Other Income—Net	315	342	138	245
Net Income	$ 775	$ 448	$ 661	$1,413
Earnings Per Common Share:	$ .94	$ .46	$ .77	$ 1.87

Maine Public Service Company
and Subsidiary

schedules of capitalization data
long-term debt:

	December 31, 1982	December 31, 1981
Maine Public Service Company:		
First Mortgage and Collateral Trust Bonds:		
3.35% Series due 1985—Interest Payable, February 1 and August 1	**$ 1,480,000**	$ 1,500,000
5½% Series due 1990—Interest Payable, March 1 and Sept. 1	**1,560,000**	1,580,000
4¾% Series due 1995—Interest Payable, January 1 and July 1	**2,075,000**	2,100,000
7⅛% Series due 1998—Interest Payable, May 1 and November 1	**3,480,000**	3,520,000
7.95% Series due 2003—Interest Payable, March 1 and Sept. 1	**2,300,000**	2,325,000
10⅝% Series due 1995—Interest Payable, March 1 and Sept. 1	**3,400,000**	3,520,000
10¼% Series due 2004—Interest Payable, April 1 and Oct. 1	**8,000,000**	8,000,000
Debentures:		
5%, due 1987—Interest Payable, May 1 and November 1		648,000
9⅞%, due 1995—Interest Payable, May 1 and November 1	**1,026,000**	1,080,000
Maine & New Brunswick Electrical Power Company, Limited:		
First Mortgage Bonds—5¾% Series due 1989—Interest Payable, June 1 and December 1	**959,040**	1,146,480
Total Outstanding	**24,280,040**	25,419,480
Less—Amount due Within One Year	**446,560**	506,368
Total	**23,833,480**	24,913,112
Short-Term Debt Refinanced (Note 7)	**16,000,000**	
Long-Term Debt	**$39,833,480**	$24,913,112

Current Maturities of Long-Term Debt for the Succeeding Five Years (based on present arrangements which include the refinancing of short-term debt) Are as Follows:

1983—$446,560 1985—$2,266,560 1987—$826,560
1984—$446,560 1986—$826,560

preferred stock:

	1982	1981
Redeemable Cumulative Preferred Stock, $50 Par Value—Authorized, 270,000 Shares (issuable in series):		
4.75% Series—Originally Issued 40,000 Shares; Outstanding, 7,780 Shares in 1982 and 8,980 Shares in 1981	**$ 389,000**	$ 449,000
9⅞% Series—Originally Issued 30,000 Shares; Outstanding, 27,300 Shares in 1982 and 28,200 Shares in 1981	**1,365,000**	1,410,000
9⅝% Series—Originally Issued and Outstanding, 80,000 Shares	**4,000,000**	4,000,000
Total	**$ 5,754,000**	$ 5,859,000

common stock:

	1982	1981
Common Stock, $7 Par Value—Authorized, 2,000,000 Shares; Issued and Outstanding, 699,807 Shares in 1982 and 683,210 Shares in 1981 (Note 9)	**$ 4,898,649**	$ 4,782,470

See Notes to Consolidated Financial Statements.

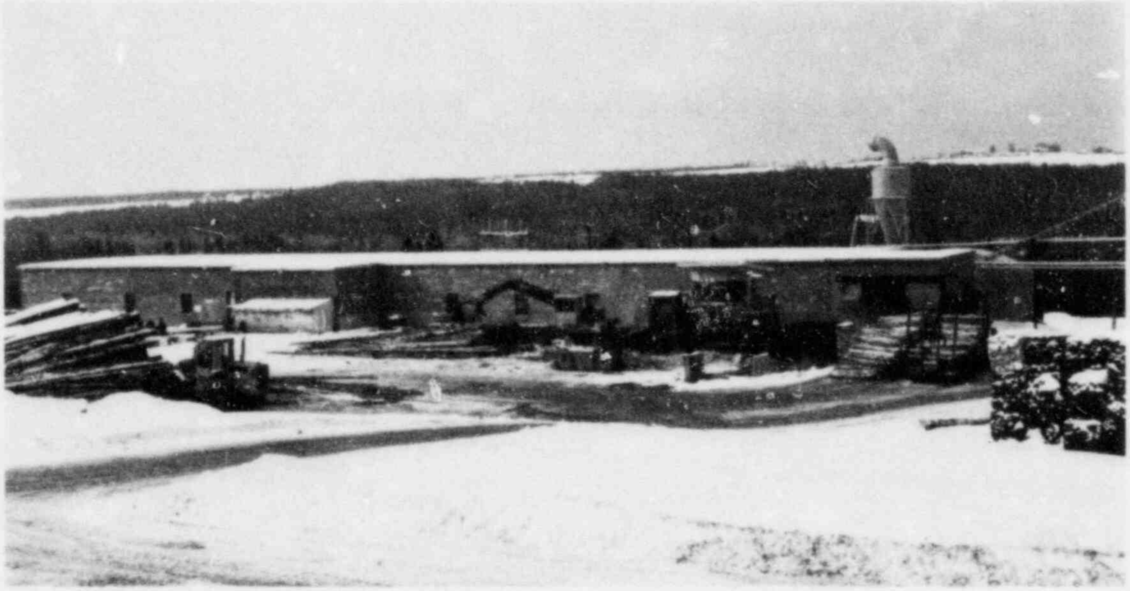
auditors' opinion

MAINE PUBLIC SERVICE COMPANY:

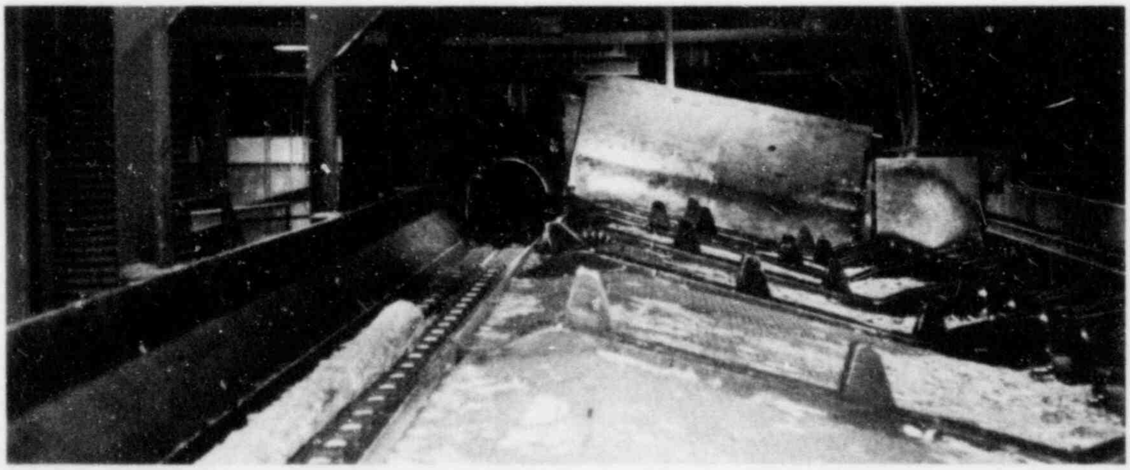
We have examined the consolidated balance sheets of Maine Public Service Company and its subsidiary, Maine and New Brunswick Electrical Power Company, Limited, and the related schedules of capitalization data, as of December 31, 1982 and 1981, and the related statements of consolidated income, preferred stock, and common shareholders' equity, and source of consolidated funds for plant additions and replacements for each of the three years in the period ended December 31, 1982. 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, such consolidated financial statements and schedules present fairly the financial position of the companies at December 31, 1982 and 1981 and the results of their operations and the source of funds for plant additions and replacements for each of the three years in the period ended December 31, 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS
Boston, February 23, 1983



An outside view of a modern sawmill owned by J. Paul Levesque & Son in Ashland, Maine.



The infeed conveyor leading to Great Northern's tree-length Chipper at McDonald Siding, Portage, Maine.

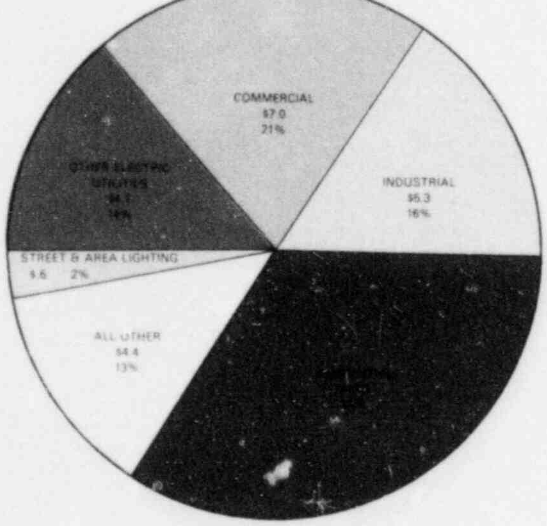
Maine Public Service Company
and Subsidiary

consolidated

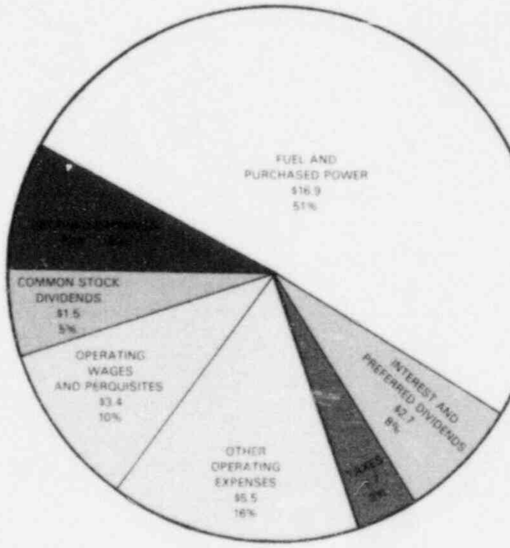
	1982	1981	1980
Capitalization (year end)			
Long-term debt	45.43%	49.14%	51.02%
Preferred Stock	10.77%	11.33%	11.74%
Common Shareholders' Equity	43.80%	39.53%	37.24%
Times Interest Earned—*			
Before Income Taxes	1.86	1.73	1.83
After Income Taxes	1.91	1.76	1.76
Times Interest and Preferred Dividends Earned—*			
After Income Taxes	1.73	1.56	1.51
Embedded Cost of Long-Term Debt (year end)	8.37%	8.28%	8.27%
Embedded Cost of Preferred Stock (year end)	9.50%	9.46%	9.42%
Common Shares Outstanding (year end)	699,807	683,210	678,307
Earnings Per Share of Common Stock (average shares)	$ 5.95	$ 4.04	$ 2.86
Dividends Per Share of Common Stock—			
Declared Basis	$ 2.12	$ 1.92	$ 1.92
Paid Basis	$ 2.07	$ 1.92	$ 1.90
Common Stock Dividend Payout Ratio	35.63%	47.53%	67.13%
Book Value Per Share of Common Stock (year end)	$33.45	$29.93	$27.90
Market Price Per Share of Common Stock			
High	$ 23⅝	$ 15⅞	$ 18⅛
Low	$ 14⅛	$ 13½	$ 13¾
Close	$ 21¼	$ 14¼	$ 15⅜
Price Earnings Ratio (year end)	3.57	3.53	5.38
Number of Common Shareholders (year end)	3,297	3,351	3,482

*Consolidated net earnings include AFUDC.

1982 SOURCE OF INCOME
Millions of Dollars (Total $33.3) and percent of total

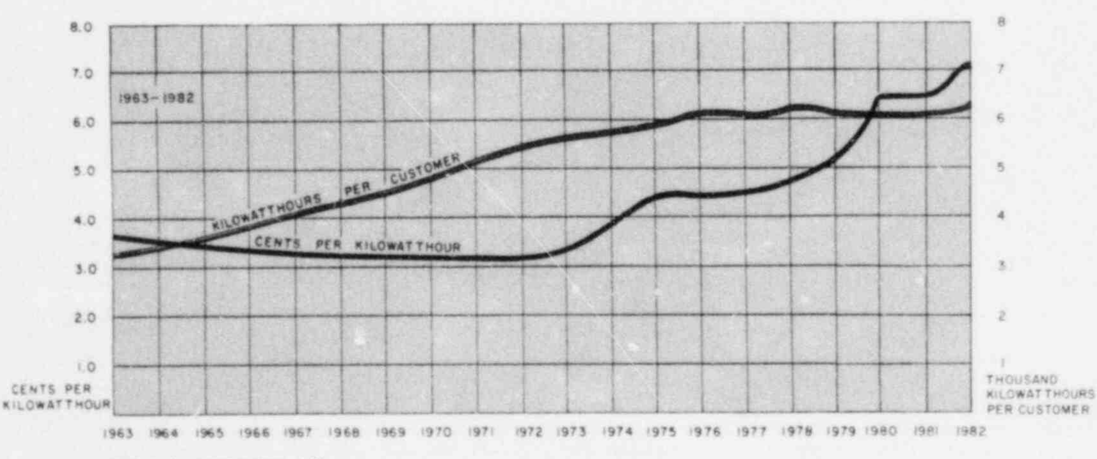


1982 DISTRIBUTION OF INCOME
Millions of Dollars (Total $33.3) and percent of total



financial statistics

(Restated) 1979	(Restated) 1978	(Restated) 1977	(Restated) 1976	(Restated) 1975	1974	1973	1972
52.50%	50.63%	53.59%	56.39%	57.94%	56.08%	57.73%	55.64%
11.73%	5.48%	5.77%	6.07%	6.29%	6.76%	7.00%	7.56%
35.77%	43.89%	40.64%	37.54%	35.77%	37.16%	35.27%	36.80%
2.48	4.27	3.92	3.01	2.80	3.53	3.14	2.70
2.02	2.89	2.67	2.10	2.01	2.35	2.21	1.99
1.84	2.58	2.39	1.87	1.76	2.02	1.90	1.70
8.10%	7.16%	7.15%	7.12%	7.10%	5.88%	5.88%	5.57%
9.38%	8.51%	8.41%	8.32%	8.24%	8.16%	8.09%	8.01%
673,025	667,038	665,734	665,734	665,734	665,734	665,734	665,734
$ 3.80	$ 3.97	$ 3.54	$ 2.25	$ 1.79	$ 2.41	$ 1.87	$ 1.40
$ 1.84	$ 1.61	$ 1.46	$ 1.34	$ 1.31	$ 1.28	$ 1.26	$ 1.20
$ 1.79	$ 1.58	$ 1.43	$ 1.32	$ 1.30	$ 1.28	$ 1.24	$ 1.20
48.42%	40.55%	41.24%	59.56%	73.18%	53.01%	67.51%	85.49%
$27.50	$25.57	$23.16	$20.91	$19.74	$19.54	$18.37	$17.76
$ 19¾	$ 20½	$ 19⅞	$ 16⅛	$ 14¼	$ 15⅝	$ 16⅞	$ 17¾
$ 16⅝	$ 17½	$ 15⅝	$ 13¼	$ 9⅛	$ 8⅜	$ 13	$ 15½
$ 16¾	$ 17½	$ 18⅛	$ 15⅞	$ 13⅜	$ 9	$ 14	$ 16
4.41	4.41	5.12	7.06	7.47	3.73	7.49	11.43
3,522	3,577	3,616	3,683	3,753	3,807	3,835	3,821



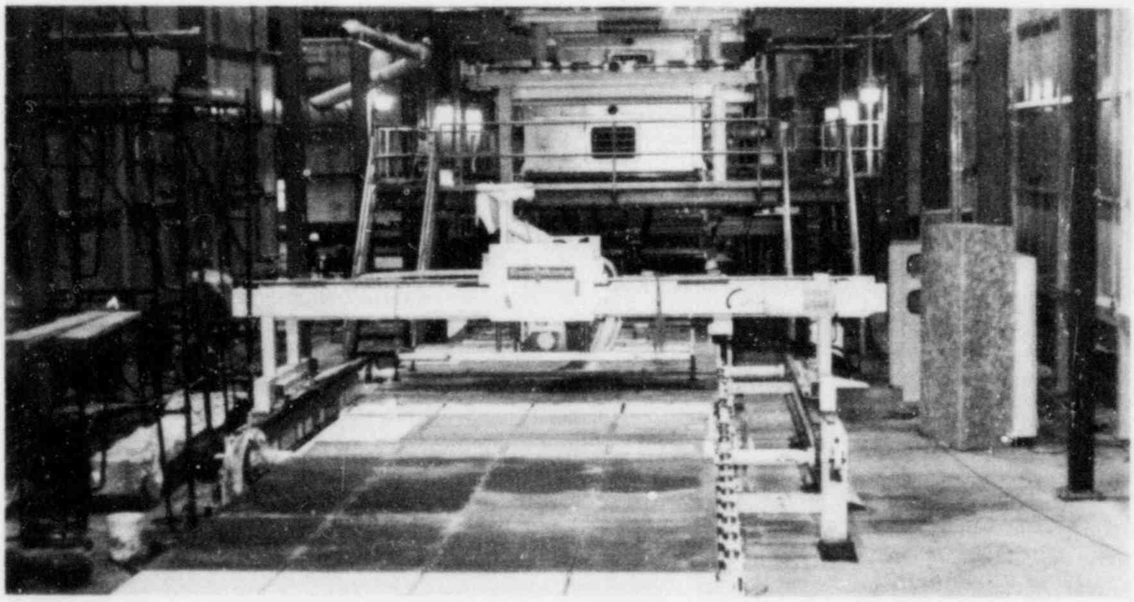
Maine Public Service Company—Residential Service Unit Revenue vs Average Annual Consumption per Customer.

five-year summary of selected financial data

	1982	1981	1980	1979*	1978*
Operating Revenues	**$31,144,070**	$29,273,813	$27,789,640	$21,239,729	$19,868,765
Net Income	**$ 4,660,426**	$ 3,297,458	$ 2,487,842	$ 2,802,916	$ 2,826,036
Dividends on Preferred Stock	**541,918**	549,211	556,509	262,134	179,428
Net Income Available for Common Stock	**$ 4,118,508**	$ 2,748,247	$ 1,931,333	$ 2,540,782	$ 2,646,608
Earnings Per Share of Common Stock	**$5.95**	$4.04	$2.86	$3.80	$3.97
Dividends Per Share of Common Stock:					
Declared Basis	**$2.12**	$1.92	$1.92	$1.84	$1.61
Paid Basis	**$2.07**	$1.92	$1.90	$1.79	$1.58
Total Assets	**$88,639,629**	$75,558,271	$68,613,583	$62,879,849	$54,825,853
Long-Term Debt Outstanding	**$39,833,480****	$25,419,480	$25,919,704	$27,169,336	$19,670,472
Less amount due within one year	**446,560**	506,368	505,664	1,228,128	516,544
Long-Term Debt	**$39,386,920**	$24,913,112	$25,414,040	$25,941,208	$19,153,928
Redeemable Cumulative Preferred Stock	**$ 5,754,000**	$ 5,859,000	$ 5,964,000	$ 6,069,000	$ 2,129,000

*Restated

**Includes $16,000,000 of short-term debt refinanced.



Pictured is the oriented strand board forming machine, which is under construction, at J.M. Huber Corporation in Easton, Maine.

Maine Public Service Company

consolidated

	1982 More or (Less) Than 1972 Amount	Average Annual Increase Percent	1982	1981	1980
Operating Revenues					
Residential	**$ 7,414,877**	**11.3**	$11,291,761	$10,298,542	$10,113,502
Commercial and Industrial—small	**4,386,438**	**10.3**	7,034,425	6,551,906	6,422,076
Commercial and Industrial—large	**3,977,920**	**14.8**	5,308,631	5,181,950	5,156,489
Municipal Street Lighting	**226,666**	**9.5**	380,628	350,279	339,557
Area Lighting	**140,600**	**8.4**	254,072	243,592	240,991
Other Municipal and Other Public Authorities	**1,556,907**	**15.4**	2,047,700	2,051,833	1,668,506
Other Electric Utilities	**3,503,494**	**14.9**	4,672,924	4,435,389	3,722,945
Other Operating Revenues	**62,843**	**5.4**	153,929	160,322	125,574
Total Operating Revenues	**$21,269,745**	**12.2**	$31,144,070	$29,273,813	$27,789,640
Number of Customers (average)					
Residential	**2,487**	**1.0**	25,725	25,593	25,516
Commercial and Industrial—small	**(131)**	**(.3)**	4,584	4,599	4,611
Commercial and Industrial—large	**6**	**4.1**	18	16	16
Municipal Street Lighting	**2**	**.6**	36	36	36
Area Lighting	**48**	**.3**	1,594	1,680	1,733
Other Municipal and Other Public Authorities	**1**	**1.2**	9	10	10
Other Electric Utilities	**—**	**—**	7	7	7
Total Customers	**2,413**	**.8**	31,973	31,941	31,929
Net Generation, Purchases and Sales (thousands of kilowatt-hours)					
Net Generation:					
Steam	**(17,452)**	**(3.7)**	38,165	48,645	46,849
Hydro	**(29,387)**	**(2.0)**	128,101	191,698	127,630
Diesel	**(11,609)**	**—**	(868)	(676)	200
Purchases:					
Nuclear Generated	**222,297**	**—**	222,297	256,068	216,252
Fossil Fuel Generated	**(5,530)**	**(.3)**	209,178	109,879	182,382
Total	**158,319**	**3.1**	596,873	605,614	573,313
Losses and Unaccounted for	**7,459**	**2.2**	37,492	33,447	32,447
Company Use	**(388)**	**(2.5)**	1,324	1,445	1,384
Electricity Sold	**151,248**	**3.2**	558,057	570,722	539,482
Sales:					
Residential	**32,227**	**2.3**	160,061	158,734	156,403
Commercial and Industrial—small	**26,965**	**2.9**	108,376	107,607	107,275
Commercial and Industrial—large	**29,701**	**3.2**	109,985	112,026	111,519
Municipal Street Lighting	**26**	**.1**	2,733	2,809	3,012
Area Lighting	**201**	**1.0**	2,036	2,150	2,194
Other Municipal and Other Public Authorities	**10,972**	**2.7**	46,792	43,190	36,942
Other Electric Utilities	**51,156**	**5.2**	128,074	144,206	122,137
Total Sales	**151,248**	**3.2**	558,057	570,722	539,482
Average Use and Revenue Per Residential Customer					
Kilowatt-hours	**721**	**1.2**	6,222	6,202	6,130
Revenue	**$272.11**	**10.2**	$438.94	$402.40	$396.36
Revenue per Kilowatt-hour	**4.02¢**	**8.8**	7.05¢	6.49¢	6.47¢

operating statistics

1979	1978	1977	Restated 1976	Restated 1975	1974	1973	1972
$ 8,033,191	$ 7,531,515	$ 7,073,874	$ 6,617,492	$ 6,498,277	$ 5,241,793	$ 4,306,306	$3,876,884
4,950,151	4,770,989	4,148,247	4,258,303	4,153,889	3,317,147	2,870,766	2,647,987
3,578,710	3,220,676	2,765,238	2,859,436	2,752,432	1,874,967	1,434,155	1,330,711
293,577	282,505	273,902	213,590	197,190	189,980	174,618	153,962
213,744	208,765	207,990	161,924	147,531	140,239	128,587	113,472
1,309,218	1,186,878	1,045,997	926,200	889,789	744,038	538,689	490,793
2,722,707	2,535,654	2,334,404	1,820,158	1,855,254	1,415,135	1,191,488	1,169,430
138,431	131,783	149,008	145,342	149,690	145,385	103,841	91,086
$21,239,729	$19,868,765	$17,998,660	$17,002,445	$16,644,052	$13,068,684	$10,748,450	$9,874,325
25,537	25,470	25,272	24,990	24,709	24,421	23,805	23,238
4,671	4,689	4,731	4,756	4,778	4,710	4,691	4,715
16	17	17	15	14	13	13	12
36	36	35	34	34	34	34	34
1,751	1,753	1,824	1,825	1,763	1,723	1,681	1,546
8	8	8	8	8	8	8	8
7	7	6	6	6	6	6	7
32,026	31,980	31,893	31,634	31,312	30,915	30,238	29,560
20,373	26,913	6,193	14,791	50,748	32,385	33,263	55,617
162,107	116,894	167,874	173,421	105,726	140,362	153,898	157,488
243	627	(175)	(80)	78	(209)	875	10,741
220,218	263,137	252,829	52,976	— —	— —	— —	— —
158,699	157,854	127,109	275,731	319,334	286,649	262,210	214,708
561,640	565,425	553,830	516,841	475,886	459,187	450,246	438,554
38,706	30,040	34,536	33,462	32,313	32,401	27,391	30,033
1,277	1,296	1,229	1,281	1,312	1,396	1,537	1,712
521,657	534,089	518,065	482,098	442,261	425,390	421,318	406,809
156,399	158,820	154,420	154,060	145,361	140,702	134,747	127,834
105,055	111,002	98,999	96,910	90,211	86,304	86,464	81,411
110,452	106,757	100,122	96,499	87,712	79,504	78,414	80,284
2,981	2,944	2,952	2,889	2,804	2,706	2,744	2,707
2,233	2,236	2,269	2,305	2,182	2,085	1,992	1,835
38,762	42,438	42,493	41,157	34,752	35,617	39,754	35,820
105,775	109,892	116,810	88,278	79,239	78,472	77,203	76,918
521,657	534,089	518,065	482,098	442,261	425,390	421,318	406,809
6,124	6,236	6,110	6,165	5,883	5,762	5,660	5,501
$314.57	$295.70	$279.91	$264.81	$262.99	$214.64	$180.90	$166.83
5.14¢	4.74¢	4.58¢	4.30¢	4.47¢	3.73¢	3.20¢	3.03¢