1984 ANNUAL REPORT

DEPENDABLE ELECTRIC SERVICE

MAINE PUBLIC SERVICE COMPANY

BOARD OF DIRECTORS. Seated L/R: C. Hazen Stetson, G. Melvin Hovey, and Ralph A. Brown. Standing L/R: Donald F. Collins, Nathan L. Grass, Irwin F. Porter, Walter M. Reed, Jr., and D. James Daigle.

board of directors

RALPH A. BROWN
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

NATHAN L. GRASS
President and Owner
Belanger Farm Machinery, Inc.
Caribou, Maine

G. MELVIN HOVEY
President and Chief Executive Officer
Maine Public Service Company
Presque Isle, Maine

IRWIN F. PORTER
Honorary Director
Casco Northern Bank, N.A.
Portland, Maine

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

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

executive officers

G. MELVIN HOVEY
President and Chief Executive Officer

FREDERICK C. BUSTARD
Vice President
Engineering and Operations

DONALD A. LINDSAY
Vice President—Subsidiary

PETER C. LOURIDAS
Asst. Vice President
Power Supply and Planning

RALPH A. BROWN
Chairman of the Board

PAUL R. CARIANI
Treasurer, Secretary and Clerk

LARRY E. LaPLANTE
Assistant Secretary and Assistant Treasurer

CHARLES A. KILBY
Executive Assistant
Personnel and Divisions

TRANSFER AGENT: Manufacturers Hanover Trust Company, New York

STOCK REGISTRAR: Common Stock—Manufacturers Hanover Trust Company, New York

ANNUAL MEETING: Second Tuesday in May.

PRINCIPAL OFFICE: 209 State Street
Presque Isle, Maine 04769
Tel. No. (207) 768-5811

contents

ABOUT THE COVER—Our 1984 Annual Report theme features service reliability. The cover shows workers dedicated to maintaining electrical service to over 32,000 Northern Maine customers.

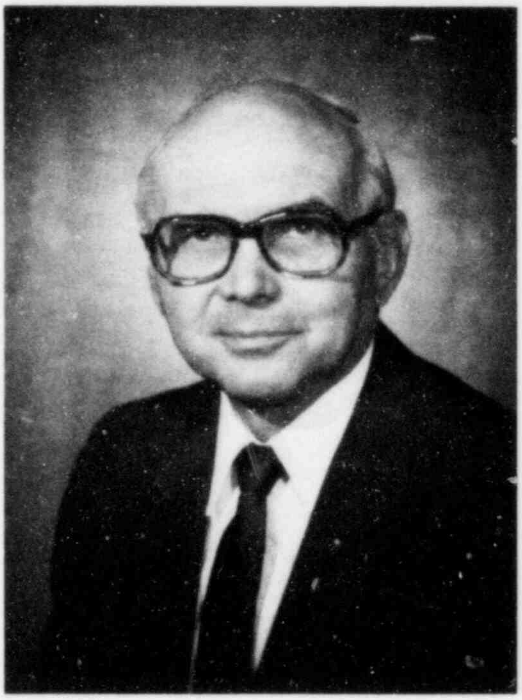
five-year summary of selected financial data

	1984*	1983*	1982*	1981	1980
Operating Revenues	**$ 34,334,282**	$ 33,183,752	$31,144,070	$29,273,813	$27,789,640
Net Income	**$ 6,320,890**	$ 6,333,486	$ 4,660,426	$ 3,297,458	$ 2,487,842
Dividends on Preferred Stock	**917,936**	820,624	541,918	549,211	556,509
Net Income Available for Common Stock	**$ 5,402,954**	$ 5,512,862	$ 4,118,508	$ 2,748,247	$ 1,931,333
Earnings Per Share of Common Stock	**$5.85**	$6.68	$5.95	$4.04	$2.86
Dividends Per Share of Common Stock:					
Declared Basis	**$2.09**	$2.27	$2.12	$1.92	$1.92
Paid Basis	**$2.32**	$2.22	$2.07	$1.92	$1.90
Total Assets	**$115,797,475**	$102,574,857	$88,639,629	$75,558,271	$68,613,583
Long-Term Debt Outstanding	**$ 46,843,656**	$ 39,827,432	$40,280,040	$25,419,480	$25,919,704
Less amount due within one year	**4,757,408**	445,504	446,560	506,368	505,664
Long-Term Debt	**$ 42,086,248**	$ 39,381,928	$39,833,480	$24,913,112	$25,414,040
Redeemable Cumulative Preferred Stock	**$ 8,543,900**	$ 8,649,000	$ 5,754,000	$ 5,859,000	$ 5,964,000

*See Auditors' Report on page 21 which contains a "going concern" qualification..

President's Letter

to our Stockholders and Employees



The year 1984 could well go down in history as being the most difficult in this Company's 80 plus years of service to Northern Maine and New Brunswick.

While operating revenues attained a new high in 1984, earnings were $5.85 per share, down $.83 from 1983. All of these earnings continue to be non-cash and reflect Allowance for Funds Used During Construction (AFUDC). Issues associated with the Company's investment in the Seabrook Nuclear Project, if not successfully resolved, could cause further deterioration of earnings in 1985. The absence of cash earnings is viewed with great concern. Rate proceedings are in progress which, if successful, will improve these earnings.

The Company is a part owner (1.46056%) in the Seabrook Nuclear Plant being constructed in Seabrook, New Hampshire. Since Seabrook's inception, it has been plagued with delays and financing difficulties. However, the events of 1984 and 1985 may prove to be the greatest and most serious challenge to completing the project. Uncertainties now surrounding this project continue to create severe challenges for your management team.

In March, 1984, Public Service Company of New Hampshire (PSNH), the lead participant, announced a substantial increase in the cost of the project. Shortly thereafter, PSNH said they were experiencing a severe liquidity crisis which, if not promptly relieved, could cause them to seek protection under the Bankruptcy code. Because of their financial restraints, PSNH suspended construction of the project in April, 1984, and omitted dividends on its Common and Preferred Stock.

Subsequently, a plan was developed to prefinance construction of Seabrook Unit 1 through to its completion. PSNH was able to ease its immediate cash crisis through the sale of short-term notes, and on June 23rd the Joint Owners voted to resume construction at an expenditure level of $4 million per week. (Full construction is approximately $10 million per week.) An executive committee was established to control project expenditures and on December 1, 1984, this group authorized an increase in expenditure level to $5 million per week. In addition, a new corporate entity called New Hampshire Yankee Electric Corporation (NHY) is being formed to construct and operate the plant under new and highly qualified management.

These events have required Seabrook participants to go before their respective public utility regulators for approval of their financing plans. This in turn, generated in most New England states generic investigations into the economics of the project.

Although it is presently anticipated that most New England regulatory bodies will support completion of Seabrook Unit 1, the Maine Public Utilities Commission (MPUC) determined that completion of Seabrook Unit 1 is uneconomic under credible assumptions, and on December 13, 1984, ordered Maine utilities to seek "credible firm offers" to buy their shares. If the Company is unable to sell its Seabrook shares, the MPUC stated "prudent planning requires the assumption that a subsequent Order will unequivocally require the Maine utilities to present plans for their complete disengagement from Seabrook." We were not successful in receiving credible offers for any of our shares and the MPUC issued an Order on January 16, 1985, requiring the filing of a disengagement plan and the Company has complied. The Company's plan would take only those steps which are proper under the Seabrook Joint Owners Agreement, as your management cannot expose the Company to the law suits which a default of that Agreement could generate.

We have retained Merrill Lynch in an attempt to find a purchaser and we will continue our own efforts to market our interest in the Seabrook Project at a reasonable price.

The Company filed a retail rate case with the

MPUC on July 20, 1984, requesting an increase in revenue of $7.3 million (subsequently reduced to approximately $5.5 million), and received a $570,000 partial rate increase (approximately 2%) effective November 21st, resulting from a stipulated settlement of its non-Seabrook related expenditures. The rate request also asks for amortization of its investment of Seabrook Unit 2 (as this Unit is, in effect, canceled) and normalization of the tax effect of AFUDC associated with Seabrook Unit 1. Generic regulatory proceedings for all three Maine utilities on the prudency of the investment in Unit 2 are currently in progress. A decision by the MPUC on revenue requirements must be reached by May 10, 1985.

We are currently contractually obligated to continue to pay our share of the construction of the Seabrook Project. However, the uncertainties created by the MPUC Order, and uncertain treatment by the MPUC of our costs incurred to date for rate purposes, make it very difficult to raise the required funds resulting in serious cash flow problems. These financial restraints forced the Company's Board of Directors, at a regular meeting held on February 26, 1985, to omit the quarterly dividend on the Company's Common Stock, normally paid on April 1, 1985.

Many electric utilities across this nation involved in construction of new plant are facing similar financing and cash flow problems as our Company. Electricity has been priced far too low to allow the replacement of existing plant and the construction of new capacity to meet growing demand. This stems from the fact that electricity rates in many states, including Maine, are established based on original cost depreciated and do not allow a return on plant under construction. Therefore, today's rates are based on generation plant in service, constructed in years past, and depreciated to a level far below their replacement cost. The Company has some very valuable assets, such as its portion of the Maine Yankee Nuclear Plant and its Canadian Tinker Hydro Plant which continue to save our customers millions of dollars annually. However, these plants are on our books for ratemaking purposes at only a small portion of their present value.

At the present time, it is not possible to sell our shares in the Seabrook Project at an amount which will recover our investment. Consequently, whether or not the Company sells its shares or continues with its payments for construction, a large increase in rates will be required.

When the electric utility industry began, a bargain was established with its regulating agencies. For a service area, a utility was obligated to serve all customers with a reliable and adequate supply of electricity. In return, the regulating agency was expected to allow financial strength that would make the utility a preferred borrower under efficient management. When our Company invested in the Seabrook Nuclear Project, we anticipated our customers' future demand would require this increased generation. At the time, nuclear power was considered the most economical future power source. We hope to be able to persuade the MPUC that the Company was prudent in its Seabrook decision and, therefore, is entitled to recover its investment through appropriate rates.

We continue to have an increased demand for electricity. In 1984 our primary sales increased 2.8%, even though our largest industrial customer was not operating most of the year. We have signed a contract with a small power producer for the purchase of 126 million kilowatthours annually, starting in 1986. It is anticipated that this small power producer, together with an aggressive conservation program, will achieve the Company's goal of requiring no major additional generation capacity until the year 2000.

Although these are very difficult times, and we face daily challenges and change, we are dedicated to the task of returning this Company to the financial soundness it once enjoyed and provide you, our investor, with the rewards you most certainly deserve. We are striving to operate at the highest level of efficiency. Every department and every task is being scrutinized and every new idea is viewed with an open mind. We believe, given some time, we can return our Company to strong financial health and we will continue to provide reliable service to our customers at rates which are among the lowest in New England.

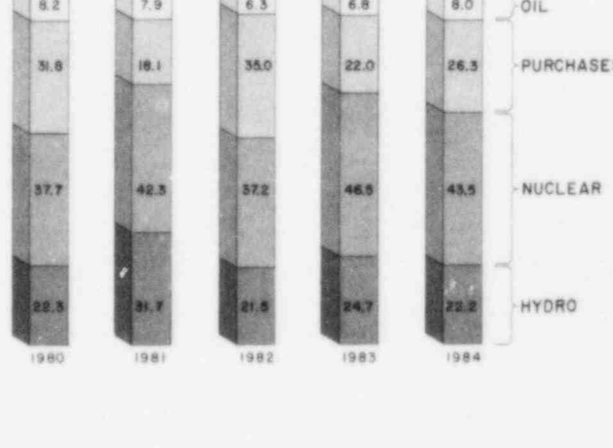
Sincerely,

G. M. Hovey

G. Melvin Hovey
President

Presque Isle, Maine
March 1, 1985

ELECTRIC OUTPUT BY SOURCES
(PERCENT)



Revenues and Energy Sales

Consolidated operating revenues for 1984 attained a new high of $34,334,282 as compared to $33,183,752 in 1983 and $31,144,070 in 1982. Base rate revenues excluding fuel cost recoveries were $421,117 (2.0%) over 1983 and $2,970,851 (15.8%) over 1982. Rate increases effective May 24, 1984 for $119,945 and November 21, 1984 for $570,000 are, in part, reflected in the 1984 revenues.

Fuel revenues were $12,364,245 for 1984, $11,627,465 for 1983, and $12,132,825 in 1982. The higher fuel revenues of 1984 compared with 1983 were primarily due to the cost of replacement power during the period that the Maine Yankee Nuclear Plant was shutdown for refueling and maintenance, while the previous period did not include a Maine Yankee refueling.

Total energy sales of 591,668 MWh in 1984 are 1.4% less than 600,083 MWh sold in 1983, and 6.0% greater than 558,057 MWh sold in 1982. Firm sales have grown from 538,805 MWh in 1982 to 560,228 MWh in 1983 and to 576,146 MWh in 1984. Firm sales exclude sales to The New Brunswick Electric Power Commission which are discussed below.

Residential energy sales for 1984 increased 3.1% over 1983 and 5.4% over 1982. Small commercial and industrial sales in 1984 increased 3.5% over 1983 and 6.9% over 1982. Large commercial and industrial sales increased .5% in 1984 over 1983 and 7.3% over 1982 even though one of our largest industrial customers (Simplot Processors, Inc.) did not reach and is not expected to reach full production for several years. Sales to Simplot Processors, Inc. were 12,432 MWh in 1984 compared to 34,879 MWh for American Kitchen Foods, Inc. (the previous owner) in 1983.

Street and area lighting sales in 1984 declined .2% from 1983 and 2% below the 1982 level. Sales to public authorities increased 5.1% in 1984 over 1983 and 6.4% over 1982. Sales for resale were 134,537 MWh in 1984 as opposed to 154,940 MWh in 1983 and 128,074 MWh in 1982. Most of the reduction in 1984 sales for resale compared to 1983 is due to lower sales to The New Brunswick Electric Power Commission (NBEPC) which were 15,522 MWh in 1984, 39,849 MWh in 1983 and 19,242 MWh in 1982.

Additional information on revenues, sales, and other statistical data may be found in the eleven-year consolidated operating statistics summary that appears near the end of this report.

Operating Expenses

Hydro production in 1984 was 104.2% of normal compared with 118.0% in 1983 and 95.8% in 1982. Hydro generation in 1984 was 139,255 MWh in comparison to 157,741 MWh in 1983 and 128,101 MWh in 1982. In 1984, 438,789 MWh were purchased from outside sources, whereas such purchases totaled 435,854 MWh in 1983 and 431,475 MWh in 1982. The Maine Yankee Atomic Power Company (Maine Yankee) supplied the Company with 273,087 MWh of nuclear energy in 1984 compared to 296,164 MWh and 222,297 MWh in 1983 and 1982, respectively. On June 1, 1983, the Houlton Water Company (a wholesale customer) agreed to assign its entitlement in Maine Yankee thereby increasing the Company's total entitlement in the Plant's capacity from approximately 4.9% to 5.3%. The Company's purchases are contingent on the Plant's operations and, as was the case in 1982, the Plant was down for refueling and maintenance (for an eighty-four day period) during 1984. A combination of the decline in hydro production and reduced nuclear energy purchases in 1984 resulted in an increase in more expensive energy purchases from the Maine Electric Power Company (MEPCO), The New Brunswick Electric Power Commission (NBEPC) and stepped up activity at the Company's generating facilities. Energy purchased from MEPCO increased from 61,555 MWh in 1983 to 66,533 MWh in 1984, but was less than the 71,406 MWh purchased in 1982. The Company purchased 99,146 MWh of energy from the NBEPC in 1984, an increase of 21,049 MWh more than 1983. The Company purchased 137,740 MWh from NBEPC in 1982. Steam generation facilities produced 51,253 MWh in 1984, 44,564 MWh in 1983 and 38,165 MWh in 1982.

Purchased power expenses increased 21.9% in 1984 from $12,880,854 in 1983 to $15,699,256, whereas such expenses in 1984 were 2.0% less than the $16,020,231 spent in 1982. Despite the reduction in purchases, Maine Yankee purchased power expenses increased 16.3% in 1984, principally due to an increase in capacity charges relating to maintenance expense. As a result of lower hydro generation and the decrease in Maine Yankee energy purchases in 1984, purchased power expenses from MEPCO and NBEPC increased 11.4% and 41.5%, respectively, over 1983.

Other operation expenses for 1984 were $8,444,446 compared to $9,035,905 in 1983 and $6,868,087 in 1982. Steam generation expenses of the Company's facilities including Wyman Unit #4 increased from $2,746,786 in 1983 and $2,654,617 in 1982 to $3,143,483 in 1984 due primarily to increased generation and therefore higher fuel expenses. Deferred fuel cost accounting produced a negative $479,178 in 1984 compared to a positive $644,911 in 1983 and a negative $1,357,278 in 1982. (A negative deferred fuel expense indicates that uncollected fuel costs have been deferred, for matching purposes, to a future accounting period during which those costs will be collected. A positive deferred fuel expense indicates that previously deferred fuel costs have been currently collected and are therefore included in operating revenues.) Other generation, including hydro, and power supply expenses of $520,742 in 1984 increased over the expenses incurred in 1983 of $507,518 and in 1982 of $456,460. Transmission and distribution expenses in 1984 were $1,583,732 compared to $1,520,424 in 1983 and $1,498,377 in 1982. Customer accounting and service expenses increased 4.5% in 1984 to $1,046,005 from $1,001,339 in 1983. In 1982, these expenses totaled $859,446. The increase from 1982 to 1983 is attributable to an increase in the Company's bad debt provisions due to the American Kitchen Foods, Inc. bankruptcy. General and administrative expenses were $2,629,662 in 1984, $2,614,927 in 1983 and $2,756,465 in 1982. Regulatory expenses of $236,529, $310,908 and $876,285 are included in this category for 1984, 1983, and 1982, respectively, and reflect the use of outside services in conjunction with rate proceedings and other regulatory matters.

Maintenance expenses in 1984 amounted to $1,304,302 representing an increase of 15.1% ($171,156) over 1983 and 22.2% ($236,644) over 1982. This increase is attributable to scheduled repairs at the Tinker Station and mandated repairs of the reservoir and dam at the Squa Pan Lake facility.

Depreciation expenses remained relatively constant at $1,733,991 for 1984 versus $1,760,589 in 1983 and $1,756,007 in 1982.

Taxes other than income taxes were $1,050,471 in 1984, a slight increase over the 1983 and 1982 expenses. The Company's provision for federal and state income taxes including deferred taxes and investment tax credits totaled $472,551 in 1984, $1,814,996 in 1983 and a negative $272,394 in 1982. In 1984, the Company incurred an operating loss for income tax purposes of approximately $9.8 million primarily due to the cancellation of Seabrook Unit 2. After applying the carryback provision of the tax loss to the prior year, the tax loss remaining for carryforward is approximately $8.5 million and expires in 1999. As a result of the tax loss carryforward, deferred taxes were reduced by approximately $4,260,000 resulting in total deferred taxes of approximately $1,190,000 for 1984. Due to the 1984 tax loss, the investment tax credits of approximately $512,000 previously recorded were reversed. For further information on Income Taxes refer to Notes to Consolidated Financial Statements No. 3.

Construction

Expenditures on additions, replacements and equipment in 1984 amounted to $10,356,027, including allowances for borrowed funds used during construction of $2,987,181. The majority of these expenditures were related to the Company's continuing investment in the Seabrook Nuclear Project and amounted to approximately $8,809,000 in 1984. Additional work on the new transmission line from Presque Isle to Mapleton required $77,700. A new computer system was acquired at a cost of $80,700. Approximately $60,400 was expended for voltage conversions and substation improvements, however, $82,200 was received from the sale of related equipment. Meters, services, transformers and other customer-related facilities required the expenditures of $366,700. Distribution line extensions, rebuilds and highway relocations absorbed $758,500. Minor transmission improvements, street lighting and general equipment required $285,300. The amounts included in this paragraph do not include allowance for equity funds used during construction which in 1984 was $3,880,708 and related primarily to the Company's investment in Seabrook.

Construction expenditures in 1985 are expected to total approximately $12,755,200, including an estimated $4,202,700 for allowance for borrowed funds used during construction. The major portion of this total will be for the Company's share of the continuing construction of the Seabrook Project, which is estimated at about $10,943,100 including expenditures for nuclear fuel. Please refer to the Seabrook Project section of this report for further discussion. Transmission improvements will require $385,600, while distribution expenditures will approximate $1,196,500. The remaining $230,000 is budgeted for numerous miscellaneous improvements and needed equipment throughout the consolidated system.

The Seabrook Project

The Company owns a 1.46056% interest in the Seabrook Nuclear Generating Project being constructed in Seabrook, New Hampshire by Public Service Company of New Hampshire (PSNH). As a result of developments during the latter part of March, 1984, and statements made by PSNH in its 1983 Annual Report on Form 10-K, it became apparent that PSNH was experiencing a severe liquidity crisis.

Due to the financial problems experienced by PSNH, Merrill Lynch Capital Markets was retained to develop a financing plan which provided for the financing of PSNH's full ownership share of the cost of completion for Seabrook Unit 1. In addition, each Joint Owner was to develop a plan for prefinancing its ownership share of the completion costs of Unit 1. All financing plans, including the PSNH plan, were contingent upon certain regulatory approvals and consents and the financings being completed by December 31, 1984.

PSNH has completed two of the three steps necessary to finance their ownership share of Unit 1. In June 1984, they issued $90 million of short-term notes and in December, 1984 issued $425 million of long-term debt. PSNH has recently submitted a plan to be underwritten by Merrill Lynch Capital Markets, Kidder, Peabody & Co. Incorporated and Drexel Burnham Lambert, Incorporated. Whereas the original financing plan contemplated up to $730 million of financing, this new plan contemplates an aggregate borrowing of approximately $340 million through the use of "deferred interest bonds" and possibly tax-exempt pollution control bonds. Due to the deferred interest feature of the plan, the amount that PSNH would be obligated to repay could be substantially higher than the amount borrowed.

Many of the Joint Owners, including PSNH and the Company, were unable to meet the financing and regulatory approvals by December 31, 1984 to complete their financing plans. The three Maine utilities (including the Company) have been told by the MPUC to assume that if certain conditions are not met, the MPUC will order the Company to disengage from the Seabrook Project (see Regulatory Proceedings section of this report). The Connecticut Department of Public Utility Control (CDPUC) issued a decision in December, 1984 with a finding that their economic analysis demonstrate that completion of Seabrook Unit 1 is better than cancellation. Such findings, however, are subject to re-evaluation by the CDPUC in light of changing circumstances affecting the completion of Seabrook Unit 1. Also in December, the Vermont Public Service Board (VPSB) issued its order with respect to the continued involvement of the Vermont utilities in the construction of Seabrook Unit 1. The VPSB concluded that Seabrook Unit 1 remained marginally economic and ordered that the Vermont utilities could continue with construction of Seabrook Unit 1 at least until April 15, 1985. The VPSB indicated that if the final financial plans, including regulatory approvals, necessary for completion of Seabrook Unit 1 were not in effect by April 15, 1985, then the Vermont utilities would be required to show cause as to why the VPSB should not issue an order requiring Vermont utilities to take all available prudent actions to effect cancellation of Seabrook Unit 1 and/or terminate their participation therein. The Company is unable to predict whether all the required approvals or whether market conditions or other factors will permit the completion of the financing in time to commence full construction of Seabrook Unit 1.

Construction of the Seabrook Project was reduced to a minimum level in the spring of 1984 to preserve and protect the asset. On April 26, 1984, a 15th Amendment of the Seabrook Joint Ownership Agreement was executed. The 15th Amendment effectively appointed a Disbursing Agent and Management Agent to take over all management duties that were formerly vested in PSNH. This amendment also reduced from 80% to 51% the vote required to terminate, suspend, shutdown or resume construction of Seabrook Unit 1 and requires a 51% affirmative vote to resume construction of Seabrook Unit 2. As a result of this amendment, the Company took the position in its rate proceeding that Seabrook Unit 2 was cancelled or abandoned.

On July 2, 1984, construction of Seabrook Unit 1 resumed at a spending level of $4 million per week. (Full construction is estimated at approximately $10 million per week.) Construction expenditures were increased to $5 million per week effective December 1, 1984. The increase to $5 million per week was based on a vote of 87% of the Joint Owners (not including your Company and the other Maine utilities) and in addition, extended the December 31, 1984 deadline for the financing plans to January 31, 1985. In a subsequent Joint Owners meeting, the deadline for the financing plans was extended to April 30, 1985 with the Maine utilities again voting against such an extension. It is the Company's position that such extensions are not legally binding, and the Company has paid its share of the increased costs from $4 million to $5 million per week under protest. The Company has notified the other Joint Owners that it cannot prefinance its share of Seabrook Unit 1, but that it will continue to honor the payments required under the Joint Ownership Agreement to the extent of its ability to do so.

Management of the construction of the Seabrook Project currently estimates that if full funding were to begin on April 1, 1985, the estimated cash cost to complete would be approximately $900 million with a commercial operation date not later than November, 1986. Management Analysis Company (MAC) an independent consultant hired by the Joint Owners found that management's estimates were essentially accurate and within a 90% probability level of accuracy.

Affiliated Companies

The Company owns 100% of the Common Stock (with the exception of directors' qualifying shares) of Maine and New Brunswick Electrical Power Company, Limited hereinafter referred to as the Subsidiary. The Subsidiary owns and operates Tinker Station, a hydro generating facility, located on the Aroostook River in the Province of New Brunswick, Canada. The Tinker Station has a hydro plant of five units with 34,000 kilowatts of capacity and a 1,000 kilowatt diesel unit. The Subsidiary serves the community of Perth-Andover in New Brunswick, with the remaining energy exported to the Parent Company in Maine under license of the National Energy Board of Canada. The Subsidiary's export license is subject to renewal in 1988.

The Parent Company owns 5% of the Common Stock of the Maine Yankee Atomic Power Company (Maine Yankee). Maine Yankee owns and operates an 850,000 kilowatt nuclear generating plant in Wiscasset, Maine. The Company is entitled to purchase approximately 5.3% of the very economical nuclear energy produced by this plant, including the assignment of the entitlement of approximately .4%, effective June 1, 1983, by Houlton Water Company, a wholesale customer of the Company. The Houlton Water Company may terminate the contract upon written notice to the Company, but such termination will not occur until five years after the receipt of said written notice.

The Company also owns 7.49% of the Common Stock of Maine Electric Power Company, Inc. (MEPCO). MEPCO owns and operates a 345-KV (kilovolt) transmission line about 180 miles long which connects The New Brunswick Electric Power Commission (NBEPC) system with the New England Power Pool. Under agreements with NBEPC, MEPCO is presently purchasing Canadian energy and reselling it to various New England utilities. The MEPCO transmission line is also the path by which Maine Yankee and Wyman #4 energy is delivered northerly into the NBEPC system and then wheeled to the Parent Company through its interconnections with NBEPC at the international border. On October 31, 1984, the Company's entitlement in MEPCO was reduced from 13.4 megawatts to 10.6 megawatts as a result of the expiration of an assignment of 2.8 megawatts from Northeast Utilities. The Company is currently entitled to 3.4 megawatts of MEPCO capacity and has been assigned another 7.2 megawatts by another New England utility for a total entitlement of 10.6 megawatts, such entitlements terminating on October 31, 1985.

The Company has pledged its Common Stock of Maine Yankee and MEPCO for the benefit of its commercial banks and debenture holders. See "Financial Condition" section of this report.

Regulatory Proceedings

On July 20, 1984, the Company filed with the Maine Public Utilities Commission (MPUC) under Docket 84-80 a request for a general increase in retail rates of approximately $7.35 million. This request was based on a test year ended June 30, 1984, and included nine months of actual data and three months of estimated data. On August 17, 1984, the Company revised its rate request to $7.1 million based on actual data for the twelve months ended June 30, 1984. The MPUC issued an "Interim Order" based on the parties to the proceeding entering into a Stipulation of Selected Issues. As a result of the Stipulation, an increase in annual revenues of $570,000 became effective on November 21, 1984. The remaining issues arising out of the requested rate increase, which includes among other things the recovery of costs associated with the cancellation of Seabrook Unit 2 and further tax normalization associated with AFUDC on Seabrook Unit 1 have been deferred pending the final determination of MPUC Docket No. 84-113 as discussed below. On January 11, 1985, the Company revised its rate request to $5.5 million (including the $570,000 Stipulation), primarily based on the reallocation of costs from Seabrook Unit 2 to Seabrook Unit 1 as well as several other factors. The Company's request for a general increase in rates must be finally determined by the MPUC by May 10, 1985.

The MPUC issued a Notice of Investigation of Seabrook Involvements by Maine Utilities (MPUC Docket No. 84-113) on June 8, 1984. The scope of the investigation includes the reasonableness of the utilities' decisions to date with respect to Seabrook, the reasonableness of any future involvement, and the reasonableness of including Seabrook—related costs in customer rates. On December 13, 1984, the MPUC issued an order which essentially ordered the three Maine utilities to offer to sell their complete ownership shares of Seabrook Unit 1 with certain limitations. In a subsequent order, dated January 16, 1985, the Commission noted that no offers of the type contemplated by the Commission's December 13 order had been received. The Commission therefore ordered the three utilities to present plans to disengage from Seabrook. On February 8, 1985, the Company filed its plan of disengagement, which indicated it would continue its attempts to market its share of the Seabrook Project. The Company has appealed the action of the MPUC in connection with the December 13, 1984 order. Such appeal questions the jurisdiction of the MPUC and the validity of the Order. Similar complaints and appeals have been filed by the other Maine utilities. The Company is unable to predict the outcome of the proceedings in the Maine Supreme Judicial Court or the Maine Superior Court or its effect on the participation of the Maine utilities in the Seabrook Project.

If the MPUC "orders" the Company to default under the Seabrook Joint Ownership Agreement, burdensome and costly litigation would certainly ensue. Such a default, and the ensuing litigation, would serve no legitimate interest, and would be severely adverse both to the Company and its customers. The Company is unable to predict what action, if any, the MPUC will take with regard to the disengagement plans of the three utilities.

Financial Condition

Due to uncertainties surrounding the Seabrook Project, the Company had difficulty securing long-term financing during the year. On May 14, 1984, the Seabrook Joint Owners passed a resolution whereby certain financing and regulatory approvals were required by all Joint Owners by December 31, 1984 to insure prefinancing of the project. The Company sold $5 million of 16.3% First Mortgage Bonds due 1989 and $2.5 million of Floating Rate Series A Bonds due July, 1985 on July 26, 1984. The proceeds from this sale were placed in a special escrow account pending approval by the MPUC to use these funds to prefinance the Seabrook Project. Since the financing and regulatory approvals were not in place by December 31, 1984, the proceeds from the escrow account were used to reduce short-term debt, in accordance with the terms of the escrow agreement.

On December 14, 1984, the Company entered into a Stock Pledge and Security Agreement whereby the Company pledged its ownership interest in the Common Stock of Maine Yankee Atomic Power Company and Maine Electric Power Company, Inc., for the benefit of the Company's commercial banks and holders of its presently outstanding Debentures. The Stock Pledge and Security Agreement is currently in effect.

Outstanding short-term notes at December 31, 1984 were $11,080,000. The Company is presently negotiating a credit agreement with its Banks in the amount of $22,500,000 with a term of one year; such credit agreement to be secured by Second Mortgage Bonds and the Company's ownership interest in the Common Stock of Maine Yankee Atomic Power Company and Maine Electric Power Company, Inc. Consents of senior security holders are required for the credit agreement and it is anticipated that the Second Mortgage Bonds will also be pledged to the holders of the Company's outstanding Debentures.

The Company's Dividend Reinvestment and Stock Purchase Plan (DRIP) was suspended on May 8, 1984 due to the uncertainties surrounding the Seabrook Project and the possibility that a portion of the 1984 dividends would be nontaxable. Shares issued under the DRIP for 1984 were 6,229, thereby increasing Common Equity by $149,892. Shares issued under the Employee Stock Ownership Plan were 3,420 resulting in increased Common Equity of $71,764.

AFUDC represented approximately 109% of net income for the year. As a result of the 15th Amendment of the Seabrook Joint Ownership Agreement (see Seabrook Project section of this report) and the present status of Seabrook Unit 2, the Company has discontinued the recording of AFUDC related to Seabrook Unit 2 since April 1, 1984.

At the present time, the Company is unable to predict the outcome of its rate proceeding or the MPUC Seabrook Investigation (see Regulatory Proceedings section of this report). The Company must receive positive regulatory support and sufficient and timely rate relief if it is to continue to meet its obligation to the Seabrook Project and must obtain the necessary external financing to complete the Project.

Employees

The Parent Company had 159 full-time employees at the end of 1984 while the Subsidiary had 10 employees, the same number employed at the end of the previous year. Consolidated payroll costs for 1984 amounted to $4,129,444, 4.9% more than the comparable figure of $3,938,019 for 1983. In accordance with the second year of the Parent Company's contract with Local 1837 of the International Brotherhood of Electrical Workers, union employees' base pay increased 5% effective October 1, 1984.

As a cost containment measure stipulated to by the Company in its retail rate case, the Company agreed to hold payroll costs at levels existing prior to October 1, 1984. This was accomplished by freezing the wages of the non-union employees to levels existing at September 30, 1984 and laying off three union employees after the union's refusal to accept a suspension of the 5% wage increase granted to union employees on October 1, 1984, referred to above.

The Subsidiary's employees represented by Local 1733 of the International Brotherhood of Electrical Workers received an 8% increase in base pay in accordance with the second year of their contract effective January 1, 1984. The Subsidiary is currently involved in contract negotiations with union representatives.

General

The 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.

The Company's Common Stock is listed and traded on the American Stock Exchange. Only Common Stockholders are entitled to vote at the annual meeting, except as required under the provisions of the Articles of Incorporation relating to Preferred Stock, or as may be required by applicable law. As of December 31, 1984 and 1983, Common Stock shares outstanding were 925,709 and 916,060, respectively. Shares were held by 3,365 stockholders in all fifty states, the District of Columbia and Canada. There were 60 holders of the 5,378 shares of 4.75% Preferred Stock, four holders of the 25,500 shares of 9⅞% Preferred Stock, three holders of the 80,000 shares of 9⅝% Preferred Stock and three holders of the 60,000 shares of 13% Preferred Stock.

For the taxable year 1984, the Company made a determination that the April 1, July 1, and October 1 Preferred and Common Stock dividends constituted nontaxable, return of capital distributions. The January 1, 1984 Preferred and Common Stock dividend payments were fully taxable. These determinations are subject to review by the Internal Revenue Service, and shareholders will be notified if any significant changes occur. The Company anticipates that the 1985 dividends may be nontaxable due to a "Return of Capital."

Due to the uncertainties surrounding the Seabrook Project and the need to conserve cash, Common Stock quarterly dividends were reduced in the first quarter of 1985 from $.58 to $.35 a share. This action was based on a resolution passed at a special Board of Directors meeting held on October 17, 1984, limiting dividends to 60% of the then current dividend rate until further notice.

The Board of Directors, at a regular meeting held on February 26, 1985, omitted the quarterly dividend on the Company's Common Stock, normally paid on April 1. The

Maine Public Service Company
and Subsidiary

statements of consolidated preferred

	Redeemable Cumulative Preferred Stock	
	Shares	**Amount**
Balance, January 1, 1982	117,180	$5,859,000
Net Income		
Dividends:		
Preferred Stock		
Common Stock ($2.12 per share)		
Stock Issued—Common Stock		
Stock Repurchased—Preferred Stock	(2,100)	(105,000)
Balance, December 31, 1982	115,080	5,754,000
Net Income		
Dividends:		
Preferred Stock		
Common Stock ($2.27 per share)		
Stock Issued—Common Stock		
Stock Issued—Preferred Stock	60,000	3,000,000
Stock Issuance Expenses		
Stock Repurchased—Preferred Stock	(2,100)	(105,000)
Balance, December 31, 1983	172,980	8,649,000
Net Income		
Dividends:		
Preferred Stock		
Common Stock ($2.09 per share)		
Stock Issued—Common Stock		
Stock Repurchased—Preferred Stock	(2,102)	(105,100)
Balance, December 31, 1984	170,878	$8,543,900

See Notes to Consolidated Financial Statements.

omission of the Common dividend is due to the continued uncertainties surrounding the Seabrook Project and the necessity to conserve cash.

The annual meeting of stockholders is held each year on the second Tuesday in May at the Company's headquarters in Presque Isle. Market price and dividend information relative to the Common Stock for the two most recent calendar years are shown in the following tabulation:

1983	Market Price High — Low	Dividends Paid Per Share
First Quarter	24⅜ — 21	0.53
Second Quarter	27⅞ — 22⅞	0.53
Third Quarter	27 — 24½	0.58
Fourth Quarter	27⅛ — 23¾	0.58
1984		
First Quarter	26 — 22⅜	0.58
Second Quarter	23½ — 14	0.58
Third Quarter	18¼ — 16	0.58
Fourth Quarter	16¾ — 12¼	0.58

stock and common shareholders' equity

Common Shareholders' Equity			
Common Stock			
Shares	Amount	Paid-In Capital	Retained Earnings
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	
699,807	4,898,649	2,021,157	16,490,514
			6,333,486
			(820,624)
			(1,957,721)
216,253	1,513,771	4,441,570	
			(551,084)
		8,825	
916,060	6,412,420	6,471,552	19,494,571
			6,320,890
			(917,936)
			(1,930,424)
9,649	67,543	154,113	
		5,958	
925,709	$6,479,963	$6,631,623	$22,967,101

Maine Public Service Company
and Subsidiary

statements of consolidated income

	Year Ended December 31, 1984	1983	1982
Operating Revenues	**$ 34,334,282**	$ 33,183,752	$ 31,144,070
Operating Expenses			
Operation:			
Power Purchased	**15,699,256**	12,880,854	16,020,231
Other	**8,444,446**	9,035,905	6,868,087
Maintenance	**1,304,302**	1,133,146	1,067,742
Depreciation (Note 2)	**1,733,991**	1,760,589	1,756,007
Taxes:			
Other Than Income	**1,050,471**	999,401	993,157
State Income	**(124,031)**	133,185	(141,086)
U.S. and Canadian Federal Income (Notes 2 and 3):			
Current	**(25,966)**	239,561	(552,690)
Deferred—Related to Deferred Fuel Expenses	**267,684**	(392,203)	563,410
Other Deferred—Net	**922,179**	1,375,971	198,896
Investment Tax Credits	**(567,315)**	458,482	(340,924)
Total Operating Expenses	**28,705,017**	27,624,891	26,432,830
Operating Income	**5,629,265**	5,558,861	4,711,240
Other Income (Deductions)			
Equity in Income of Associated Companies (Notes 2 & 4)	**339,739**	330,864	333,661
Allowance for Equity Funds Used During Construction (Note 2)	**3,880,708**	2,661,612	1,813,859
Foreign Exchange Gain (Loss)	**36,649**	611	270
Other—Net	**111,335**	(81,531)	(36,574)
Total	**4,368,431**	2,911,556	2,111,216
Income Before Interest Charges	**9,997,696**	8,470,417	6,822,456
Interest Charges			
Long-Term Debt and Notes Payable	**6,663,987**	5,299,415	5,126,050
Less Allowance for Borrowed Funds Used During Construction (Note 2)	**(2,987,181)**	(3,162,484)	(2,964,020)
Total	**3,676,806**	2,136,931	2,162,030
Net Income	**6,320,890**	6,333,486	4,660,426
Dividends on Preferred Stock	**917,936**	820,624	541,918
Net Income Available for Common Stock	**$ 5,402,954**	$ 5,512,862	$ 4,118,508
Earnings Per Share of Common Stock	**$5.85**	$6.68	$5.95
Average Shares Outstanding	**923,608**	825,254	692,694

See Notes to Consolidated Financial Statements.

statements of sources of consolidated funds for plant additions and replacements

	Year Ended December 31,		
	1984	1983	1982
Sources of Funds			
Funds Provided By Operations			
Net Income	**$ 6,320,890**	$ 6,333,486	$ 4,660,426
Principal Non-Cash Charges (Credits) to Income:			
Depreciation (Note 2)	**1,733,991**	1,760,589	1,756,007
Deferred Income Taxes—Net (Note 3)	**922,179**	1,375,971	198,896
Deferred Investment Tax Credits (Note 3)	**(567,315)**	458,482	(339,981)
Allowance for Equity Funds Used During Construction (Note 2)	**(3,880,708)**	(2,661,612)	(1,813,859)
Foreign Exchange Loss (Gain) (Note 2)	**(36,649)**	(611)	(270)
Other—Net	**12,117**	289,506	(34,353)
Funds Provided By Operations	**4,504,505**	7,555,811	4,426,866
Less: Dividends on Preferred and Common Stock	**(2,848,360)**	(2,778,345)	(2,010,627)
Funds Retained in the Business	**1,656,145**	4,777,466	2,416,239
Funds Provided By (Used For) Financing—Net			
Notes Payable to Banks	**2,019,200**	239,300	(4,762,800)
Short-Term Debt Refinanced (Note 6)	**—**	—	16,000,000
Issuance of Long-Term Debt	**7,500,000**	—	—
Long-Term Debt Retirements	**(447,127)**	(451,997)	(1,139,170)
Preferred Stock Redemptions	**(99,142)**	(96,175)	(86,969)
Issuance of Common Shareholders' Equity and Redeemable Cumulative Preferred Stock	**221,656**	8,404,257	293,982
Funds Provided By Financing—Net	**9,194,587**	8,095,385	10,305,043
Funds Provided By (Used For) Deferred Regulatory and Debt Issuance Costs	**(742,376)**	(343,258)	45,169
Net Funds Available	**10,108,356**	12,529,593	12,766,451
Increase (Decrease) in Available Funds			
(Increase) Decrease in Working Capital (see below)	**232,698**	1,187,953	(317,923)
Other—Net	**14,973**	13,668	13,367
Funds Used For Plant Additions and Replacements (Net of Allowance for Equity Funds Used During Construction)	**$ 10,356,027**	$ 13,731,214	$ 12,461,895
Increase (Decrease) in Working Capital by Components (excluding long-term debt due within one year and notes payable to banks):			
Cash	**$ (38,242)**	$ (235,759)	$ 312,505
Deposits for Interest and Dividends	**141,470**	255,500	40,540
Accounts Receivable—Net and Refundable Income Taxes	**(7,859)**	(575,386)	493,956
Deferred Income Taxes Related to Deferred Fuel Costs—Net	**(267,684)**	392,203	(563,410)
Materials, Fuel and Supplies	**141,546**	(192,500)	(216,567)
Prepayments	**35,032**	(48,888)	58,337
Accounts Payable and Accounts Payable—Associated Companies	**(344,767)**	961,171	(1,004,445)
Deferred Fuel and Purchased Energy Costs—Net	**479,178**	(722,008)	1,132,663
Taxes Accrued	**148,020**	(168,558)	95,231
Interest Accrued and Other Current Liabilities—Net	**(519,392)**	(853,728)	(36,887)
Increase (Decrease) in Working Capital	**$ (232,698)**	$ (1,187,953)	$ 317,923

See Notes to Consolidated Financial Statements.

consolidated

assets

	December 31, 1984	December 31, 1983
Utility Plant (Notes 2 and 5):		
Electric Plant in Service	**$ 60,929,655**	$ 59,949,738
Less Accumulated Depreciation	**25,604,647**	24,439,331
Net Electric Plant in Service	**35,325,008**	35,510,407
Construction Work-In-Progress (Notes 1 and 10)	**69,128,191**	56,575,299
Total	**104,453,199**	92,085,706
Investments in Associated Companies (Notes 2 and 4)	**3,428,150**	3,413,454
Net Utility Plant and Investments in Associated Companies	**107,881,349**	95,499,160
Current Assets:		
Cash	**387,829**	426,071
Deposits for Interest and Dividends	**954,087**	812,617
Accounts Receivable:		
Customer (less allowance for uncollectible accounts— 1984, $141,904; 1983, $136,687)	**2,815,186**	2,775,829
Other	**122,946**	224,208
Refundable Income Taxes (Note 3)	**54,046**	——
Deferred Fuel and Purchased Energy Costs (Note 2)	**57,954**	——
Deferred Income Taxes Related to Deferred Fuel Costs (Note 2)	**——**	242,587
Materials, Fuel, and Supplies (at average cost)	**1,590,017**	1,448,471
Prepayments	**97,976**	62,944
Total	**6,080,041**	5,992,727
Deferred Debits:		
Unamortized Debt Expense (being amortized over terms of related debt)	**578,677**	486,312
Deferred Regulatory Costs	**523,371**	——
Miscellaneous	**734,037**	596,658
Total	**1,836,085**	1,082,970
	$115,797,475	$102,574,857

See Notes to Consolidated Financial Statements.

balance sheets

capitalization and liabilities

	December 31, 1984	December 31, 1983
Capitalization (see accompanying statements):		
Common Shareholders' Equity (Note 8)	**$ 36,078,687**	$ 32,378,543
Redeemable Cumulative Preferred Stock (Note 9)	**8,543,900**	8,649,000
Long-Term Debt (Note 6)	**42,086,248**	39,381,928
Total	**86,708,835**	80,409,471
Current Liabilities:		
Long-Term Debt Due Within One Year	**4,757,408**	445,504
Notes Payable to Banks (Note 6)	**11,080,000**	9,060,800
Accounts Payable	**1,687,753**	1,357,430
Accounts Payable—Associated Companies	**990,391**	975,947
Deferred Fuel and Purchased Energy Costs (Note 2)	**—**	421,224
Deferred Income Taxes Related to Deferred Fuel Costs (Note 2)	**25,097**	—
Dividends Declared	**552,418**	761,559
Customer Deposits	**62,804**	73,185
Taxes Accrued	**56,460**	204,480
Interest Accrued	**1,932,696**	1,193,782
Total	**21,145,027**	14,493,911
Deferred Credits:		
Income Taxes (Note 2)	**5,101,414**	4,177,694
Investment Tax Credits (Note 2)	**2,651,218**	3,220,996
Miscellaneous	**190,981**	272,785
Total	**7,943,613**	7,671,475
Contingencies (Note 1)		
	$115,797,475	$102,574,857

notes to consolidated financial statements

1. CONTINGENCIES

The Company is an investor with a 1.46056% ownership interest in the Seabrook Nuclear Power Project Units 1 and 2. The New Hampshire Yankee Division of Public Service Company of New Hampshire (PSNH), the lead participant, has construction responsibilities for the Project.

On March 1, 1984, PSNH released a new cost and in-service date estimate, which indicates that Unit 1 will begin operating in July 1986 at a cost of about $4.6 billion; the estimate includes an allowance for the costs of funds used during construction (AFDC) of $1.7 billion and a management reserve for contingencies of $170 million, but excludes nuclear fuel estimated at $275,000,000 (construction on Unit 2 has been suspended indefinitely). PSNH has indicated that the Unit 1 cost estimate and projected completion date can be met only if the current construction budget of $5 million per week is increased to $10 million per week no later than April 1, 1985.

The March 1984 cost and completion date estimates represent a 75% increase and an 18-month delay over the preceding estimates of November 1982. Cost overruns and delays in construction completion dates have resulted in AFDC (a credit to income) being approximately 109%, 92% and 103% of net income in 1984, 1983, and 1982, respectively.

The Maine Public Utilities Commission (MPUC) is currently investigating the prudency of continued investments in the Project by the three Maine utility participants. On December 13, 1984, the MPUC issued an interim order stating that ". . . . Maine's three utilities may continue to participate in the construction of Seabrook 1 if, by January 11, 1985, they have received credible firm offers to buy their complete ownership shares upon completion or by date certain (whichever is sooner). . . In the absence of such offers, the risks associated with further participation in Seabrook 1 may well outweigh the benefits to Maine consumers, and further expenditure by Maine utilities under such circumstances would be an unreasonable act under [Maine state laws]." In the absence of "credible firm offers" the Maine utilities could expect a subsequent order requiring the submission of a disengagement plan by each Maine utility. On January 16, 1985, the MPUC ordered the Company to submit its plan for disengagement by February 8, 1985. On February 8, 1985, the Company issued its plan for disengagement which stated that the Company will: 1) continue to seek buyers for its investment in the Project, 2) advocate cancellation of the Project, and 3) attempt to negotiate withdrawal from the joint ownership agreement in a manner which would not subject the Company to liability or litigation. The MPUC plans to issue a final order on this matter; however, the outcome is not currently determinable. Certain joint owners have threatened litigation against the Company if an order to suspend payments is issued by the MPUC and followed by the Company.

During 1984, the Company filed a request for $5.5 million of rate increases. The MPUC order on this request will be issued during May 1985. The Company is seeking full normalization of the timing differences between accounting and taxable income relating to the interest portion of AFDC, and recovery over a five-year period (without a return on investment) of all costs associated with Unit 2. The Company believes that Unit 2 is effectively canceled. Construction on Unit 2 has been suspended since March, 1984, and the resumption of construction would require a positive vote of at least 51% of the joint ownership interest; management believes such a vote is extremely unlikely. Accordingly, the Company suspended AFDC on Unit 2; the effect was to decrease net income in 1984 by approximately $900,000. The total costs of Unit 2 incurred to date by the Company are $9.5 million (including $2.9 million of AFDC). Additionally, cancellation costs are an estimated $1.2 million. The probable decision of the MPUC is not estimable at this time; inadequate rate relief would force the Company to seek alternative means of financing to meet expected cash requirements for 1985. In turn the Company's ability to obtain additional financing depends largely on the amount of rate relief granted in the current case.

If the Company continues its investment in Unit 1, which will require MPUC approval, additional financing will be required. The Company's ability to obtain such financing will depend largely on the amount of rate relief granted in the above rate case. If Unit 1 were to have significant additional cost overruns, timely and appropriate rate relief by the MPUC would again be required for the Company to obtain the additional financing. Completion of Unit 1 is also contingent on the other joint owners being able to finance their interests. Some of them are also confronted with financing difficulties.

In the event that the completion or operation of Unit 1 is prevented, the Company would have to request authorization from the MPUC to recover its investment through electric rates. If the MPUC determined that any portion of the Company's investment was not recoverable through electric rate adjustments, the Company would charge the uncoverable portion against earnings. The Company's investment in the Project exceeds Common Shareholders' Equity.

The Company's indenture of first mortgage, debenture indentures and corporate charter specify earnings coverage and other conditions which must be complied with prior to the issuance of additional debt or shares of preferred stock, which requirements may not be met if a significant charge were made against earnings.

The Company's ability to sustain existing operations and provide for current debt requirements are dependent upon appropriate rate relief. The uncertainties of the Seabrook project have forced the Company into a cash conservation program, which resulted in the omission of a cash dividend on its common stock, normally payable on April 1, 1985.

2. ACCOUNTING POLICIES, ETC.

Regulations The Company is subject to the regulatory authority of the Maine Public Utilities Commission (MPUC) and, with 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. The functional currency of the subsidiary is the U.S. dollar. Accordingly, translation gains and losses are included in other income. Income from and expenses of the subsidiary are translated at rates of exchange prevailing at the time the income is earned or the expenses are incurred, except for depreciation which is translated at rates existing on the applicable in-service dates. Assets and liabilities are translated at year-end exchange rates, except for property, plant, and equipment which is translated at rates existing on the applicable in-service dates.

Deferred Fuel and Purchased Energy Costs Electric rates include adjustment clauses for fuel and purchased energy costs, through which costs above or below base rate levels are recoverable from or refundable to customers. Fluctuations between current base rates and actual costs are deferred until recovered or refunded through subsequent adjustment clauses in order to properly match costs with the related revenues.

Revenue Recognition Operating revenues are recorded on a cycle billing basis.

Utility Plant Utility Plant is stated at original cost of contracted services, direct labor and material, as well as related indirect construction costs including general engineering, supervision and similar overhead items, and allowances for the cost of equity and borrowed funds used during construction (AFDC). The cost of utility plant which is retired, including the cost of removal less salvage, is charged to accumulated depreciation. Maintenance and repair, 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. The composite depreciation rate, expressed as a percentage of average depreciable plant in service, was approximately 3.3% in 1984, 1983, and 1982.

Allowance for Cost of Funds Used During Construction The debt and equity costs of funds applicable to construction are capitalized. The composite AFDC rate used for construction during 1984, 1983, and 1982 was 13.16%, 12.57% and 14.36%, respectively.

Income Taxes Deferred income taxes are provided for timing differences, when allowed for rate making purposes. By order of the MPUC, the Company provides deferred taxes for income tax reductions which result from the use of liberalized depreciation for all property additions subsequent to 1969 and prior to 1981. For additions subsequent to 1980, tax reductions relating to depreciation computed using the Accelerated Cost Recovery System and depreciation computed for financial reporting purposes are recorded as deferred income taxes for accounting and rate making purposes as required by the Economic Recovery Tax Act of 1981. In December 1982, the MPUC included as an allowable cost for rate making purposes the tax provision related to a portion of the allowance for borrowed funds used during construction; accordingly, the Company provides for deferred income taxes on such amounts.

Under regulatory practices to which the Company is subject, it is expected that deferred income taxes not provided for will be recovered in rates applicable when such taxes become payable.

The Company defers investment tax credits utilized and amortizes the credits over the remaining estimated useful life of the related utility plant.

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.

The Common Stock of the Subsidiary is pledged as additional collateral for the first mortgage and collateral trust bonds of the Company, and the Common Stock of Maine Yankee and MEPCO is pledged as collateral for the debenture holders and the commercial banks of the Company.

3. INCOME TAXES

Provisions for U.S. Federal Income Taxes for the years ended December 31, 1984, 1983, and 1982 differ from the U.S. statutory income tax rate as follows:

	1984	1983	1982
Statutory rate	46.0%	46.0%	46.0%
AFDC—equity	(25.3)	(15.3)	(18.3)
AFDC—borrowed funds (See Note 2)	(11.0)	(9.4)	(30.0)
Other	2.1	(.3)	(.1)
Effective rate	11.8%	21.0%	(2.4)%

Deferred income taxes are comprised of the tax effects of timing differences for the years ended December 31, 1984, 1983 and 1982 as follows:

(Dollars in Thousands)	1984	1983	1982
Tax loss—Seabrook Unit 2 (See Note 1)	$3,844		
Liberalized depreciation	441	$434	$447
AFDC—borrowed funds (See Note 2)	658	704	
Deferred fuel expense	268	(392)	563
Deferred regulatory expense	266		
Other	(27)	(51)	46
Net operating loss (see below)	(4,260)	289	(294)
Total	$1,190	$984	$762

In 1984 and 1982, the Company incurred operating losses for tax purposes of approximately $9.8 million and $2.5 million, respectively. The carryback of a portion of these losses to prior years resulted in refunds receivable of approximately $55,000 and $682,000 in 1984 and 1982, respectively. The Company reduced net deferred income tax credits in 1984 and 1982 by approximately $4,260,000 and $294,000, respectively, for the benefit applicable to the carryforward portion of the tax losses. In 1983, the Company utilized the carryforward benefit of the 1982 loss, and reinstated all deferred income taxes which had not reversed; at December 31, 1984, the tax loss remaining for carryforward is approximately $8.5 million and expires in 1999.

In 1984 and 1982, the Company reversed previously-recorded investment tax credits of approximately $512,000 and $278,000, respectively, as a result of tax loss carrybacks. The Company has not utilized any investment tax credits in 1984, 1983 or 1982. At December 31, 1984, the Company has unused and unrecorded investment tax credits of approximately $2,329,000 which expire during the period 1996 through 1999.

By order of the MPUC, the income tax effect of certain costs are not includable in the determination of the Company's electric rates. Accordingly, the Company has not provided deferred taxes for net cumulative timing differences of $10,156,000 through 1984.

4. INVESTMENTS IN ASSOCIATED COMPANIES

Dividends received during 1984, 1983, and 1982 from Maine Yankee are approximately $334,000, $327,500 and $319,000, respectively, and from MEPCO approximately $8,500 in 1984, $9,100 in 1983, and $9,800 in 1982. 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)	1984	1983	1982	1984	1983	1982
Earnings						
Operating revenues	$128,080	$120,500	$110,000	$114,176	$129,717	$111,522
Earnings applicable to common stock	$ 6,730	$ 6,437	$ 6,477	$ 111	$ 120	$ 128
Company's equity share of net earnings	$ 337	$ 322	$ 324	$ 8	$ 9	$ 10

Investment						
Total assets	$371,075	$386,285	$354,175	$ 18,473	$ 23,265	$ 26,812
Less:						
Preferred stock	10,069	10,295	10,795			
Long-term debt	81,924	86,294	139,575	7,199	7,777	8,580
Other liabilities and deferred credits	211,822	222,856	137,025	10,394	14,535	17,206
Net assets	$ 67,260	$ 66,840	$ 66,780	$ 880	$ 953	$ 1,026
Company's equity in net assets	$ 3,363	$ 3,342	$ 3,339	$ 66	$ 71	$ 76

5. 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 and 2 (Seabrook) (Note 1).

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

Each participant must provide its own financing. The Company's share in each of the two jointly-owned plants at December 31, 1984 and 1983 is as follows:

(Dollars in Thousands)	Wyman	Seabrook
1984		
Electric plant in service	$6,895	
Accumulated depreciation	(1,291)	
Construction work-in-progress		$68,984
Total	$5,604	$68,984
1983		
Electric plant in service	$6,893	
Accumulated depreciation	(1,074)	
Construction work-in-progress		$56,305
Total	$5,819	$56,305
Company's ownership percentage at December 31, 1984 and 1983	3.3455%	1.4606%

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, 1984 are as follows: 1) an open credit arrangement up to $1,800,000 with interest at the lender's prime rate, 2) a line of credit up to $20,000,000 with interest at 105% of the lender's prime rate, plus a commitment fee of 5% of the prime rate, and a compensating balance averaging $100,000. Effective March 4, 1985, these lines of credit were consolidated into one line of credit of $20,780,000, pending renegotiation. Certain information relating to these arrangements is as follows:

(Dollars in Thousands)	1984	1983
Total line of credit at year end	$21,800	$16,400
Maximum amount of borrowings outstanding at any month end	$17,100	$11,500
Borrowings outstanding at year end	$11,080	$ 8,900
Unused lines of credit at year end	$10,720	$ 7,500
Average outstanding borrowings for the year	$13,355	$ 7,162
Average interest rate for the year	14.22%	13.19%
Effective interest rate at year end	12.37%	12.13%

Other short-term debt at December 31, 1984 and 1983 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:

(Dollars in Thousands)	1984	1983
Maximum amount outstanding at any month end	$ 160	$ 224
Amount outstanding at year end	$ -0-	$ 161
Average interest rate for the year	11.57%	11.18%
Effective interest rate at year end		11.0%

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.

7. PENSION PLAN

The Company and its Subsidiary have insured non-contributory defined benefit pension plans for the benefit of substantially all employees. Pension expense, which includes amortization of prior service costs over a period of twenty years, was approximately \$256,000 in 1984, \$275,000 in 1983 and \$292,000 in 1982. The companies' policy is to fund pension cost accrued. Certain information relating to these plans at December 31, 1983 and 1982, the dates of the most recent actuarial valuations follows:

(Dollars in Thousands)	1983	1982
Actuarial present value of vested accumulated plan benefits	\$5,400	\$4,976
Actuarial present value of non-vested accumulated plan benefits	300	263
Total	\$5,700	\$5,244
Net assets available for benefits	\$6,580	\$5,880

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

In 1983, the Company changed certain investments of the Plan to unallocated insurance contracts from allocated contracts. Accordingly, the actuarial present value of accumulated plan benefits and net assets available for benefits increased by \$1,563,000 and \$1,284,000, respectively.

8. COMMON SHAREHOLDERS' EQUITY

Under the most restrictive provisions of the Company's long-term debt indentures, retained earnings (plus dividends declared on Common Stock) available for the distribution of cash dividends on Common Stock were approximately \$13,900,000 at December 31, 1984.

Paid-in capital increased by approximately \$160,000, \$4,450,000, and \$196,000 in 1984, 1983 and 1982, respectively, representing the excess of the proceeds received over the par value of common stock issued as follows: public offering (200,000 shares in 1983), to the employees' stock ownership plan (3,420, 5,170 and 5,520 shares in 1984, 1983 and 1982, respectively) (see Note 11), to shareholders reinvesting dividends under the Company's dividend reinvestment plan (6,229, 11,083, and 11,077 shares in 1984, 1983 and 1982, respectively) and the excess of par value over reacquisition cost of Preferred Stock (see Note 9).

Effective May 8, 1984, the Board of Directors suspended the Dividend Reinvestment Plan indefinitely due to the treatment of a portion of 1984 dividends as a return of capital and the continuing uncertainties regarding Seabrook (see Note 1).

9. 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 13% Series may be redeemed at the option of the Company beginning April 2, 1988 as follows:

Prior to April 2,	Redemption Price
1989	\$52.44
1990	\$51.63
1991	\$50.81

The voluntary liquidation price of the 13% Series is \$50.50 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 noncumulative option to redeem up to an additional 5,333 shares at the same price and dates as the sinking fund shares.

The 13% Series has a sinking fund requirement whereby the Company must redeem 20,000 shares at \$50 per share and accrued dividends on April 1 of each year commencing in 1991. In addition, the Company shall have a noncumulative option to redeem up to an additional 20,000 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, approximately 1,200 shares of the 4.75%

Series were purchased in 1984, 1983 and 1982 and 900 shares of the 9⅞% Series were purchased in 1984, 1983 and 1982.

10. CONSTRUCTION PROGRAM

See Construction and The Seabrook Project sections on page 5.

11. 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 the year ended December 31, 1982, and equal to ½% of the Company's payroll for the years ended December 31, 1984 and 1983. The contribution to the plan amounted to approximately $19,300, $100,000, and $90,000 for the years ended December 31, 1984, 1983 and 1982, respectively. 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.

12. QUARTERLY INFORMATION (unaudited)

Presented below are financial data showing results for each quarter in the two years ended December 31, 1984:

(Dollars in Thousands Except Per Share Amounts)

	1984 by Quarter			
	1st	2nd	3rd	4th
Operating revenues	$9,061	$8,540	$7,899	$8,834
Operating expenses	(7,561)	(7,550)	(6,541)	(7,053)
Operating income	1,500	990	1,358	1,781
Interest charges	(334)	(1,085)	(1,135)	(1,122)
Other income—net	889	1,176	1,051	1,252
Net income	$2,055	$1,081	$1,274	$1,911
Earnings per common share	$ 1.98	$ .92	$ 1.13	$ 1.82

	1983 by Quarter			
	1st	2nd	3rd	4th
Operating revenues	$9,210	$8,271	$7,432	$8,271
Operating expenses	(7,603)	(6,172)	(6,438)	(7,412)
Operating income	1,607	2,099	994	859
Interest charges	(700)	(593)	(406)	(438)
Other income—net	716	635	758	803
Net income	$1,623	$2,141	$1,346	$1,224
Earnings per common share	$ 2.12	$ 2.48	$ 1.22	$ 1.08

Maine Public Service Company
and Subsidiary

statements of capitalization

	December 31, 1984	December 31, 1983
common shareholders' equity:		
Common Stock, $7 Par Value—2,000,000 Authorized Shares; 925,709 Shares in 1984 and 916,060 Shares in 1983 Issued and Outstanding	**$ 6,479,963**	$ 6,412,420
Paid-In-Capital	**6,631,623**	6,471,552
Retained Earnings	**22,967,101**	19,494,571
Total	**$ 36,078,687**	$ 32,378,543
redeemable cumulative preferred stock:		
Redeemable Cumulative Preferred Stock, $50 Par Value—Authorized, 270,000 Shares (issuable in series):		
4.75% Series—Originally Issued 40,000 Shares; Outstanding, 5,378 Shares in 1984 and 6,580 Shares in 1983	**$ 268,900**	$ 329,000
9⅞% Series—Originally Issued 30,000 Shares; Outstanding, 25,500 Shares in 1984 and 26,400 Shares in 1983	**1,275,000**	1,320,000
9⅝% Series—Originally Issued and Outstanding, 80,000 Shares	**4,000,000**	4,000,000
13% Series—Originally Issued and Outstanding, 60,000 Shares	**3,000,000**	3,000,000
Total	**$ 8,543,900**	$ 8,649,000
long-term debt:		
Maine Public Service Company:		
First Mortgage and Collateral Trust Bonds:		
3.35% Series due 1985—Interest Payable, February 1 and Aug. 1	**$ 1,440,000**	$ 1,460,000
5½% Series due 1990—Interest Payable, March 1 and Sept. 1	**1,520,000**	1,540,000
4¾% Series due 1995—Interest Payable, January 1 and July 1	**2,025,000**	2,050,000
7⅛% Series due 1998—Interest Payable, May 1 and November 1	**3,400,000**	3,440,000
7.95% Series due 2003—Interest Payable, March 1 and Sept. 1	**2,250,000**	2,275,000
10⅝% Series due 1995—Interest Payable, March 1 and Sept. 1	**3,160,000**	3,280,000
10¼% Series due 2004—Interest Payable, April 1 and Oct. 1	**8,000,000**	8,000,000
13⅞% Series due 1992—Interest Payable, June 1 and Dec. 1	**7,000,000**	7,000,000
Floating Rate Series A due 1985—Interest Payable Jan. 26 and July 26	**2,500,000**	—
16.3% Series due 1989—Interest Payable, Jan. 1 and July 1	**5,000,000**	—
Debentures:		
9⅞%, due 1995—Interest Payable, May 1 and November 1	**918,000**	972,000
14%, due 1990—Interest Payable, February 1 and August 1	**9,000,000**	9,000,000
Maine & New Brunswick Electrical Power Company, Limited:		
First Mortgage Bonds—5¾% Series due 1989—Interest Payable, June 1 and December 1	**630,656**	810,432
Total Outstanding	**46,843,656**	39,827,432
Less—Amount due Within One Year	**4,757,408**	445,504
Total	**$ 42,086,248**	$ 39,381,928

Current Maturities of Long-Term Debt for the Succeeding Five Years Are as Follows:

1985—$4,757,408 1987—$2,817,408 1989—$1,781,024
1986—$ 817,408 1988—$2,817,408

See Notes to Consolidated Financial Statements.

MAINE PUBLIC SERVICE COMPANY:

We have examined the consolidated balance sheets and the statements of capitalization of Maine Public Service Company and its Subsidiary, Maine and New Brunswick Electrical Power Company, Limited, as of December 31, 1984 and 1983, 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, 1984. 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.

As discussed in Note 1, the Company is an investor in the Seabrook Nuclear Power Project, Units 1 and 2. The Project has experienced major construction cost overruns, causing the cessation of construction of Unit 2; creating significant difficulties for the joint owners (including the Company) in financing the construction costs of Unit 1; and generating regulatory demands on the Company to disengage from the project with uncertainty as to future rate relief on the Company's investment in the project. These conditions may indicate that the Company will be unable to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

In our opinion, subject to the effects on the consolidated financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainties referred to in the preceding paragraph been known, such financial statements present fairly the financial position of the companies at December 31, 1984 and 1983 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, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS
Boston, March 4, 1985

SERVICE RELIABILITY REINFORCED — Michael Brown completes precision testing of meters, a continuing requirement to assure meter accuracy.

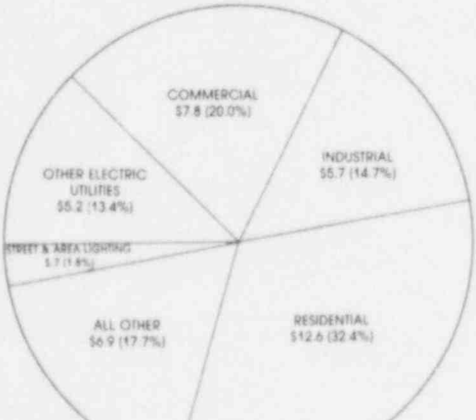
Maine Public Service Company
and Subsidiary

consolidatec

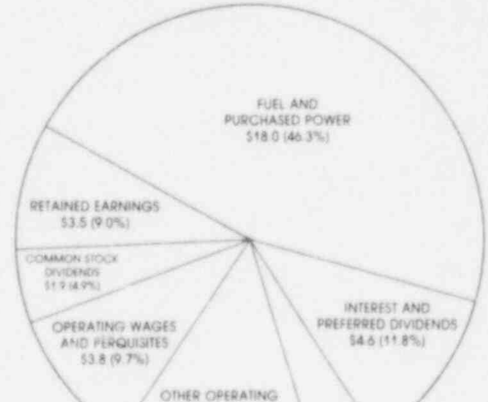
	1984	1983	1982
Capitalization (year end)			
Long-Term Debt	51.21%	49.26%	45.43
Preferred Stock	9.34%	10.70%	10.77
Common Shareholders' Equity	39.45%	40.04%	43.80
Times Interest Earned—*			
Before Income Taxes	2.05	2.53	1.86
After Income Taxes	1.95	2.20	1.91
Times Interest and Preferred Dividends Earned—*			
After Income Taxes	1.71	1.90	1.73
Embedded Cost of Long-Term Debt (year end)	11.44%	10.74%	8.37
Embedded Cost of Preferred Stock (year end)	10.95%	10.90%	9.50
Common Shares Outstanding (year end)	925,709	916,060	699,807
Earnings Per Share of Common Stock (average shares)	$5.85	$ 6.68	$ 5.95
Dividends Per Share of Common Stock—			
Declared Basis	$2.09	$ 2.27	$ 2.12
Paid Basis	$2.32	$ 2.22	$ 2.07
Common Stock Dividend Payout Ratio	35.73%	33.98%	35.63
Book Value Per Share of Common Stock (year end)	$38.97	$35.35	$33.45
Market Price Per Share of Common Stock			
High	$ 26	$ 27⅞	$ 23⅝
Low	$ 12¼	$ 21	$ 14⅛
Close	$ 12¼	$ 25⅞	$ 21¼
Price Earnings Ratio (year end)	2.09	3.87	3.57
Number of Common Shareholders (year end)	3,365	3,503	3,297

*Consolidated net earnings include AFDC.

1984
SOURCE OF INCOME
Millions of Dollars (Total $38.9) and percent of total

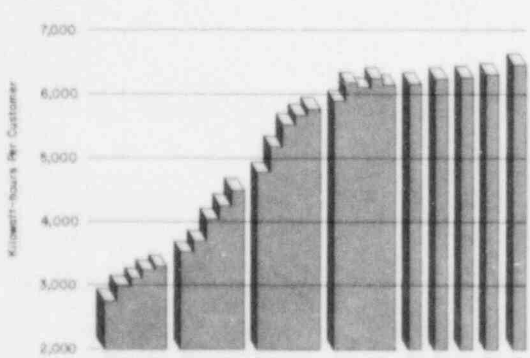


1984 DISTRIBUTION OF INCOME
Millions of Dollars (Total $38.9) and percent of total

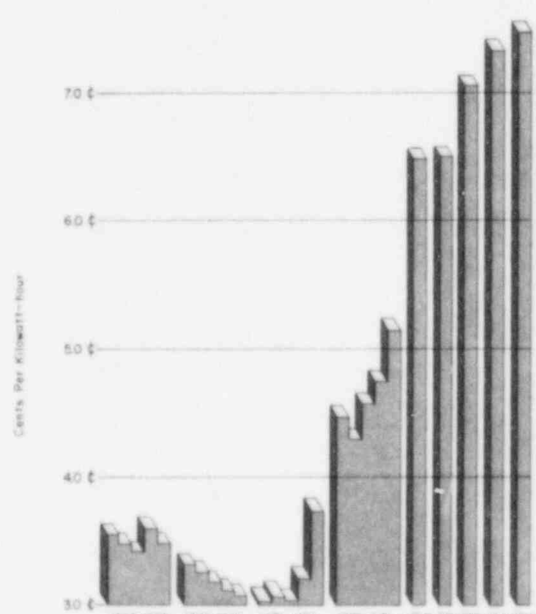


financial statistics

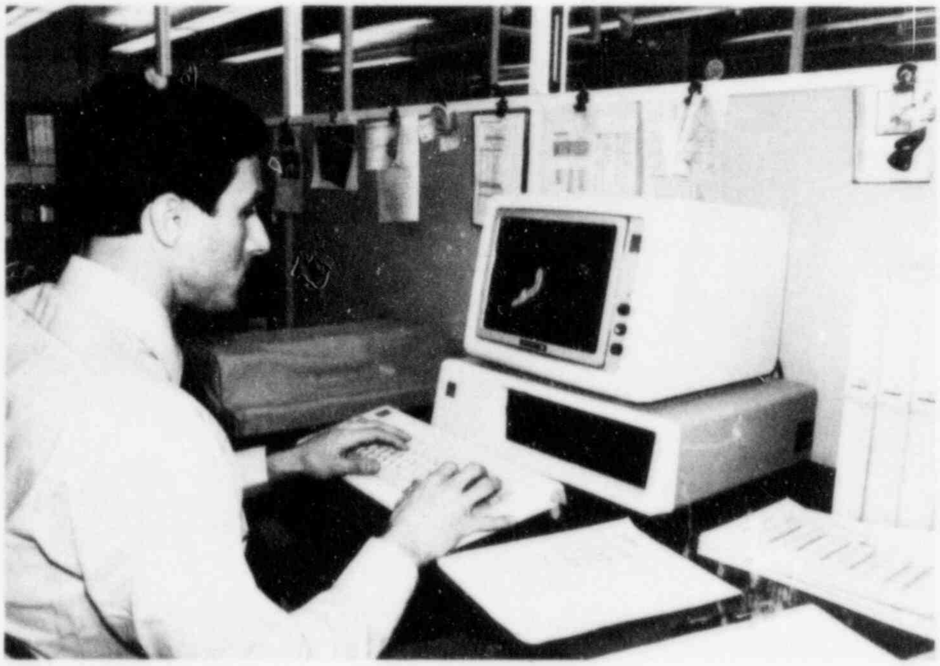
1981	1980	1979	1978	1977	1976	1975	1974
49.14%	51.02%	52.50%	50.63%	53.59%	56.39%	57.94%	56.08%
11.33%	11.74%	11.73%	5.48%	5.77%	6.07%	6.29%	6.76%
39.53%	37.24%	35.77%	43.89%	40.64%	37.54%	35.77%	37.16%
1.73	1.83	2.48	4.27	3.92	3.01	2.80	3.53
1.76	1.76	2.02	2.89	2.67	2.10	2.01	2.35
1.56	1.51	1.84	2.58	2.39	1.87	1.76	2.02
8.28%	8.27%	8.10%	7.16%	7.15%	7.12%	7.10%	5.88%
9.46%	9.42%	9.38%	8.51%	8.41%	8.32%	8.24%	8.16%
683,210	678,307	673,025	667,038	665,734	665,734	665,734	665,734
$ 4.04	$ 2.86	$ 3.80	$ 3.97	$ 3.54	$ 2.25	$ 1.79	$ 2.41
$ 1.92	$ 1.92	$ 1.84	$ 1.61	$ 1.46	$ 1.34	$ 1.31	$ 1.28
$ 1.92	$ 1.90	$ 1.79	$ 1.58	$ 1.43	$ 1.32	$ 1.30	$ 1.28
47.53%	67.13%	48.42%	40.55%	41.24%	59.56%	73.18%	53.01%
$29.93	$27.90	$27.50	$25.57	$23.16	$20.91	$19.74	$19.54
$ 15⅞	$ 18⅛	$ 19¾	$ 20½	$ 19⅞	$ 16⅛	$ 14¼	$ 15⅝
$ 13½	$ 13¾	$ 16⅝	$ 17½	$ 15⅝	$ 13¼	$ 9⅛	$ 8⅜
$ 14¼	$ 15⅜	$ 16¾	$ 17½	$ 18⅛	$ 15⅞	$ 13⅜	$ 9
3.53	5.38	4.41	4.41	5.12	7.06	7.47	3.73
3,351	3,482	3,522	3,577	3,616	3,683	3,753	3,807



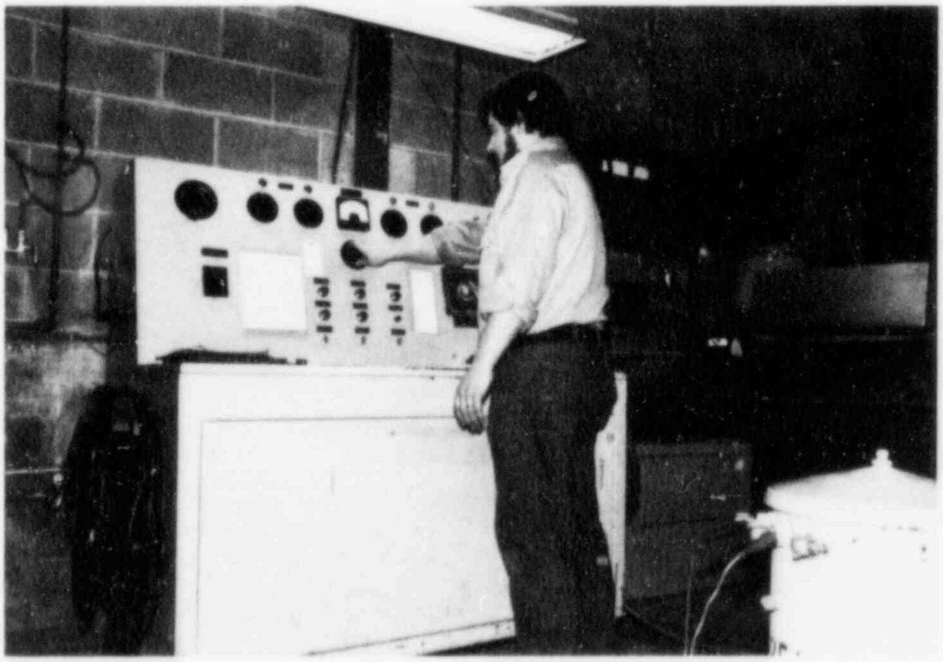
Average Annual Consumption Per Residential Customer



Residential Service Unit Revenue



LOAD GROWTH FORECASTING—John Saintcross of Power Supply and Planning uses one of the Company's new personal computers to analyze a data management program.



TRANSFORMER TESTING—Operational integrity is insured by use of load stress analysis testing. Pat Cote carefully monitors equipment performance.

MAINE PUBLIC SERVICE CO.

ELECTRIC POWER

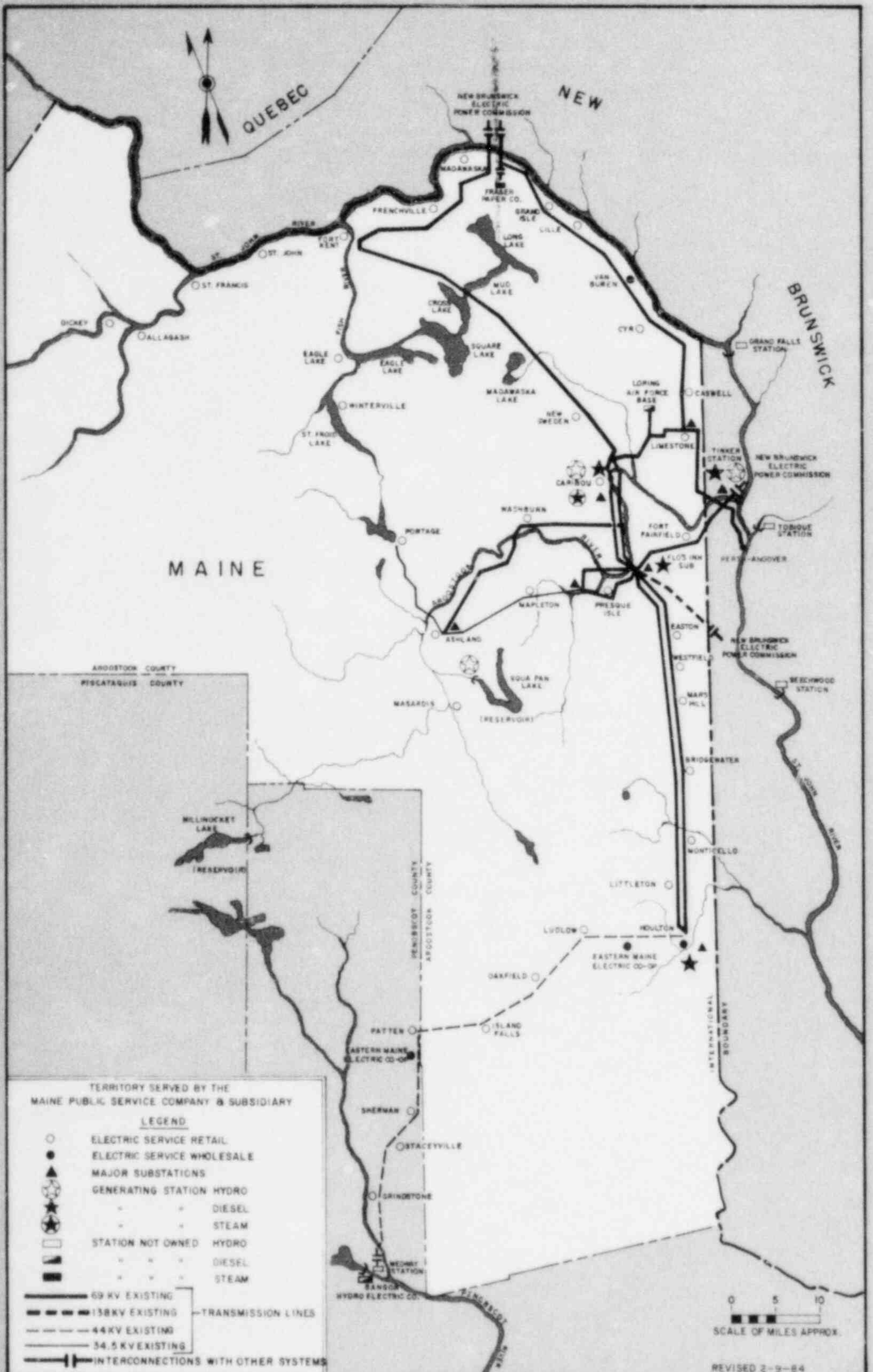
Maine Public Service Company

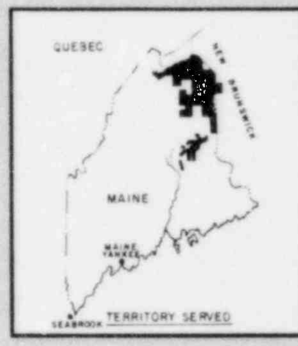
consolidated

	1984 More or (Less) Than 1974 Amount	Average Annual Increase Percent	1984	1983	1982
Operating Revenues					
Residential	**$ 7,368,389**	**9.2**	$12,610,182	$11,992,201	$11,291,761
Commercial and Industrial—small	**4,478,574**	**8.9**	7,795,721	7,430,571	7,034,425
Commercial and Industrial—large	**3,801,910**	**11.7**	5,676,877	5,604,098	5,308,631
Municipal Street Lighting	**227,080**	**8.2**	417,060	405,131	380,628
Area Lighting	**121,391**	**6.4**	261,630	262,111	254,072
Other Municipal and Other Public Authorities	**1,500,271**	**11.7**	2,244,309	2,062,688	2,047,700
Other Electric Utilities	**3,771,498**	**13.9**	5,186,633	5,277,715	4,672,924
Other Operating Revenues	**(3,515)**	**(.2)**	141,870	149,237	153,929
Total Operating Revenues	**$21,265,598**	**10.1**	$34,334,282	$33,183,752	$31,144,070
Number of Customers (average)					
Residential	**1,892**	**.8**	26,313	26,013	25,725
Commercial and Industrial—small	**(34)**	**(.1)**	4,676	4,643	4,584
Commercial and Industrial—large	**5**	**3.3**	18	18	18
Municipal Street Lighting	**3**	**.8**	37	36	36
Area Lighting	**(243)**	**(1.5)**	1,480	1,516	1,594
Other Municipal and Other Public Authorities	**—**	**—**	8	8	9
Other Electric Utilities	**1**	**1.6**	7	7	7
Total Customers	**1,624**	**.5**	32,539	32,241	31,973
Net Generation, Purchases and Sales (thousands of kilowatt-hours)					
Net Generation:					
Steam	**18,868**	**4.7**	51,253	44,564	38,165
Hydro	**(1,107)**	**(.1)**	139,255	157,741	128,101
Diesel	**(747)**	**(16.4)**	(956)	(876)	(868)
Purchases:					
Nuclear Generated	**273,087**	**22.8**	273,087	296,164	222,297
Fossil Fuel Generated	**(120,947)**	**(5.3)**	165,702	139,690	209,178
Inadvertent Received (Delivered)	**(334)**	**(21.6)**	(334)	411	99
Total	**168,820**	**3.2**	628,007	637,694	596,972
Losses and Unaccounted for	**2,592**	**.8**	34,993	36,338	37,591
Company Use	**(50)**	**(.4)**	1,346	1,273	1,324
Electricity Sold	**166,278**	**3.4**	591,668	600,083	558,057
Sales:					
Residential	**28,052**	**1.8**	168,754	163,742	160,061
Commercial and Industrial—small	**29,548**	**3.0**	115,852	111,910	108,376
Commercial and Industrial—large	**38,559**	**4.0**	118,063	117,436	109,985
Municipal Street Lighting	**14**	**.1**	2,720	2,707	2,733
Area Lighting	**(133)**	**(.7)**	1,952	1,976	2,036
Other Municipal and Other Public Authorities	**14,173**	**3.4**	49,790	47,372	46,792
Other Electric Utilities	**56,065**	**5.5**	134,537	154,940	128,074
Total Sales	**166,278**	**3.4**	591,668	600,083	558,057
Average Use and Revenue Per Residential Customer					
Kilowatt-hours	**651**	**1.1**	6,413	6,295	6,222
Revenue	**$264.60**	**8.4**	$479.24	$461.01	$438.94
Revenue per Kilowatt-hour	**3.74¢**	**7.2**	7.47¢	7.32¢	7.05¢

operating statistics

	1981	1980	1979	1978	1977	1976	1975	1974
	$10,298,542	$10,113,502	$ 8,033,191	$ 7,531,515	$ 7,073,874	$ 6,617,492	$ 6,498,277	$ 5,241,793
	6,551,906	6,422,076	4,950,151	4,770,989	4,148,247	4,258,303	4,153,889	3,317,147
	5,181,950	5,156,489	3,578,710	3,220,676	2,765,238	2,859,436	2,752,432	1,874,967
	350,279	339,557	293,577	282,505	273,902	213,590	197,190	189,980
	243,592	240,991	213,744	208,765	207,990	161,924	147,531	140,239
	2,051,833	1,668,506	1,309,218	1,186,878	1,045,997	926,200	889,789	744,038
	4,435,389	3,722,945	2,722,707	2,535,654	2,334,404	1,820,158	1,855,254	1,415,135
	160,322	125,574	138,431	131,783	149,008	145,342	149,690	145,385
	$29,273,813	$27,789,640	$21,239,729	$19,868,765	$17,998,660	$17,002,445	$16,644,052	$13,068,684
	25,593	25,516	25,537	25,470	25,272	24,990	24,709	24,421
	4,599	4,611	4,671	4,689	4,731	4,756	4,778	4,710
	16	16	16	17	17	15	14	13
	36	36	36	36	35	34	34	34
	1,680	1,733	1,751	1,753	1,824	1,825	1,763	1,723
	10	10	8	8	8	8	8	8
	7	7	7	7	6	6	6	6
	31,941	31,929	32,026	31,980	31,893	31,634	31,312	30,915
	48,645	46,849	20,373	26,913	6,193	14,791	50,748	32,385
	191,698	127,630	162,107	116,894	167,874	173,421	105,726	140,362
	(676)	200	243	627	(175)	(80)	78	(209)
	256,068	216,252	220,218	263,137	252,829	52,978	——	——
	109,879	182,382	158,699	157,854	127,109	275,731	319,334	286,649
	56	(90)	(376)	324	23	(70)	——	——
	605,670	573,223	561,264	565,749	553,853	516,771	475,886	459,187
	33,503	32,357	38,330	30,364	34,559	33,392	32,313	32,401
	1,445	1,384	1,277	1,296	1,229	1,281	1,312	1,396
	570,722	539,482	521,657	534,089	518,065	482,098	442,261	425,390
	158,734	156,403	156,399	158,820	154,420	154,060	145,361	140,702
	107,607	107,275	105,055	111,002	98,999	96,910	90,211	86,304
	112,026	111,519	110,452	106,757	100,122	96,499	87,712	79,504
	2,809	3,012	2,981	2,944	2,952	2,889	2,804	2,706
	2,150	2,194	2,233	2,236	2,269	2,305	2,182	2,085
	43,190	36,942	38,762	42,438	42,493	41,157	34,752	35,617
	144,206	122,137	105,775	109,892	116,810	88,278	79,239	78,472
	570,722	539,482	521,657	534,089	518,065	482,098	442,261	425,390
	6,202	6,130	6,124	6,236	6,110	6,165	5,883	5,762
	$402.40	$396.36	$314.57	$295.70	$279.91	$264.81	$262.99	$214.64
	6.49¢	6.47¢	5.14¢	4.74¢	4.58¢	4.30¢	4.47¢	3.73¢





ABOUT THE COMPANY

Maine Public Service Company is an investor-owned electric utility serving about 32,000 retail customers in northern Maine. Its subsidiary, Maine and New Brunswick Electrical Power Company, Ltd., is located at Tinker, New Brunswick.

Servicing approximately 3800 sq. miles, the Company provides electricity at a reliability rate of 99.97%.

The major business activities in the service area center around production of agricultural and forest products.

A favorable power supply mix for the company includes a large percentage of nuclear, fossil fuel, and hydro. Canadian hydro from Hydro-Quebec adds to the power source diversity.

Maine Public Service Company is regulated by the Maine Public Utilities Commission for retail service and by the Federal Energy Regulatory Commission for wholesale transactions. The subsidiary is regulated by the New Brunswick Board of Commissioners of Public Utilities and the Canadian National Energy Board.

MAINE PUBLIC SERVICE COMPANY

Maine and New Brunswick Electrical Power Company Ltd.